

Solid Waste Management Services

BU35.1

2018 Operating Budget

2018 – 2027 Capital Budget & Plan and

2018 Recommended Solid Waste Rates

2018 Rate-Supported Budget Launch

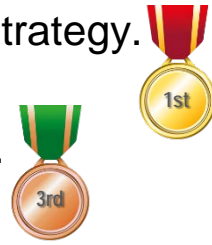


2018 Budget Summary

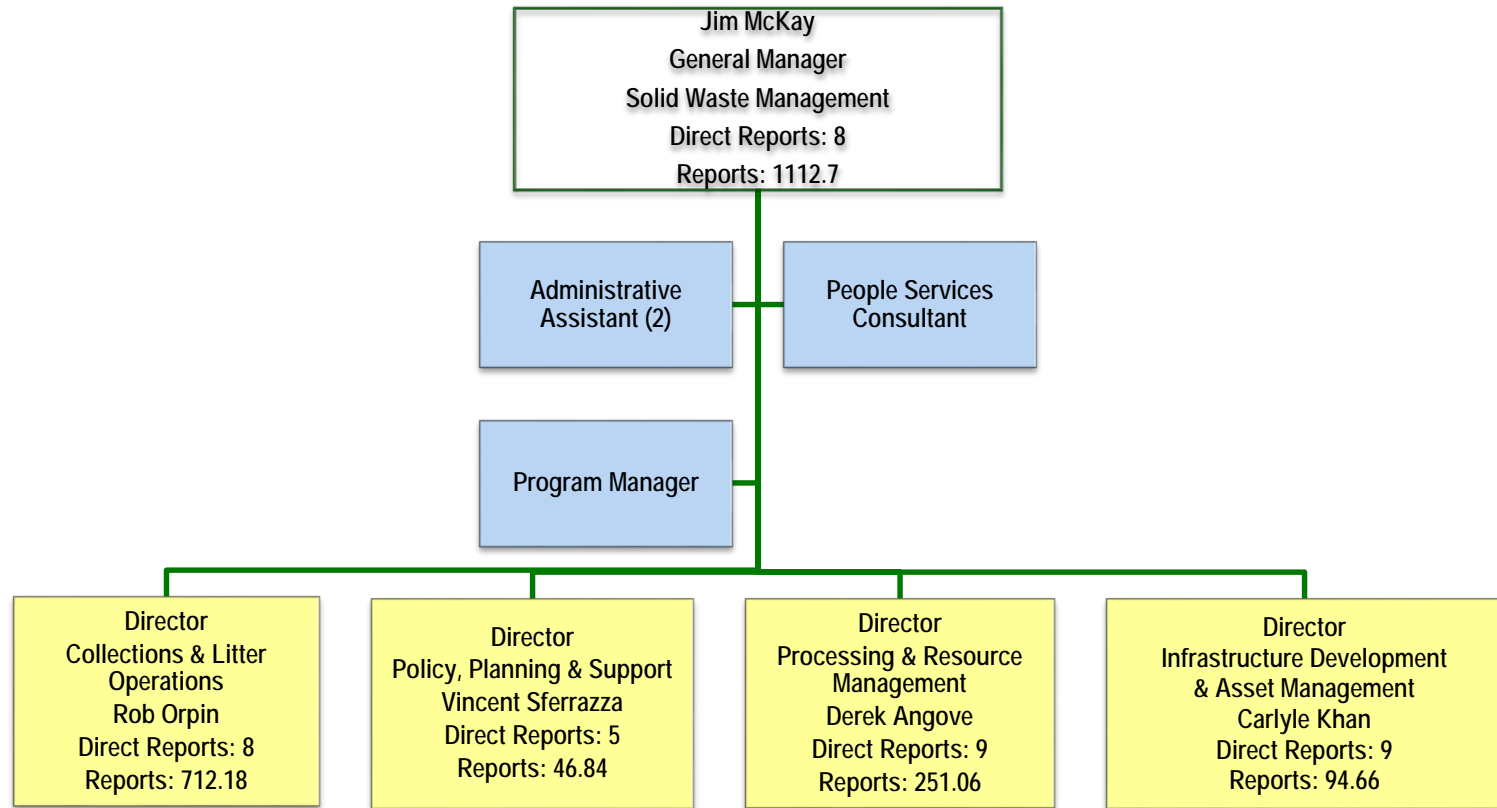
- No new fees.
- No changes to service levels.
- No new permanent FTEs requested.
- Recommended rate increase is below the rate of inflation.
- 2018 contribution to General Waste Reserve is sufficient for future capital needs.

2017 Key Service Accomplishments

- Rollout of monthly billing for Front-end collection service customers (Multi-Residential, Schools and Non-Residential Customers).
- Launch of Online Store to purchase bag tags and pay for service for commercial customers.
- Completion of Green Bin 2.0 Rollout.
- Residential Contamination Pilot Project (SF and Multi-Res).
- Mobile App for Parks and Nights Collection.
- Development of Coffee Pod Testing Methodology.
- Renewable Natural Gas Consultant Retainer and contract negotiations with gas utility.
- Successfully completed the Mayor's Towering Challenge.
- Received Solid Waste Association of North America Awards:
 - Long Term Waste Management Strategy.
 - Green Lane Landfill Management.



2017 Organization Chart



Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent Position	1.0	101.0	58.0	821.0	981.0
Temporary Position			2.0	130.7	132.7
Total	1.0	101.0	60.0	951.7	1113.7

Staffing Analysis

	2015			2016			2017 Year-End Projections			
	Approved Positions	# of Vacancies	Vacancies % of Approved Positions	Approved Positions	# of Vacancies	Vacancies % of Approved Positions	Approved Positions	# of Vacancies as at Jun 30 *	# of Vacancies Projections to Dec 31	Vacancies % of Approved Positions
Operating	1,075.7	103.0	9.6%	1,070.8	83.4	7.8%	1,078.6	103.0	78.6	7.3%
Capital	27.0	6.0	22.2%	37.9	10.6	28.0%	35.2	8.0	6.4	18.3%
Total	1,102.7	109.0	9.9%	1,108.7	94.0	8.5%	1,113.7	111.0	85.0	7.6%

* Based on 2017 6-month Operating Variance Report

Challenges:

- Difficulty hiring and retaining skilled trades (engineers, electricians, etc.) and waste collection vehicle operators.
- Significant retirements over the next 5-10 years.

Opportunities:

- Retained People Services Consultant in 2017.
- Talent Growth Program to act as an internal pipeline to fill key vacancies.
- Solid Waste Collection Operator in Training Program.
- Attendance management program working very well – lowest number of absences due to illness of all front line divisions.

Solid Waste Management Services Staff Vacancy Trends - 2016 & 2017



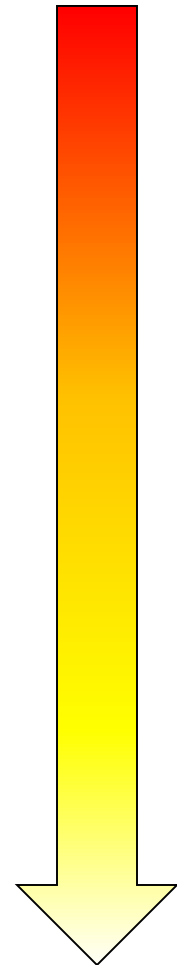
2018 Key Priority Actions

- Blue Bin Program Contamination Reduction.
- Commissioning of Dufferin Organics Processing Facility.
- Development of Renewable Natural Gas Infrastructure and Future Revenue Streams.
- *Waste-Free Ontario Act* Negotiations.
- Review of Opportunities for Decommissioned Dufferin Material Recovery Facility.
- Development of New Key Performance Indicators (KPIs).
- Textiles Diversion Research.
- Implementation of Business Intelligence Technology.

2018 Key Issues and Challenges

- Fleet maintenance and fuel IDC.
- Increased Blue Bin Contamination Rates.
- Gradual loss of multi-residential customers to private operators.
- Existing and new contract terms with escalation factors (CPI).
- Single Family customers continuing to downsize bins in reaction to rebate reductions.

Financial Significance
from High to Low



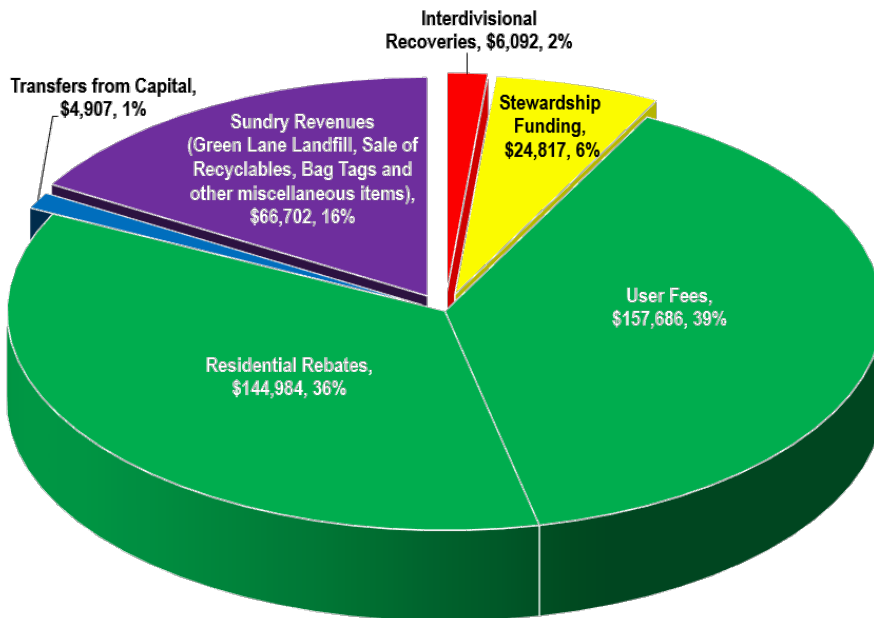


2018 Operating Budget



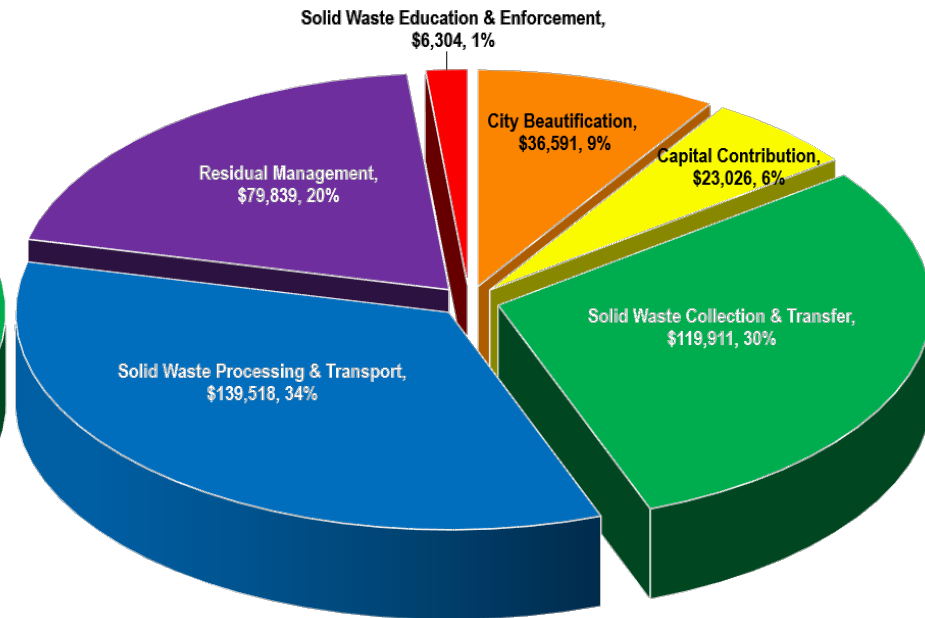
2018 Gross Expenditures and Revenues

Where The Money Comes From:
2018 Operating Budget by Funding Source (\$000s)



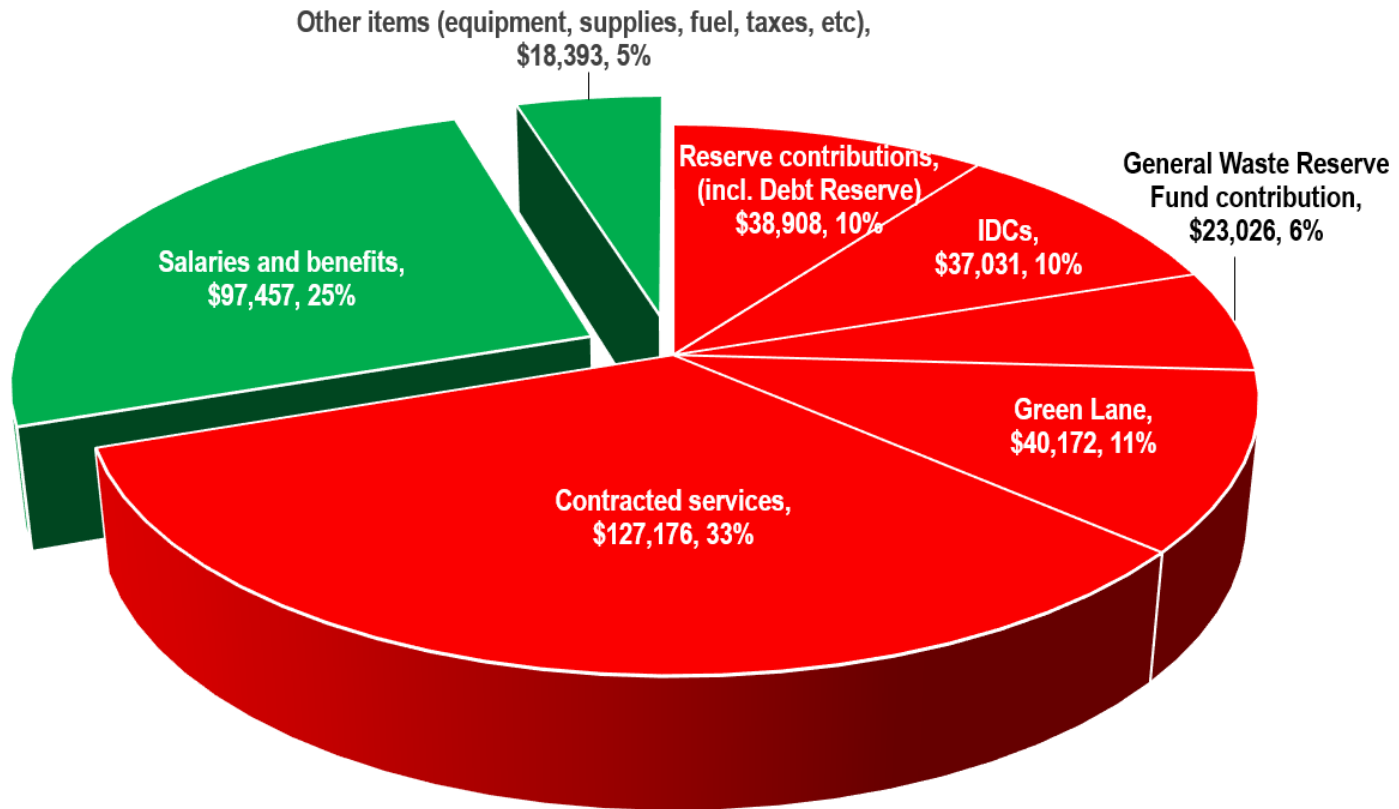
\$405.2M

Where The Money Goes:
2018 Operating Budget by Service (\$000s)



\$405.2M

2018 Committed vs. Variable Expenses



- Variable expenses (green) = \$115.9M (29% of total **\$382.2M** expenses).
- 2018 impact of CPI and contract escalations = **\$4.6M** of pressure.
- Off-setting reductions of **\$4.1M** give net pressure of **\$0.5M**.

2018 Base Budget Pressures

(In \$000s)	Total	
	\$	Position
Processing Contract Adjustment - Reversal of 2017 In-Year CFL Adjustment	(2,204.1)	
Operating Impacts of Capital	(751.9)	
Capital Recovery Adjustment - eWMS & LTWMS Add'l Staff	279.4	3.0
Processing Contracts: Price Escalations	2,532.2	
Collection Contracts: Price Escalations	707.0	
Salary Changes	1,170.5	
COLA	549.4	
Processing Contracts: Volume Changes & Other Budget Requests & Transfers	(2,464.4)	
Processing Contracts: Volume Changes	(2,620.7)	
Collection Contracts: Volume Changes	1,710.6	
City of Toronto Waste Payment to Green Lane	1,037.5	
IDC Changes and Adjustments	506.0	
Transfer Station Utilities & Resources	569.1	
Contribution to Reserves (exclusive of General Waste Capital Reserve Fund)	(2,634.3)	
Other Expenditure Changes (line-by-line reviews, staff benefits, Green Lane operations, etc)	2,114.5	
Total Gross Expenditure Changes	500.8	
Base Revenue Changes		
Residential Volume Based User Fee - Volume Adjustment	1,715.9	
Residential Volume Based User Fee - Rate Increase	(5,481.1)	
Sales of Recyclable Materials	(499.9)	
Processing Residual Revenues	(555.4)	
IDR Changes and Adjustments	867.2	
Stewardship Funding Adjustment	(2,796.7)	
Prior Year Impacts - Reversal of 2017 In-Year CFL Adjustment	(3,389.2)	
Other Revenue Changes (clean fill revenue, Green Lane recoveries, capital recoveries, etc)	(1,351.7)	
Total Revenue Changes	(11,490.9)	
Net Expenditure Changes (Increase to General Waste Capital Reserve Fund)	(10,990.1)*	3.0

Price Escalations

Volume Fluctuations

2018 Expenditure Pressure
(0.1% increase over 2017)

Recommended Rate Increase

Other Revenue Streams

* Reserve contribution retroactively revised down from 2017 Budget Approved \$19.8 million due to a one-time City Council approved adjustment related to recycling processing contract amendments.



2018-2027 Capital Budget & Plan



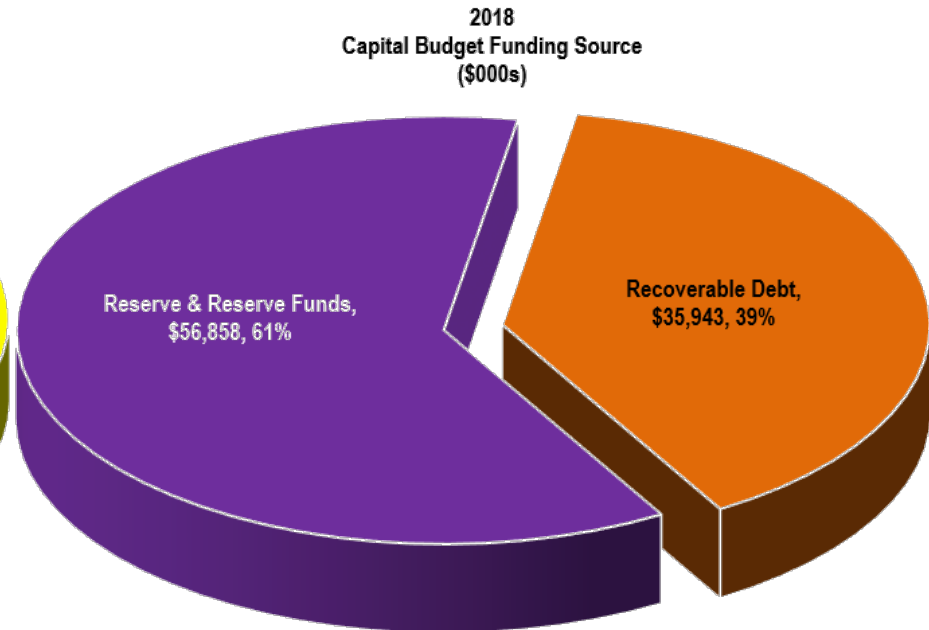
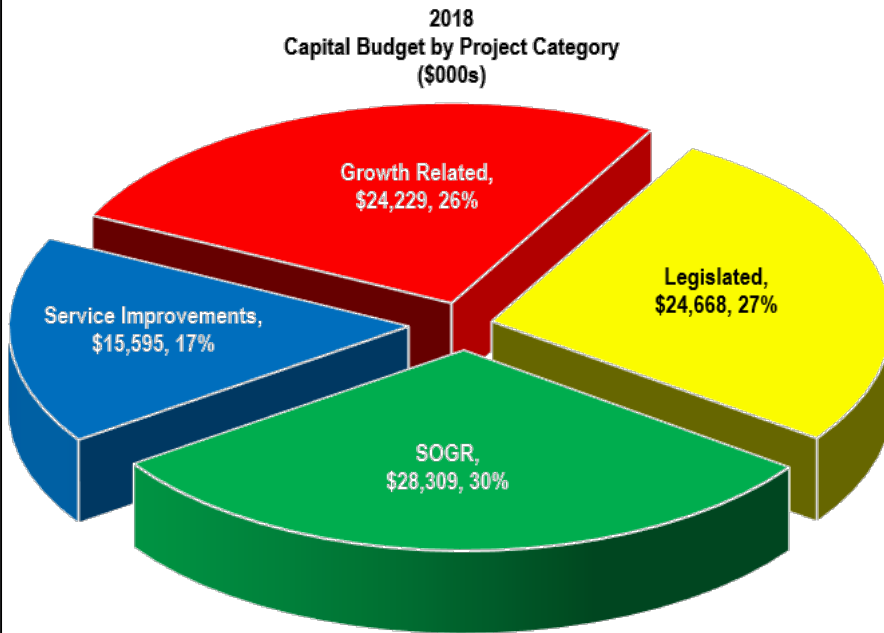
2018 Key Priority Actions

- Dufferin/Disco Organics Processing Facilities Construction Projects.
- Transfer Station Asset Management.
- Diversion Facilities Asset Management.
- Landfill Cell Development.
- Long Term Waste Management Strategy Implementation.
- Perpetual Care of Landfills.
- Biogas Utilization Projects.
- Two-Way Radio Replacement Program.
- Modernization, transformation and technology projects planned and/or underway.

10-Year Capital Budget and Plan

	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2018 - 2027 Total
Total Expenditures by Category											
Legislated											
LANDFILL DEVELOPMENT	11,334	16,108	18,931	13,414	14,805	15,135	14,815	14,815	14,815	14,815	148,987
PERPETUAL CARE OF LANDFILLS	13,334	8,200	8,217	8,200	5,000	5,000	5,000	5,000	5,000	5,000	67,951
Sub-Total	24,668	24,308	27,148	21,614	19,805	20,135	19,815	19,815	19,815	19,815	216,938
State of Good Repair											
COLLECTION YARD ASSET MANAGEMENT	250	250	250	250	250	250	250	250	250	250	2,500
TRANSFER STATION ASSET MANAGEMENT	23,309	18,384	3,976	5,135	8,578	8,050	9,016	1,612	11,891	6,150	96,101
DUFFERIN WASTE FACILITY SITE IMPROVEMENT	2,000	10,000	8,000	-	-	-	-	-	-	-	20,000
DIVERSION FACILITIES ASSET MANAGEMENT	2,750	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	16,250
Sub-Total	28,309	30,134	13,726	6,885	10,328	9,800	10,766	3,362	13,641	7,900	134,851
Service Improvements											
DIVERSION SYSTEMS (Bins)	2,325	3,425	3,425	3,425	3,425	3,425	3,425	3,425	3,425	3,425	33,150
LANDFILL GAS TO RENEWABLE NATURAL GAS	1,000	2,500	-	-	-	-	-	-	-	-	3,500
LONG TERM WASTE MANAGEMENT STRATEGY	4,136	11,457	9,192	13,801	21,160	23,944	15,487	16,087	17,657	25,000	157,920
BIOGAS UTILIZATION	-	1,199	1,199	1,199	1,199	1,199	1,199	1,199	1,199	1,199	15,520
SWM IT APPLICATION INITIATIVES	1,974	3,324	2,516	602	341	-	-	-	-	-	8,757
IT CORPORATE INITIATIVES	3,449	1,776	2,061	-	-	-	-	-	-	-	7,286
TWO-WAY RADIO REPLACEMENT	270	270	250	250	85	50	40	40	-	-	1,255
ENGINEERING PLANNING STUDIES	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	15,000
COMPRESSED NATURAL GAS FILL STATION	941	941	941	941	941	941	941	941	941	-	8,470
Sub-Total	15,595	26,392	21,084	21,718	28,651	31,059	22,592	23,192	24,722	35,853	250,858
Growth Related											
DUFFERIN SSO FACILITY	19,824	-	-	-	-	-	-	-	-	-	19,824
DISCO SSO FACILITY	4,405	-	-	-	-	-	-	-	-	-	4,405
Sub-Total	24,229	-	-	-	-	-	-	-	-	-	24,229
Total Expenditures by Category (excluding carry forward)	92,801	80,834	61,958	50,217	58,784	60,994	53,173	46,369	58,178	63,568	626,876
Planned 2017 Carry Forward	21,605	-	-	-	-	-	-	-	-	-	21,605
Total Expenditures by Category (including carry forward)	114,406	80,834	61,958	50,217	58,784	60,994	53,173	46,369	58,178	63,568	648,481

2018 Capital Budget by Type & Funding Source



Key Points:

- SWMS currently has **\$276.8M** in total debt.
- \$44.7M of new debt was issued in 2017, first issuance since issuance of \$43.1M in 2015.
- Next borrowing planned for 2020 in amount of \$68.8M.



Recommended 2018 Rates



2018 Rate Change Proposal

- No new fees proposed for 2018.

Customer Type	% Rate Increase	Comments
Multi-Residential	1%	Same as 2017
Single Family & Residential Units Above Commercial	2%	Same as 2017
Bag Tags, Bin Purchase	2.1%	Rate of Inflation (2017 CPI)
Commercial, DACs, Schools, Tipping	5.2%	Same as 2017
Blended Rate	1.9%	Lower than 2017 (2.2% blended)

- Potential rebate changes still be to discussed.

Recommended Residential Rate Changes

Customer Group	2017 gross cost	2017 customer cost/yr	2018 customer cost*/yr	Increase, 2017-2018/yr
Single Family Residential, small bin	\$ 249.67	\$ 22.66	\$ 27.65	\$ 4.99
Single Family Residential, medium bin	\$ 303.08	\$ 139.32	\$ 145.38	\$ 6.06
Single Family Residential, large bin	\$ 411.62	\$ 339.21	\$ 347.44	\$ 8.23
Single Family Residential, XL bin	\$ 477.44	\$ 477.44	\$ 486.99	\$ 9.55
Multi-residential base fee per unit	\$ 211.13	\$ 26.13	\$ 28.24	\$ 2.11
Multi-residential excess fee per yd ³	\$ 14.65	\$ 14.65	\$ 14.80	\$ 0.15
Yellow tag fees	\$ 5.00	\$ 5.00	\$ 5.11	\$ 0.11

* Assuming 2018 rebate levels are the same as 2017. 2018 rebates to be determined during the 2018 Tax-Based Budget

- SWMS rate increases have averaged 1.6% over the past 9 years, trailing the inflation rate.
- Proposed 2018 rate increase equates to 9.6¢ per week for the small bin.

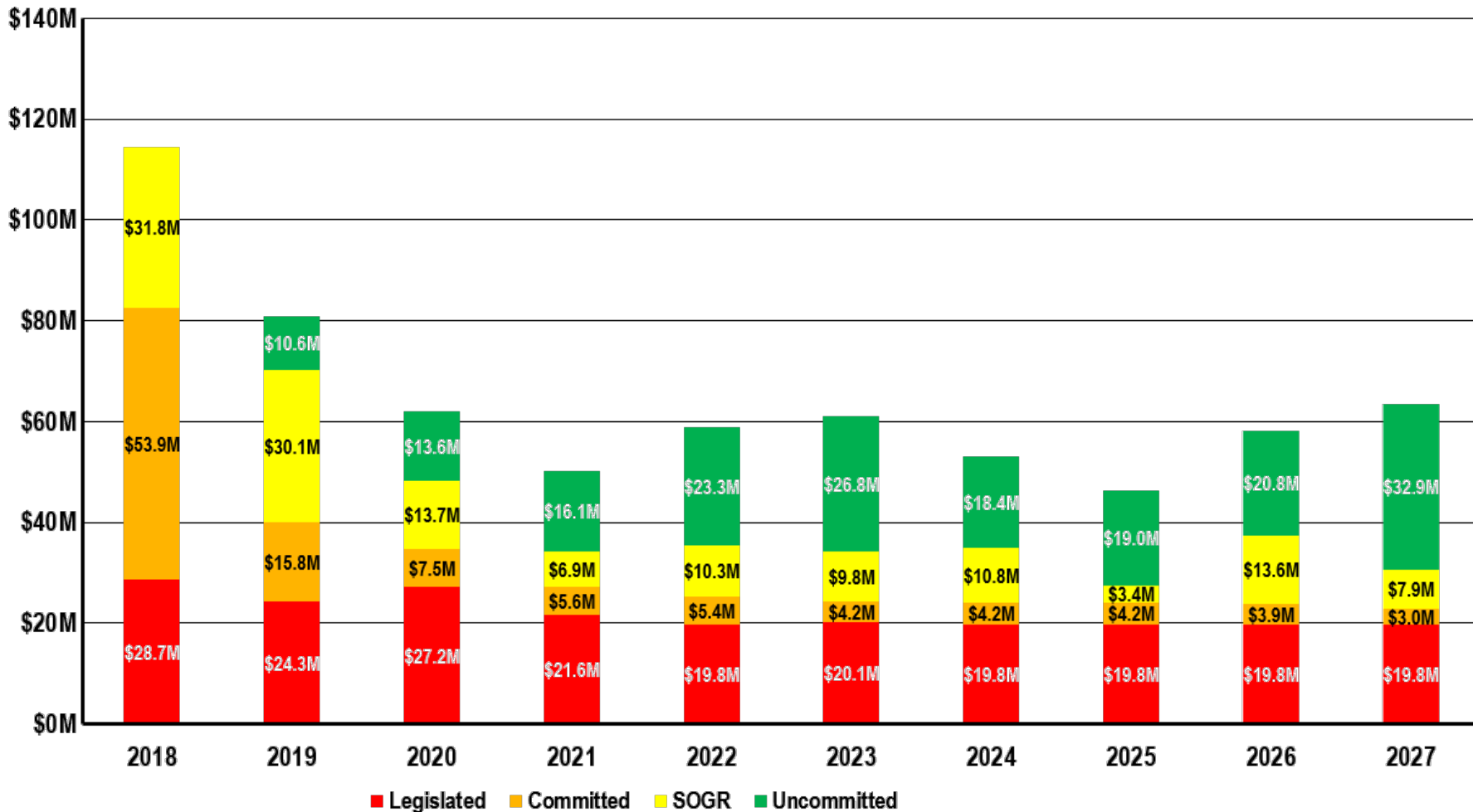
Rate Increase Support and Needs

Type	Item	2018 Budget Change
Capital	Capital reserve contributions required to adequately support the SWMS capital program. There is a renewed focus on maintaining state of good repair at the transfer stations, as well as the commissioning of the organics processing facilities at Dufferin and Disco.	\$5.0M
Operating	2018 expenditure pressure.	\$0.5M*
Required Rate Increase		\$5.5M

* Note: Operating expenditure pressure resulting from CPI and contract escalation clauses is \$4.6M, however, off-setting net reductions of \$4.1M elsewhere in the budget have the net pressure at just \$0.5M.

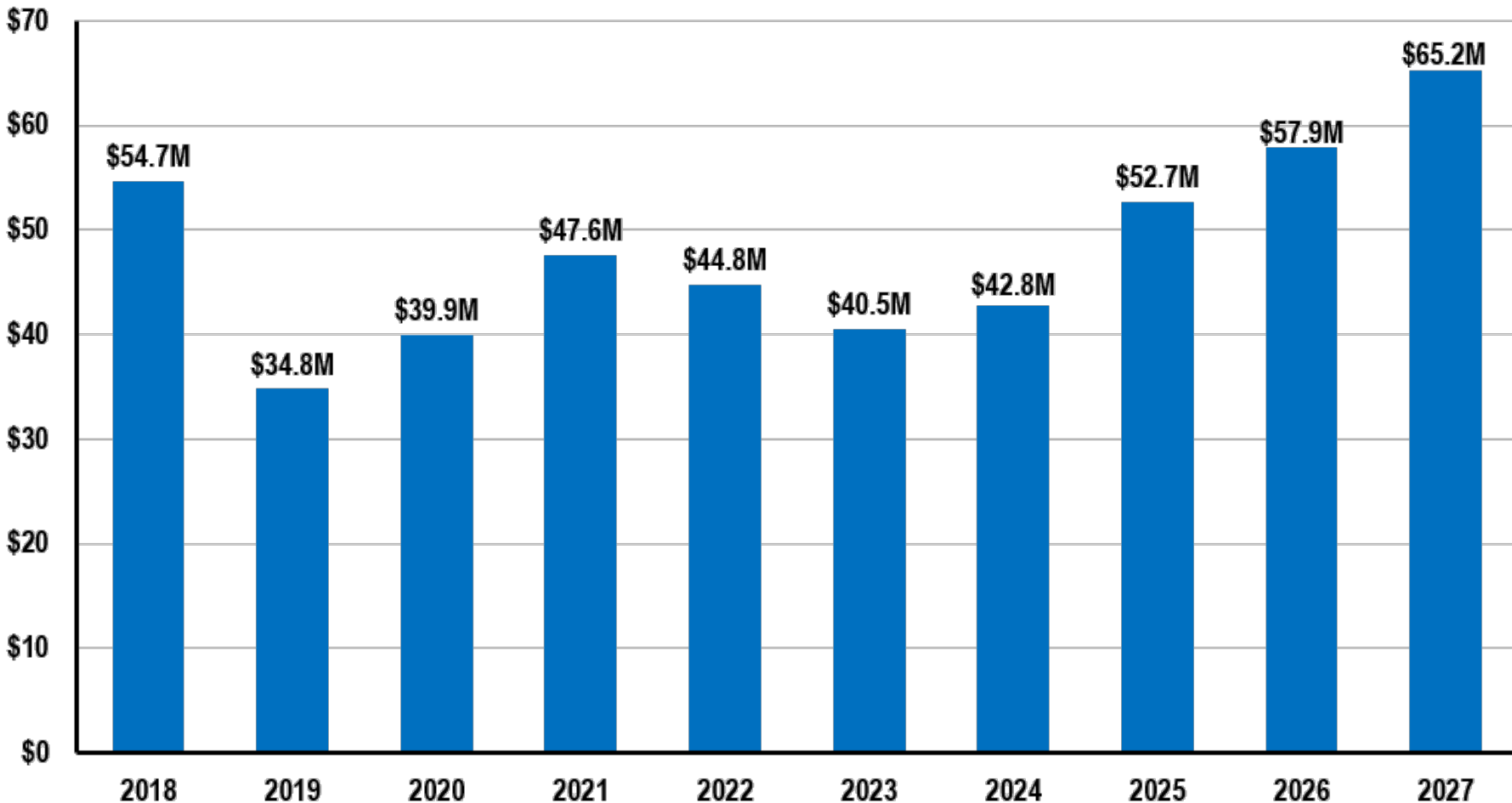
Legislated and Committed Capital Expenditures

2018 Rate-Supported Budget Launch



- All \$114.4M of 2018 capital plan is either legislated or committed.
- Legislated expenditures = at least \$20M every year.

Impact on Reserve Fund of Rate of Inflation (2.5%) Rate Increases from 2019-2027, 15% Capital Discount



- Assume capital spend rate of 85% of plan for all 10 years.
- Over \$450M of capital expenditure planned beyond the 10-year capital timeline (2028-2042).

