

Analyst Briefing Notes

Budget Committee

October 19, 2009

PART I: 2010 OPERATING BUDGET

Executive Summary	2
Recommendations.....	6

PART II: 2010 OPERATING BUDGET OVERVIEW

Mission Statement.....	7
Program Map	7

PART III: 2009 BUDGET VARIANCE ANALYSIS

2009 Experience	13
Impact of 2009 Operating Variance on the 2010 Recommended Budget	13

PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget	14
2010 Key Cost Drivers	15
2010 Service Adjustments	15

PART V: RECOMMENDED SERVICE ADJUSTMENTS

2010 Recommended Service Adjustments	17
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PART VI: RECOMMENDED NEW SERVICE PRIORITY ACTIONS

2010 New/Enhanced Service Priority Actions.....	20
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PART VII: ISSUES FOR DISCUSSION

2010 Base Budget Issues	21
Issues Referred to the 2010 Operating Budget Process	24

Appendix A: 2010 Recommended Base Budget Changes vs. 2009 Approved Budget	25
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Appendix B: Summary of Service Adjustments	26
---	----

Appendix C: Summary of 2010 Recommended New/Enhanced Service Priorities	27
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Appendix D: Program Summary by Expenditure Category	28
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Appendix E: Inflows/Outflows to/from Reserves and Reserve Funds.....	29
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Executive Summary

- Solid Waste Management provides two services: Solid Waste Collection Services and Solid Waste Transfer, and Processing and Disposal Services.
 - Collection Services include maintaining a volume-based rate structure for solid waste collection to encourage residents, small commercial and institutional/ABCD customers to move toward increased diversion. In addition, Collection Services implements, expands and improves service levels to single and multi-residential homes, including green bin deployment, household durable good collection, and curbside townhouse collection to encourage diversion and minimize the costs of garbage collection.
 - Solid Waste Transfer, Processing and Disposal Services include three main areas: Single Stream Recycling (SSR), Source Separated Organics (SSO) and Green Lane Landfill operations. Transfer, Processing and Disposal Services are instrumental in operations at the Green Lane. Landfill responsibilities also include provision for perpetual care management for closed landfill sites now and in the future. Other service provided include temporary, mobile and permanent drop-off centres for Municipal Hazardous and Special Waste including Waste Electrical and Electronic Equipment augment continued efforts to achieve 70% Diversion.
- Solid Waste Management is projecting a year-end net deficit of \$9.296 million. Upon year-end, the net deficit will be funded from the Solid Waste Management Reserve Fund. Including net costs attributable to the labour disruption of \$4.090 million, the net deficit increases to \$13.386 million. The projected year-end unfavourable variance is largely attributable to the following drivers:
 - Lower projected year-end revenues of \$16.684 million are mainly due to a reduction of sale of recyclable materials projected at \$15.000 million. The remaining loss in revenue is mainly due to the labour disruption with loss in both disposal fees and sales of recyclable material of \$2.189 million
 - Offsetting the loss in revenues is lower projected expenditures of \$7.389 million mainly due to a reduction of waste hauled to Michigan and lower tonnages of waste being transferred, hauled and disposed at Green Lane Landfill. Net costs incurred during the strike total \$1.909 million mainly in overtime expenditures offset by salary savings.

- The 2010 Recommended Operating Budget for Solid Waste Management Services is \$319.821 million gross and will be fully funded by \$244.331 in user fee revenue, Waste Diversion Ontario industry funding of \$11.507 million and other funding including sales of scrap and recyclable material of \$29.091 million, dumping fees of \$19.928 million and inter-divisional recoveries of \$7.358 million.

Table 1: 2010 Recommended Budget

(In \$000s)	2009		2010 Recomm'd Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	318,986.7	311,598.9	319,643.2	178.2	319,821.4	834.7	0.3	14,514.8	13,152.0
REVENUE	318,986.7	302,302.6	319,643.2	178.2	319,821.4	834.7	0.3	14,514.8	13,152.0
NET EXP.	0.0	9,296.3	0.0	0.0	0.0	0.0	NA	0.0	0.0
Approved Positions	1,371.8	1,391.7	1,323.1	1.0	1,324.1	(47.7)	(3.5)	(8.0)	12.0

- The 2010 Recommended Operating Budget gross expenditures are \$319.821 million or \$0.835 million or 0.3% over the 2009 Approved Operating Budget. The 2010 recommended revenues are reflect a 2% increase in the 2010 Solid Waste Rates that will generate an additional \$4.854 million for total \$244.3 million in volume-based utility revenue with recycling and other revenues funding the remainder. The budgeted contribution to the Waste Management Reserve is \$12.554 million remains unchanged from 2009.
- The 2011 and 2012 Outlooks include incremental increases in funding required to move forward with the 70% Diversion Plan including a 3.5% user fee increase. As part of the 2011 Budget Process, rates will be reviewed and Solid Waste Management will bring forward a multi-year fee strategy to Budget Committee. The outlooks include inflationary increases for non-salaries, COLA, progression pay and step increases. Also included, is the 2011 impact of deferring the implementation of two diversion initiatives totalling \$4.956 million from 2010.
- The 2010 Recommended Base Budget incorporates the Program's key cost drivers that includes: impact of higher debt charges to fund its capital program (\$5.2 million); the negotiated collective agreement salary adjustments (COLA) (\$0.837 million); and non salary inflationary increases (\$2.846 million); higher volume for processing recyclable material and higher operating costs at Green Lane Landfill (\$4.734 million); and lower sale of recycling materials (\$7.402 million).
 - Offsetting these pressures are the following: reduction in costs from reduced haulage of waste to Michigan of \$5.544 million; reduced fuel costs to reflect market conditions (\$0.893 million); increased WDO funding for Hazardous and Special Waste (\$1.2 million), reduced communications requirements (\$0.665 million), as well as ending Emerald Ash Borer program (\$0.916 million).

- To mitigate the overall net cost pressures the following service adjustments are included in the 2010 Recommended Operating Budget:
 - savings of \$4.414 million mainly for efficiencies implemented in Litter Collection, and Collections and Transfer Stations operations;
 - two major service impacts that defer the implementation Reuse Centres and Durable Goods operations (\$1.660 million) and organic collections for all multi-residential apartments (\$1.930 million) to 2011; and
 - a 2% increase in the Solid Waste Management rates, including ABCDs & school boards (\$4.854 million).
- Approval of the 2010 Recommended Operating Budget will result in a net decrease of 47.7 approved (vacant) positions. Implementation of several efficiencies will reduce the approved complement by 30.5 positions; delay in the implementation of two diversion initiatives will reduce seven positions; and 13 positions will be transferred to Municipal Licensing and Standards for by-law enforcement responsibilities. The reduction in positions are offset by the addition of four positions that will reduce residue at the Material Recovery Facilities and an additional one position to manage delivery of the Solid Waste Capital Plan.
- The Program faces challenges in achieving its service mandate in light of fiscal restraints. Meeting the 70% Diversion Target has been deferred beyond 2010 as the incremental cost to divert waste from landfill cannot be achieved within the affordability targets. The 2010 Recommended Operating Budget defers the implementation of two key diversion initiatives impacting the diversion rates but also limits the Solid Waste Management rate increase to 2% rather than 3.5% presented as part of the report to Council entitled “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”.
- Of the overall 2009 projected year-end revenue short fall of \$16.7 million, the sales of recyclables are estimated to make up \$15 million of that amount. As the market rebounds for recycling material, the 2010 Recommended Operating Budget which includes a decrease in sale of recyclable revenue of \$7.4 million lower than the budget 2009. With the direction of the market not certain, the Program is monitoring the markets for its recycling material closely.
- Given the rate of capital funding that is being drawn from the Perpetual Care Reserve Fund, the balance in the reserve will not be able to fully fund the Perpetual Care program by 2015. Similarly, the Solid Waste Management Vehicle Replacement Reserve vehicle replacement plan will result in the Vehicle Reserve Fund being depleted by 2014. To ensure sufficient funding is available in both reserves, Solid Waste Management is in the process of reviewing its capital plan requirements and contribution levels with the intent of smoothing and perhaps reducing requirements over the next 10 years based on an operational review in 2010.

The 2010 Recommended Budget provides funding to:

- manage residual waste of 646,002 tonnes, Green Lane third party residual waste 256,000 tonnes, recyclables (single stream) of 245,043 tonnes, Source Separated Organics of 138,151 tonnes and Leaf & Yard Waste of 104,269 tonnes;
- support collection frequency to over 490,000 single family homes with expansion to 500,000 apartment/condominium units by 2011/2012 as follows: once every two weeks for recycling, waste and durable goods and once a week for green bins. These service levels are supported by a fleet of 319 collection vehicles and 935 positions.
- continue development of new diversion initiatives such as Multi-Unit Mandatory Diversion Enforcement, providing green bins in Multi-Unit Residences, improved recycling cart capacity and on-floor carts for apartments
- The 2010 Recommended Operating Budget reflects the strategic direction of the Solid Waste Management Services Multi-Year Business Plan and provides base funding for key priority actions outlined Council's approved Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan: Solid Waste Management Services is involved in several initiatives that will directly contribute to advancing the action plan:
 - Increased waste diversion away from landfills: Several initiatives are funded through the volume-based user fee system to divert more waste from landfill including:
 - Door-to-door curbside service in town homes;
 - Full access to recycle and Green Bin service for residential above commercial;
 - Extend household special waste depot operations to 5 days per week (Pilot multi-unit mobile depot);
 - curbside collection of household durable goods for reuse and recycling;
 - roll-out of Green Bin program in multi-residential buildings; and
 - in-store packaging reductions initiatives.
 - Replace and upgrade existing street litter / recycle bins.
 - Renewable Energy Systems with landfill gas utilization: Solid Waste Management has focused on possibly utilizing digester and landfill gases as an energy source for buildings and vehicles.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2010 Recommended Operating Budget for Solid Waste Management Services of \$319.821 million gross funded by \$319.821 million in solid waste user rates and other recoveries comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Support	66,388.5	(195,743.5)
Collection	109,022.1	104,203.8
Transfer	26,480.8	17,154.2
Processing	52,112.9	30,289.2
Disposal	65,817.2	44,096.3
Total Program Budget	319,821.4	0.0

2. the General Manager of Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer develop a multi-year fee strategy and report to Budget Committee as part of the 2011 Budget process;
3. the General Manager Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer report to Budget Committee as part of the 2010 Year-End Variance Report on the actual net contribution to the Waste Management Reserve Fund;
4. Solid Waste Management Services in consultation with the Financial Planning Division review, the long-term adequacy of the Waste Management Reserve Fund including contribution levels required to fund the Solid Waste Management Capital Plan prior to the 2011 Operating Budget process;
5. this report be considered concurrently with the “Recommended 2010 Solid Waste Rates” (October 2009) report from the Deputy City Manager and Chief Financial Officer and General Manager for Solid Waste Management Services.

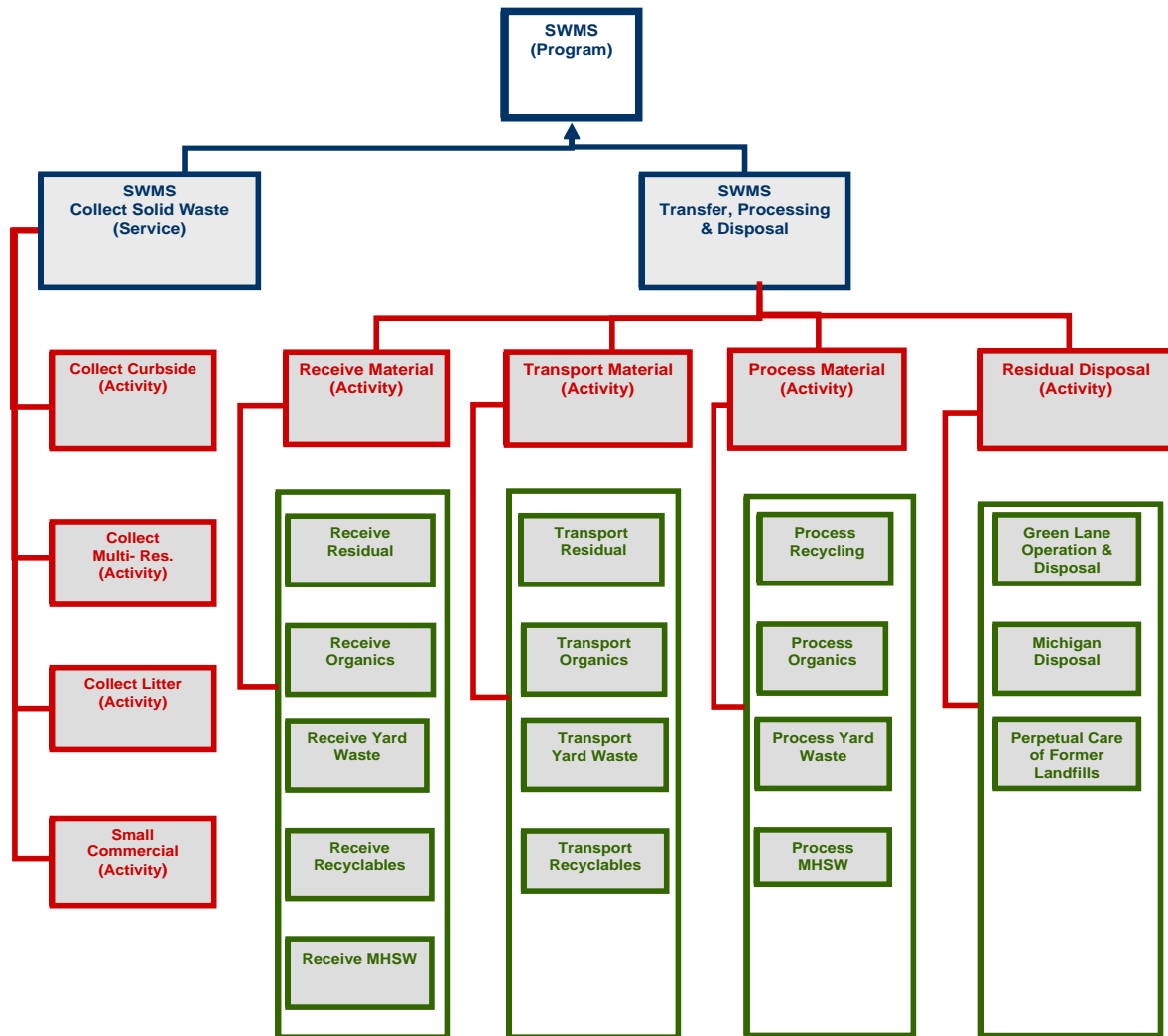
**Mission Statement**

To provides effective and efficient waste management and resource recovery services to residents, visitors and businesses in the City of Toronto in order to maintain a clean and healthy City, and to minimize the impact of waste on the environment.

Program Map

The Solid Waste Management Services' Operating Budget supports its Multi-Year Business Plan with a rate-based funding model to reach Council's 70% diversion target. The Operating Budget for Solid Waste Management Services is based on fulfilling the goals outlined in their Mission Statement and supported by its Business Plan. The Program is responsible for the collection of waste, recyclables, organics and the operation of 7 transfer stations, 5 collection yards 1 Material Recovery Facility (MRF), 1 Source-Separated Organics (SSO) processing facility, an enhanced Litter Program to support the Clean and Beautiful City initiatives and operation of the Green Lane Landfill. The Program is also responsible for the perpetual care of 161 closed landfill sites. The Program manages several waste diversion programs including: environment days, backyard composter distribution, recovery of household hazardous waste, tire, electronics, durable and white goods recycling.

The Program Map, set out on next page, provides a detailed description of the services; activities; and, sub-activities delivered by Solid Waste Management Services in supporting the economic health and well being of City residents and businesses.



Solid Waste Collection Services

Collection Services are an integral part of achieving the goal of 70% waste diversion from landfill. Collection programs as approved by Council are implemented to achieve the diversion goals. These initiatives mainly include maintaining a volume-based rate structure for solid waste collection to encourage residents, small commercial and institutional/ABCD customers to move toward increased diversion as well as supporting new initiatives.

In addition, Collection Services implements, expands and improves service levels to single and multi-residential homes, including green bin deployment, household durable good collection, and curbside townhouse collection to encourage diversion and minimize the costs of garbage collection.

Further improvements in service to residents include converting the collection vehicle fleet to a fully and semi-automated collection system, efficient and effective route design and maintaining of litter operation to support the Clean and Beautiful City initiative.

Solid Waste Transfer, Processing and Disposal Services

As an important component of 70% Diversion, Transfer, Processing and Disposal Services focus on system capacity requirements for waste transfer and processing, diversion and disposal initiatives. This focus includes three main areas: Single Stream Recycling (SSR), Source Separated Organics (SSO) and Green Lane Landfill operations.

As existing SSR and SSO processing contracts are reviewed and continually improved, other options to address SSO and SSR additional capacity requirements remain a priority. This would include securing additional SSO processing capacity by entering into third party contracts with qualified contractors as well as construction and commissioning more SSO processing capacity at the Disco and Dufferin transfer sites.

Transfer, Processing and Disposal Services are instrumental in operations at the Green Lane landfill while complying with conditions of approval for the site license as well as existing transfer and processing facilities in conjunction with Provincial Certificates of Approval (CofAs). Also, in order to move ever closer to higher diversion rates, planning and development of a Mixed Waste processing facility at Green Lane will divert additional materials from the mixed waste stream. Landfill responsibilities also include provision for perpetual care management for closed landfill sites now and in the future.

As these services move into the future, supporting further implementation of diversion initiatives such as SSO in Multi-residential buildings as well as the re-use centers and the durable goods collection system will continue. Other important initiatives include achieving the goal to reduce greenhouse gas and meet air pollution reduction targets. Bioenergy (biogas) reuse at the expanded SSO facilities and fleet improvements are identified as important initiatives in support of climate change efforts.

Finally, temporary/mobile/permanent drop-off centres for Municipal Hazardous and Special Waste including Waste Electrical and Electronic Equipment augment continued efforts to achieve 70% Diversion.

Service Objectives

- Improve on the 2010 diversion rates as follows: residential from 61% to 65%, multi-unit residences from 19% to 22% and overall from 46% to 50%. The diversion rates will increase by:
 - Complete roll-out of door-to-door curbside service for town homes;
 - Roll-out Blue Bin and Green Bin service for residential units above commercial;
 - Extend household special waste depot operations to 5 days per week; and
 - Replace and upgrade existing street litter and recycle bins.
- With respect to Green Lane Landfill, continue its integration as a cost neutral business unit and extend its life to 2034.

2010 Operating Budget Highlights

The 2010 Recommended Operating Budget reflects the strategic direction of the Solid Waste Management Services Multi-Year Business Plan and provides base funding for several key priority actions outlined in the Mayor's and Council's policy agenda. The following highlights key initiatives.

Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan

Solid Waste Management Services is involved in several initiatives that will directly contribute to advancing goals outlined in the Climate Change, Clean Air and Sustainable Energy Plan:

Increased waste diversion away from landfills:

- Several initiatives corresponding to the above priority had been approved by Council and are funded through the volume-based user fee system which generates an additional \$54 million beyond current operations on an annualized basis. Solid Waste Management Services supported by new user fees, will allow the City to advance on its waste diversion goal of 70%. On going efforts to extend organics collection to multi-residential buildings will continue in 2010 as well as improving recycling and residual waste collection and processing. By diverting waste from landfills, less biogas is produced which benefits the environment. Biogas will also be investigated as a potential source of energy generation. Increased contributions toward the perpetual care of landfills are also recommended to be reviewed.
- The 2010 year-end diversion rate for single family homes is anticipated to be close to 70% while the average total diversion rate for 2010 will approximate 50%. This includes an average 2010 diversion rate of 22% for multi-residential buildings. To achieve the higher diversion target, the Solid Waste Management Services Division is planning to expand Toronto's aggressive diversion plan by:
 - Continuing to expanding the Green Bin program to include apartments & condominiums;
 - Building a composting plant that will increase capacity and provide and provide long term stability for the Green Bin Program;
 - Enforcing mandatory waste diversion practices for apartments & condominiums;
 - Expanding recycling activities in apartments & condominiums by providing in-unit containers;
 - Expanding the range of recyclable materials in the blue box to include: polystyrene, and plastic film;
 - Establishing a reusable goods drop-off centre to provide residents with a one-stop location for reusable goods;
 - Establishing Curbside collection of durable and reusable goods for single and multi-unit residences;
 - Implementing comprehensive on-going promotion and education campaign aimed at changing the purchasing behaviour of residents.

- Renewable Energy Systems with landfill gas utilization:

At its meeting of July 16, 17, 18, & 19, 2007, City Council adopted recommendations embodied in the staff report entitled “Climate Change, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action”. Solid Waste Management has focused on utilizing digester and landfill gases as requested in the following recommendations outlined from the amended report:

- i Direct the General Manager of Solid Waste Management to report on plans to collect and utilize landfill gas at the recently acquired Green Lane Landfill site and plans to utilize digester gas from the City’s anaerobic digestion facilities that process organic materials collected through the Green Bin program.
- ii Authorize the General Manager of Solid Waste Management Services to negotiate and execute an Agreement between the City of Toronto, the Toronto and Region Conservation Authority and Toronto Hydro Energy Services Inc. (THESI), to install and operate electrical generation equipment to utilize methane from the Thackeray Landfill Site.

The current status of various landfills includes Keele Valley which generates 20MW of energy per year, Beare Road generates 2 MW, and Brock West generates 2MW. Green Lane currently collects and flares landfill gas to reduce air emissions. The Program has issued a Request for Proposal for landfill gas utilization at Green Lane to generate electricity as well as possible uses as fuel for fleet vehicles. Plans are currently underway to introduce gas flaring to reduce air emissions by mid-year 2009 at the Thackeray Landfill.

- Greening of Collection vehicles with bio-diesel. All 319 collection vehicles are mandated to run on 5% bio-diesel to reduce harmful emissions. Solid Waste Management Services is currently working with Fleet Services to introduce more vehicles that meet this standard.
- Greening of litter collection vehicles with vacuums and sweepers incorporating higher emission standards for particulate matter. Solid Waste Management Services works with Fleet Services to introduce vehicles that meet this standard and with the Toronto Environment office to test current vehicles and refine standards.

The 2010 Recommending Operating Budget provides on-going service levels for the following diversion initiatives:

- Door-to-door curbside service in town homes;
- Full access to recycle and Green Bin service for residential above commercial;
- Household special waste depot operations 5 days per week (Pilot multi-unit mobile depot);
- curbside collection of household durable goods for reuse and recycling;
- roll-out of Green Bin program in multi-residential buildings; and,
- in-store packaging reductions initiatives.
- Replace and upgrade existing street litter / recycle bins.

Create a Coordinated Litter Action Team that Will Quickly Clean Up Serious Litter and Dumping problems Identified by Resident's Calls to an New "311" telephone service.

- The 2010 Recommended Operating Budget directly addresses the above priority, by creating a team from various ABCDs with a goal of responding within 48 hours to any serious problem area. No additional costs are anticipated; however this will require increased coordination with other divisions and staff managing the 311 initiative.

Table 2: 2009 Budget Variance Review

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	274,500.7	318,986.7	311,598.9	(7,387.8)	(2.3)
REVENUES	154,436.5	318,986.7	302,302.6	(16,684.1)	(5.2)
NET EXP.	120,064.2	0.0	9,296.3	9,296.3	
Approved Positions	1,342.5	1,383.8	1,391.7	7.9	0.6

* Based on the Second Quarter Operating Budget Variance Report.

2009 Experience

Solid Waste Management Services' year-end net unfavourable variance of \$9.296 million represents a projected net deficit as of June 30th.

Year-end expenditures are projected to be 2.3% or \$7.389 million lower than budgeted mainly due to continuing lower costs of \$5.9 million for shipping waste to Michigan, and \$1.3 million due to lower tonnages of waste being transferred, hauled and disposed at Green Lane. Contributing to the projected deficit are year-end revenues that are projected to be 5.2 per cent or \$16.684 million below budget mainly due to a projected \$15.0 million shortfall in revenue from the sale of recyclable materials. As a result, it is projected that Solid Waste Management Services will have a net deficit of \$9.296 million at year-end. This projection does not include the impact of \$4.090 million in net costs resulting from the labour disruptions and aftermath during June, July and August 2009. This is comprised of cost increases of \$10.479 million, cost savings of \$8.578 million and revenue losses of \$2.189 million

Impact of 2009 Operating Variance on the 2010 Recommended Budget

As of June 30th variance report, Solid Waste Management Services is projecting lower revenue than budget of \$15.0 million. This is likely to continue in 2010, however, as the economic downturn moderates, the loss in revenues will mitigate. The 2010 Recommended Budget includes a reduction in sale of recyclable revenues of \$7.402 million under 2009 Approved Operating Budget. As the economy recovers the market should also recover for recycling materials mitigating the pressure somewhat.

In addition, the projected savings experienced in 2009 of \$5.9 million resulting from lower costs for shipping less waste to Michigan, lower fuel costs and lower volumes of tonnage to landfill will continue into 2010 resulting in savings of approximately \$6.1 million included in the 2010 Recommended Operating Budget.

Table 3: 2010 Recommended Base Budget

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	318,986.7	319,643.2	656.5	0.2	14,514.8	13,152.0
REVENUE	318,986.7	319,643.2	656.5	0.2	14,514.8	13,152.0
NET EXP.	0.0	0.0	0.0	NA	0.0	0.0
Approved Positions	1,371.8	1,323.1	(48.7)	(3.6)	(8.0)	12.0

2010 Recommended Base Budget

The 2010 Recommended Base Budget expenditures of \$319.643 million (gross) is \$0.657 million or 0.2% higher than the 2009 Approved Operating Budget of \$318.987 million. The increase in gross expenditures includes increases in debt charges and inflationary increases partially offset by efficiencies and service level reductions.

The expenditure increases are mainly due to the following: increases in debt charges to fund the Solid Waste Management Program, higher volume at Green Lane Operations and recycling processing, COLA as per new collective agreement and non-labour related inflationary increases. Offsetting these cost pressures are expenditure reductions including lower costs for haulage and disposal costs for shipping less waste to Michigan, the ending of the Emerald Ash Borer operations, transfer and reduction of bylaw enforcement functions and reductions in communication expense.

The 2010 Recommended Base Budget revenues of \$319.643 million are \$0.657 million lower than the 2009 Approved Operating Budget. The decrease reflects the lower revenue from single stream processing of recyclables of \$7.402 million mainly offset by increased reserve contributions to cover Green Lane operations (\$2.305 million), increased provincial funding for hazardous waste (\$1.205 million) and a 2% recommended increase in volume based user fees for residents (\$4.854 million).

The 2010 Recommended Base Budget reflects a decrease of 48.7 positions from the 2009 approved complement of 1,371.8 approved positions. The change in positions is mainly due to the transfer of 13 bylaw enforcement functions to MLS and reductions in vacant positions from implementing efficiencies, and deferring the implementation of diversion programs resulting in a reduction of 35.7 positions.

Key 2010 Cost Drivers

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Increase debt servicing cost” of \$5.210 million to fund ongoing capital program;
- Continued expansion of the durable goods and reuse centre program and the rollout of SSO to apartments (\$3.589 million);
- Higher volume for recyclable material processing (\$2.593 million) and higher operating costs at Green Lane (\$2.141 million) totaling \$4.734 million;
- Negotiated cost of living salary adjustments of \$0.837 million and non-labour inflationary increases of \$2.846 million;
- Loss of in advertising revenue from street furniture of \$0.660 million;
- Reduction of sale of recyclables by \$7.402 million based on the 2009 experience;

The cost drivers noted above will be partially off-set by the following:

- Increased user fees for residents, City programs and school boards that generates \$4.858 million;
- Introduction of new service that provides loading facilities for commercial contracts that generates \$0.203 million in new revenue;
- Increase in Waste Diversion Ontario for Municipal Hazardous/Special Waste Funding of \$1.205 million and Waste Electronics funding of \$0.145 million;
- Reduced haulage to Michigan results in lower expenditures including fuel of \$6.1 million;
- The transfer of inspections to MLS will be reduce salary costs by \$0.723 million; and

2010 Service Adjustments

The 2010 Recommended Base Budget incorporates savings of \$4.415 million from efficiencies and service adjustments of \$3.590 million net in 2010 with an incremental increase of \$3.590 million net in 2011. Implementation of the Service Adjustments will affect current service levels and delivery as the ongoing implementation of diversion initiatives will occur at a slower pace. The recommended efficiencies and service level reductions recommended include:

- Reduce waste to landfill by reducing residue through closer monitoring of waste stream: \$0.339 million
- Implement operating efficiencies in Collections and Transfer Stations Operations: \$2.876 million
- Implement efficiencies within litter service: \$1.200 million
- Defer implementation of Reuse Centres and Durable Goods operations: \$1.660 million
- Defer ongoing implementation of organics collection for multi-residential: \$1.930 million

Please refer to Part V for a discussion regarding the 2010 Base Budget Service Adjustments.

2011 and 2012 Outlook: Net Incremental Impact

The 2011 Outlook includes the following: negotiated salary increases from collective agreement of \$2.272 million, an increase in debt servicing costs of \$8.260 million, the 2011 impact of deferring roll out of SSO in Multi-Unit Residences and deferring expansion of the Durable Goods Collection program, including operating impacts of capital, of \$6.434 million. Cost increase will be offset by the following: further efficiencies implemented in 2010 that will continue into 2011 of \$3.750 million and increases in revenue of \$12.344 million mainly from user fees.

The 2012 Outlook million includes the following: an increase in debt servicing costs of \$10.040 million, operating impacts from capital of \$2.917 million for establishing Reuse Centres offset by further efficiencies implemented in 2011 that will continue into 2012 of \$0.936 million and net revenue increases of \$12.087 million mainly from user fees.

Table 4
2010 Recommended Service Adjustments: Summary
(In \$000s)

Description	2010 Recommended		Rec. Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2011	2012
	\$	\$		\$	\$
(a) Efficiency Change:					
Reduce Collections Operating Costs	(1,796.8)	(1,796.8)	(15.0)		
Reduce Litter Budget	(1,200.0)	(1,200.0)	(11.5)		
Reduce Transfer Station Operating Costs	(463.5)	(463.5)	(4.0)		
Reduce Collection and Transfer Station Overtime Costs	(424.2)	(424.2)			
Increase Recovery of Recyclables by Reducing Residue	(338.8)	(338.8)	4.0		
Reduce Overtime Collections and Transfer Stations for L and Y Waste	(126.3)	(126.3)			
Reduce Friday Night Transfer Station Operation (Bermondsey TS)	(65.0)	(65.0)			
Sub-Total Efficiency Changes	(4,414.6)	(4,414.6)	(26.5)		
(b) Minor Service Level Change:					
Sub-Total Minor Service Level Changes					
(c) Major Service Level Change:					
Defer the Roll-Out of SSO in Multi-Residential	(1,929.9)	(1,929.9)	(4.0)	3,296.0	66.0
Defer the Roll-Out Durable Goods & Reuse Centre	(1,742.4)	(1,659.9)	(3.0)	1,659.9	2,917.0
Sub-Total Major Service Level Changes	(3,672.3)	(3,589.8)	(7.0)	4,955.9	2,983.0
Total Service Adjustments	(8,086.9)	(8,004.4)	(33.5)	4,955.9	2,983.0

Recommended Base Budget Service Adjustments

Savings of \$8.087 million gross and \$8.004 net are incorporated into the 2010 Recommended Operating Budget, arising from the recommended implementation of 9 service adjustment proposals. Of these adjustments \$4.415 million net is attributable to various efficiencies measures that will not impact service levels. The balance of savings of \$3.590 million net reflects the one-year deferral of the roll out of SSO for Multi-Residences and Durable Goods program.

Efficiency savings of \$4.416 million are recommended which will result in no or minimal service level impacts include the following:

- ***Reduce Collections Operating Costs (2010 Efficiency Savings of \$1.797 million)***

Efficiencies will be generated through the continuing roll out of the Division's automated collection system where mechanical arm reduced manual effort. The recommended proposal includes the reduction of 15 positions through attrition. There will no impact on collection services

- ***Reduce Litter Budget (2010 Efficiency Savings of \$1.200 million)***

Efficiency savings will be gained through the refinement of litter collection schedules and zones and the continuing use of automated collection equipment. Through improved utilization of Litter Vacs, there will be less manual litter collection resulting in no impact on service levels. The efficiency proposal includes a reduction of 11.5 approved positions through attrition & hiring fewer seasonal workers.

- ***Reduce Transfer Station Operating Costs (2010 Efficiency Savings of \$0.464 million)***

Upon reviewing current processes, it was determined that duties can be realigned for four positions without affecting services. There will be no impact to service levels as the reduction will be absorbed through operational re-alignment of duties.

- ***Reduce Collection and Transfer Station Overtime Costs (2010 Efficiency Savings of \$0.424 million)***

Cost efficiencies will be achieved by limiting operational overtime through improved daily collection services from automation with no impact on collection service levels. As well, Transfer Stations will no longer have to extend hours of operations into the evenings, weekends, and statutory holidays in order to accommodate collection trucks. Overtime costs will be reduced in 2010, as trucks will be utilizing Transfer Stations during regular hours of operation rather than in the evenings, weekends, and statutory holidays.

- ***Increase Recovery of Recyclables by Reducing Residue (2010 Efficiency Savings of \$0.339 million)***

By hiring four Chief Booth Attendant positions to aggressively target Single Source Recyclable Material residue as it is tipped at Material Recycling Facilities, can be increased and in turn result in reduction in processing costs. The amount of residue can be pre-picked prior to processing. The recommended net savings reflect the added costs of four new positions for \$0.199 million and offset by a reduction in processing costs of \$0.538 million.

- ***Reduce Overtime Transfer Stations for Leaf and Yard Waste (2010 Efficiency Savings of \$0.126 million)***

Efficiencies will be gained through revised scheduling to better match seasonal resource to work requirements. Transfer Stations operations will be able to reduce the amount of overtime receiving Collection vehicles during weekends, evenings and statutory holidays.

- ***Reduce Friday Night Transfer Station Operation (Bermondsey TS) (2010 Efficiency Savings of \$0.065 million)***

Bermondsey Transfer Station is currently open for six night shifts through the week. Reducing the night shift by one day, will allow scheduling of operations to better match employee's 5 days per week, 8 hour per day schedules. This will eliminate the overtime required for over-night hours. However, the proposal will also reduce available time for public residential disposal at Bermondsey Transfer Station.

Service level reduction proposals totaling \$3.589 million are recommended that will have a major service level impacts in 2010 only as there reduction proposal defer the roll-out of planned services expansions by one year.

- ***Defer the Roll-Out of SSO in Multi-Residential (2010 Service Level Reduction Savings of \$1.930 million)***

To date, ten percent of multi-residential buildings or 50,000 units have been introduced to organics collection. It is recommended that full implementation of this activity be completed by the end of 2011 to 510,000 units. The service level reduction proposes delays the hiring of 6.9 base positions to 2011 (2.9 base positions will remain vacant while four new temporary, part-time booth attendants requested in 2010 are not recommended).

- ***Defer the Roll-Out Durable Goods & Reuse Centre (2010 Service Level Reduction Savings of \$1.659 million)***

Full implementation will be delayed as only selected materials will be collected such as electronics and mattresses. New materials will be added as additional resources become available. In addition, the development of additional Re-use Centres will be delayed until the program fully matures. The service level reduction savings of \$1.659 million reflect delayed to 2011. The recommended proposal delays the hiring of 15 base positions (12 base positions will remain vacant and three permanent, full-time Transfer Station Operators requested in 2010 are not recommended).



Table 5
2010 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	2010 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2011	2012
	\$	\$		\$	\$
Enhanced Services:					
(a) Enhanced Services - Council Approved					
(b) Enhanced Services - Program Initiated Project Manager New Infrastructure Capital	178.2		1.0		
Sub-Total Enhanced Services	178.2		1.0		
New Services:					
(a) New Services - Council Approved					
(b) New Services - Program Initiated					
Sub-Total New Services					
Total Enhanced/New Services	178.2		1.0		

2010 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions – Program Initiated:

Project Manager New Infrastructure Capital (\$0.178 million gross and \$0 net)

To help manage the delivery of the Capital Plan that now includes new capital stimulus infrastructure funding for eligible projects, a Capital Project Manager is required. The Project Manager will also assist managing the large capital projects required to meet the 70% Diversion Target. The Project Manager will ensure that there is timely response to public and staff inquiries and ensuring capital projects are delivered on time and on budget. The position will be fully funded from user fee revenues.



2010 Base Budget Issues

70% Waste Diversion Program and User Fees

Beginning in 2008, Solid Waste Management Services transitioned from being funded by property taxes to being funded through new user fees. The implementation was phased with user fees being collected for multi-residential solid waste management services beginning in July 1, 2008; and single family-residential solid waste management services beginning November 1, 2008.

The user fees are based on the volume of residual waste that property owners produce for curbside collection, being charged an annual fee for a waste container selected from one of three bin sizes provided by the City. Paying for waste collection based on the amount of waste produced will encourages recycling and composting and ultimately increases waste diversion rates and decreases the volume of residual waste actually sent to landfills.

While user fees are collected as property owners pay annual fees for their garbage bins, the property tax paid for Solid Waste Management is refunded through a combined utility bill. The tax rebate is based on refunding a base amount (equivalent to the smallest bin) of \$157 per bin for multi-residential customers and \$209 per bin for single-family households. All taxpayers receive a credit on their utility bill (equivalent to the cost of the smallest bin) and depending on the size of bin chosen, residents may pay a premium (for medium or large size bins). The tax rebate program is funded in the Non-Program Budget.

By year-end 2009, the entire Solid Waste Management program will be funded from revenue other than property taxes including funding from WDO (Waste Diversion Ontario), revenue from the sale of recyclable materials and the new volume based user fees. 2009 is the first full year of the tax rebate program for taxpayers. The property tax portion and equivalent refund will not change into the future as all budget increases beyond 2008 for Solid Waste Management will be funded from user fees rather than increases in property taxes. As a result, neither the cost of Solid Waste Management Service nor the rebate place a burden on the property tax base, as these are not factored into any annual tax rate considerations.

User Fees and Adequacy of the Reserve Fund

As part of the strategy to achieve the waste diversion target of 70%, Solid Waste Management was reorganized as a self sustaining utility that would be funded from volume based user fees that would fund both current operations and capital works necessary to achieve 70% diversion target. A reserve fund balance was established so budgeted contributions could be made annually to fund Solid Waste Managements Capital Program. Contributions are budgeted each year but whether the contribution occurs is dependant on the year-end fiscal position of the Program. For example, as of the second quarter of 2009, Solid Waste Management Services is projecting a year-end net deficit of \$9.296 million. This deficit will increase by \$4.090 million to \$13.386 million to reflect the labour disruption costs. The planned contribution to the reserve for 2009 is \$12.554 million. Given the net deficit, it is unlikely that a contribution will be possible in 2009 pending year-end peformancet and may impact future planned expenditures. The overall funding strategy approved by Council

established that an annual user fee increase of 3.5% was required to ensure that the reserve fund has sufficient balance to fund the Program's initiatives including capital expenditures. Limiting user fees increases impacts the amount that is available to fund capital projects required to meet the 70% Diversion Target. Depending on the timing and funding required, the Program may be required to defer projects until there is sufficient funding in the reserve fund. While 2009 rates remained unchanged, the 2010 Recommended Operating Budget includes a rate of 2% that will generate \$4.854 million to ensure sufficient funding for waste and diversion activities including capital and future operating budget pressures. However, in order to limit the user fee increase to 2% over 2009 (rather than 3.5% previously reported), two diversion initiatives, the continued expansion of both SSO for Multi-unit Residential Apartments and the Durable Goods Program will be deferred.

The reserve balance cannot drop below a zero balance as there is no other funding source for Solid Waste Management expenditures. Given the pressures on the reserve, user fees must grow at a sufficient rate to offset future growth in expenditures. Thus, as part of the 2011 Budget process, the General Manager of Solid Waste Management and the Deputy City Manager and Chief Financial Officer will report on a multi-year fee strategy to Budget Committee.

Diversion Target Status

The combined impact of deferring the roll-out of the SSO in Multi-Residential Apartments to the fall of 2010 and Durable Goods & Reuse Centre Program to 2011 will impact the plan to reach 70% Diversion Target. The impact of deferring the roll-out of those initiatives results in a 3% reduction in Diversion by end of 2010. The impact is significant as a large proportion of multi-unit residences (only 50,000 out of 500,000 residences have been initiated) will have recycling of organics deferred and the over-all level of durable goods collected and reused will also decrease compared to plan.

The following table summarizes the Diversion Projection based on the 2010 Recommended Budget.

Average Diversion	2008 Actual	2009 Projected	2010 Estimate
Single Unit Homes	59%	61%	65%
Multi-Unit Residences	15%	19%	22%
Over-All	44%	46%	50%

The annual diversion percentages shown on the table above are an average for the year. Expansion of diversion initiatives during the year will continue to increase diversion percentages. For 2010, in particular, single family homes show a 65% annual diversion rate, while the actual number in the later months will be approaching 70%.

Sale of Recycling Materials

With the downturn in the economy in 2009, revenue from the sale of recyclables to processors has dropped markedly. Two factors impact the sale of recyclables: the market price for various types of recyclable material and the volume available for collection. The market price for recyclable materials such as plastic, fibre, aluminium and steel cans and glass has been fluctuating with an overall downward trend since September 2008. A composite price index for these materials for Ontario is shown in Chart A. Between September 2008 and September 2009 the index, based on

Cdn\$ per metric tonne, dropped 45.4%. The sharpest drop was from September to December 2008 at 75%. Within this group of materials and time period, mixed plastic had a corresponding drop of 77.3% and newspaper dropped by 76.6%.

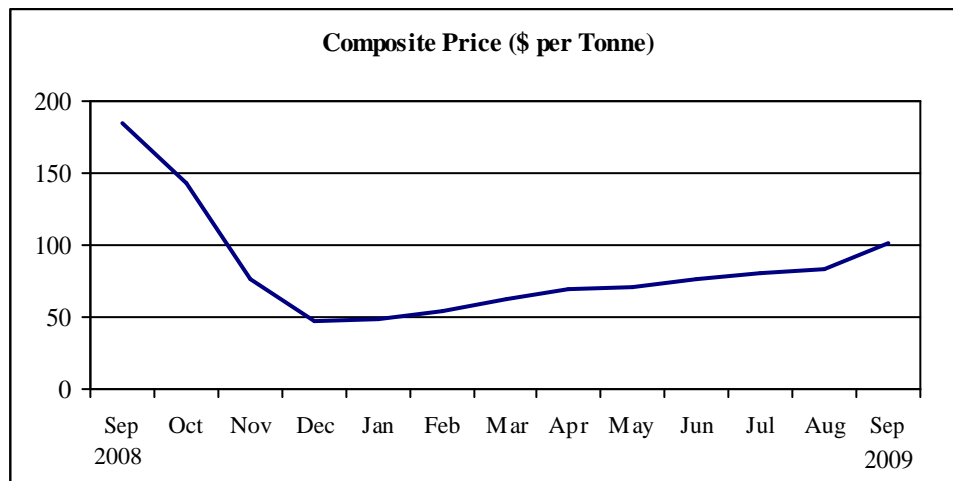


Chart A: Data Source: Price Sheet © StewardEdge Inc. 2009

The trend since early 2009 shows a recovery in prices as economic stimulus takes hold, however market prices which drive revenue from the sale of materials for processing will comprise a smaller portion of overall revenue for Solid Waste Management Services. While prices may start to recover, for instance, on newspaper, other factors such as the drop in collected tonnes is driven by consumer behaviour away from print media towards electronic media. Volumes may not recover. Of the overall 2009 projected year-end revenue short fall of \$16.7 million, \$15 million is attributable to lower revenue from the sale recyclable material. The 2010 Recommended Operating Budget has been adjusted to account for includes a provision for lower anticipated revenue from the sale of recyclables of \$7.4 million.

Perpetual Care of Landfill Reserve Fund

Under Provincial legislation, the Program is responsible for the perpetual care of 161 closed City landfill sites after primary operations have ended. Previous projections indicated that the Perpetual Care of Landfill Reserve Fund will provide for perpetual care expenses only until 2011; therefore contributions are required. A staff report from the Acting Commissioner, Works and Emergency Services, and the Chief Financial Officer & Treasurer, entitled "Adequacy of Perpetual Care of Landfill Reserve", dated November 3, 2004 recommended an annual operating fund contribution of \$3 million to the Perpetual Care Reserve Fund with increases of 5.55% each year thereafter.

One-time funding for the Perpetual Care of Landfill Reserve Fund contribution (\$3.000 million) was provided in 2005 from the 2004 Operating Budget Surplus. A similar contribution (\$3.166 million) was made in 2006 to the reserve from the 2005 Operating Budget Surplus. In 2007, the requested \$3.435 million to fund the contribution to the Perpetual Care of Landfill Reserve Fund added to the significant base pressures in this Program, and therefore was not recommended to be included in the Solid Waste Management Services 2007 Operating Budget. In 2008, a contribution of \$3.500 million was approved and funded by user fee revenue.

For 2009, a contribution of \$3.500 million was made to the Perpetual Care of Landfill Reserve Fund. The 2010 Recommended Operating Budget also includes a contribution of \$3.500 million. Given the rate of capital funding that is being drawn from this reserve fund, the balance in the reserve will not be able to fully fund the Perpetual Care program by 2015. As a result, 2015 shows a deficit of \$1.2 million. This is based on assuming the current contribution rate with annual increases of 5.5%. Also included are investment income assumptions of 0.8% for 2010 and 2011 and 2% annually thereafter until 2019.

The possibility of increasing the contribution rate should be further examined. Preliminary analysis would indicate a further contribution increase to 13.6% from 5.5% per year starting in 2011 would be required, given current estimates, to maintain a positive balance in this reserve fund until 2019. Program staff, in consultation with the Financial Planning Division will review, the contribution levels to the perpetual care reserve fund and/or the capital expenditures requiring this reserve funding prior to the 2011 Budget process.

Vehicle Reserve Fund

The projected 2009 year-end balance for the Solid Waste Management Vehicle Reserve Fund is \$6.027 million. Contributions to the reserve of \$9.003 million are included in the 2010 Recommended Operating Budget. Based on the forecasted vehicle replacement plan, the reserve will be depleted by mid 2011. Solid Waste Management projects its vehicle replacement based on life cycle of its fleet ensuring older vehicles are replaced in priority order to minimize maintenance costs. Withdrawals spike in 2011 as a large number of Packers are due for replacement. To ensure sufficient funding is available in the reserve, Solid Waste Management is in the process of reviewing its fleet capital plan requirements with the intent of smoothing and perhaps reducing requirements based on an operational review. Thus, Solid Waste Management will submit revised fleet requirements including possible contribution increases to the reserve as part of the 2011 Budget process.

Issues Referred to the 2010 Operating Budget Process

There are no issues referred to the 2010 Operating Budget process for Solid Waste Management Services.

Appendix A

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	NET EXP.	2011	2012
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	1,383.8	320,341.8	320,341.8	0.0	0.0	0.0
In-year approvals and technical adjustments	(12.0)	(1,355.1)	(1,355.1)	0.0		
Corporate adjustments				0.0		
2009 Approved Operating Budget	1,371.8	318,986.7	318,986.7	0.0	0.0	0.0
Prior year impacts	7.0	8,442.4	35.0	8,407.4	8,260.0	10,040.0
Zero base items				0.0		
Economic factors (Salary & Ben.)		938.7	19.7	919.0	2,272.0	0.0
Economic factors (other)		2,883.4	37.0	2,846.4		
Adjusted Base Budget	1,378.8	331,251.2	319,078.4	12,172.8	10,532.0	10,040.0
Other base changes	(22.2)	(3,506.7)	(5,026.8)	1,520.1	(3,144.4)	(936.2)
Base revenue changes		(14.4)	5,674.1	(5,688.5)	(12,343.5)	(12,086.8)
2010 Base Budget Request	1,356.6	327,730.1	319,725.7	8,004.4	(4,955.9)	(2,983.0)
Recommended Service Level Adjustments:						
Base changes						
Efficiency Change	(26.5)	(4,414.6)	0.0	(4,414.6)		
Revenue adjustments				0.0		
Minor service impact				0.0		
Major service impact	(7.0)	(3,672.3)	(82.5)	(3,589.8)	4,955.9	2,983.0
Total Recommended Base Adjustments	(33.5)	(8,086.9)	(82.5)	(8,004.4)	4,955.9	2,983.0
2010 Recommended Base Budget	1,323.1	319,643.2	319,643.2	0.0	0.0	0.0

Appendix B

Summary of Service Adjustments

Appendix C

Summary of 2010 Recommended New/Enhanced Service Priorities

Appendix D

Program Summary by Expenditure Category

CLUSTER: B							
PROGRAM: Solid Waste Management Services							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	98,530.9	99,775.1	96,596.0	(1,934.8)	(2.0%)	99,096.4	99,816.4
Materials and Supplies	8,740.1	8,677.9	8,011.9	(728.2)	(8.3%)	8,147.0	8,147.0
Equipment	1,267.0	1,267.0	889.0	(377.9)	(29.8%)	873.8	873.8
Services & Rents	131,030.0	122,338.3	126,547.2	(4,482.8)	(3.4%)	130,062.1	132,454.3
Contributions to Capital	6,635.6	6,023.8	8,036.6	1,401.0	21.1%	8,036.6	8,036.6
Contributions to Reserve/Res Funds	45,267.5	35,971.2	50,718.7	5,451.2	12.0%	58,978.7	69,018.7
Other Expenditures	39.0	39.0	58.5	19.5	50.1%	58.5	58.5
Interdivisional Charges	27,476.7	28,210.4	28,963.4	1,486.7	5.4%	29,083.1	29,083.1
TOTAL GROSS EXPENDITURES	318,986.7	302,302.6	319,821.4	834.8	0.3%	334,336.3	347,488.5
Interdivisional Recoveries	7,289.0	5,594.4	7,357.9	68.9	0.9%	7,413.1	7,470.2
Provincial Subsidies	10,160.0	10,290.0	11,506.5	1,346.5	13.3%	12,214.0	12,214.0
Federal Subsidies			0.0	0.0	n/a	0.0	0.0
Other Subsidies			0.0	0.0	n/a	0.0	0.0
User Fees & Donations	262,486.4	260,923.2	265,344.9	2,858.4	1.1%	276,740.2	288,702.6
Transfers from Capital Fund	2,067.5	2,067.5	5,523.0	3,455.5	167.1%	5,481.1	5,481.1
Contribution from Reserve Funds	998.6	3,089.9	998.6	0.0	0.0%	998.6	998.6
Contribution from Reserve			0.0	0.0	n/a	0.0	0.0
Sundry Revenues	35,985.1	20,337.6	29,090.6	(6,894.6)	(19.2%)	31,489.3	32,622.0
TOTAL REVENUE	318,986.7	302,302.6	319,821.4	834.8	0.3%	334,336.3	347,488.5
TOTAL NET EXPENDITURES	(0.0)	0.0	0.0	0.0	0.0%	0.0	0.0
APPROVED POSITIONS	1,371.8	1,391.7	1,324.1	(47.7)	(3.5%)	1,316.1	1,328.1

Appendix E

Inflows/Outflows to/from Reserves and Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of December 2009 \$	Proposed Withdrawals (-) / Contributions (+)		
			2010 \$	2011 \$	2012 \$
Vehicle Reserve- Solid Waste	XQ1014	6,027.5	9,003.9	9,003.9	9,003.9
Vehicle Reserve- Solid Waste - Withdrawal			(7,316.0)	(20,840.0)	(14,050.0)
Balance: Vehicle Reserve- Solid Waste	XQ1014	6,027.5	7,763.6	(4,010.4)	(9,136.7)
Perpetual Care of Landfill Reserve Fund	XR1013	27,994.4	3,500.0	3,692.5	3,895.6
Perpetual Care of Landfill Reserve Fund - Transfer Station Operations			383.1	383.1	383.1
Perpetual Care of Landfill Reserve Fund funding to Capital			(8,025.0)	(8,632.0)	(9,267.0)
Balance: Perpetual Care of Landfill Reserve Fund	XR1013	27,994.4	24,076.4	19,712.6	15,118.6
Waste Management Reserve Fund- to fund 2008 Base 70% Diversion	XR1404	22,867.9			
Waste Management Reserve Fund- 2008 Contribution from User fees			13,499.7	5,442.3	3,125.7
Waste Management Reserve Fund- Green Lane Capital			(3,581.0)	(6,387.0)	
Balance: Waste Management Reserve Fund	XR1404	22,867.9	32,969.5	32,288.6	36,060.0
Green Lane Reserve Fund Contribution	XR1408	1,692.2	641.3		
Green Lane Reserve Fund Contribution to Operating			(998.6)		
Balance: Green Lane Reserve Fund	XR1408	1,692.2	1,348.5	1,359.3	1,386.5
Green Lane Perpetual Care Reserve Fund	XR1409	195.6	248.1		
Green Lane Liability Trust	XT6109	103.8			
Balance: Green Lane (XR1409, XT6109)	Green Lane	299.4	549.9	554.3	565.4
Total SWMS Reserve / Reserve Fund Balance		58,881.4	66,708.0	49,904.5	43,993.8
Insurance Reserve Fund (Corporate)- June 30 Balance	XR1010	36,157.5	1,949.4	TBD	TBD