

Recommended Approach to Single Family Solid Waste Rebates 2017-2023

Date: January 16, 2017

To: Budget Committee

From: General Manager, Solid Waste Management Services

Deputy City Manager & Chief Financial Officer

Wards: All

SUMMARY

This report recommends that City Council adopt a plan to progressively phase out, over seven years beginning in 2017, the rebates on every Single Family curbside collection garbage bin. This move is recommended to continue the transition of Solid Waste Management Services (SWMS) to a sustainable utility where the net fees paid by Single Family customers reflect the actual cost of service delivery.

City Council approved reductions in the Single Family Solid Waste Rebates for 2015 and 2016, recovering \$17.7 million and \$9.7 million, respectively, for City of Toronto Tax-Supported Budget. Continuing the series of rebate reductions towards ultimate complete elimination of all Single Family Solid Waste Rebates by 2023 establishes a transparent and certain approach towards revenue recovery for City of Toronto general revenues between 2017 and 2023.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services, and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council authorize the progressive phasing out of Single Family Solid Waste Rebates in accordance with the proposed schedule attached as Appendix A to this report.

FINANCIAL IMPACT

If City Council adopts the General Manager's recommendation to progressively phase out the Single Family Solid Waste Rebate, the financial impact to SWMS is revenue-neutral, in that SWMS collects gross fees which are comprised of the net fee paid by Single Family customers, and the Single Family Solid Waste Rebate, which is paid via the Non-Program Account, funded by property taxes. The gross fees would not be

impacted; instead there would be a transfer of the financial burden from the property tax base to the net fee paid by Single Family customers.

The transfer of the financial burden away from the property tax base does represent a gross financial savings to the City of Toronto's operating budget of \$78.5 million. However, customer downsizing (in response to rebate reductions) has an impact on the total amount available to City of Toronto solid waste revenues. Over the next seven years waste management fee revenues could decline as homeowners switch to lower bin sizes. These impacts will need to be monitored.

If City Council adopts the General Manager's recommendation to progressively phase out the Single Family Solid Waste Rebate, the transfer of the financial burden away from the property tax base would be as illustrated in Table 1.

Table 1 - Annual transfer from the City's Tax-Supported Budget as a result of progressively phasing out the Single Family Solid Waste Rebate in accordance with the schedule attached as Appendix A to this report.

Year	2017	2018	2019	2020	2021	2022	2023	TOTAL
Gross Savings	\$14.4M	\$17.2M	\$17.2M	\$11.8M	\$11.8M	\$ 3.0M	\$ 2.9M	\$78.4M
Impact of Bin Downsizing	\$ 1.0M	\$ 0.8M	\$ 0.7M	\$ 0.5M	\$ 0.3M	\$ 0.2M	\$ 0.0M	\$ 3.5M
Net Savings	\$13.4M	\$16.4M	\$16.5M	\$11.3M	\$11.5M	\$ 2.8M	\$ 2.9M	\$74.9M

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of February 17, 2016, City Council adopted the recommendations in the Executive Committee Report EX12.2 – 2016 Capital and Operating Budgets, which is where the Single Family Solid Waste Rebates were reduced for the second year in a row, continuing to transfer financial burden from the property tax base to the rate program.

The City Council decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

At its meeting of March 10 and 11, 2015, City Council adopted the recommendations in the Executive Committee Report EX3.4 - 2015 Capital and Operating Budgets, which is where the Single Family Solid Waste Rebates were first reduced, transferring financial burden from the property tax base to the rate program.

The City Council decision document can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX3.4>

At its meeting of June 19, 20 and 22, 2007, City Council adopted the recommendations in the Executive Committee Report EX9.1 – Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010, which is where the Solid Waste Rebates were established for the first time.

The City Council decision document can be viewed at:
<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-19-cc10-dd.pdf>

COMMENTS

Background

The Single Family Solid Waste Rebate was established in 2008 in response to Solid Waste Management Services transition to a Residential Volume-Based Rate Structure. In moving to a structure that charges residential customers according to the amount of garbage they produce, it was necessary to acknowledge that there was still a cost embedded in the property tax base that was attributable to residential solid waste collection services.

In seeking to "subtract" the solid waste portion from the property tax bill, City Council devised the rebate concept, as the permissive powers contained in the City of Toronto Act, 2006 require tax shifts or reductions to be given in proportion to existing tax ratios and assessed property values. The Single Family Solid Waste Rebate ensures that all single family residential customers receive the same financial benefit regardless of the amount they are charged in property taxes. To "remove" Solid Waste Management Services operating budget from the property tax base would be favour properties with higher assessed values, as their percentage property tax deduction would equate to a much larger dollar amount. The Single Family Solid Waste Rebate, originally set at \$209 per customer, regardless of bin size, helped ensure a more equitable reduction for all single family customers.

The Single Family Solid Waste Rebates were first reduced in 2015, focusing on greater reductions for the larger bin sizes, in order to continue to incentivize residents to choose smaller bins. The Single Family Solid Waste Rebates were reduced again in 2016.

As SWMS continues its transition to a sustainable utility, the Single Family Solid Waste Rebates are recommended to be further reduced in 2017 as the first year of a 7-year plan to progressively phase out the rebates until they are all eliminated by the year 2023.

Eliminating the Single Family Solid Waste Rebate does not compromise the principle that the Residential Volume-Based Rate Structure was based upon, which is that residents who produce more garbage shall pay more than residents who produce relatively less garbage. When the Single Family Solid Waste Rebate is completely phased out, the small bin will still be hundreds of dollars less expensive on an annual basis as compared to the extra large bin.

Solid Waste Management Services' goal of becoming a fully independent utility is included in PW14.2 – Final Long Term Waste Management Strategy, adopted by City Council at its meeting of July 12, 13, 14 and 15, 2016. This can be viewed at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW14.2>

Final Long Term Waste Management Strategy

It is also important to note that Solid Waste Rebates are paid from the Non-Program Account in the Tax-Supported Budget, and if the total amount of rebates paid in a calendar year exceed the budgeted amount in the Non-Program Account, Solid Waste Management Services are required to cover that funding gap with Rate Revenues. If there is a surplus remaining in the Non-Program Account at the end of a calendar year, those funds are returned to the City of Toronto's general revenues.

CONTACT

Josie La Vita, Executive Director, Financial Planning, Telephone: 416-397-4229, Fax: 416-397-4465, Email: Josie.Lavita@toronto.ca

Vincent Sferrazza, Director, Policy, Planning & Support, Solid Waste Management Services, Telephone: 416-392-9095, Fax: 416-392-4754, Email: Vincent.Sferrazza@toronto.ca

SIGNATURE

Jim McKay
General Manager
Solid Waste Management Services

Roberto Rossini
Deputy City Manager & Chief Financial Officer

ATTACHMENTS

Attachment 1: Appendix A – Proposed Schedule for Progressively Phasing Out the Single Family Solid Waste Rebate

Attachment 2: Appendix B – Proposed Progressive 7-Year Single Family Rebate Phase Out, 2017-2023