

2021 Rate Supported Budgets – Solid Waste Management Services and Recommended 2021 Solid Waste Rates and Fees

Date: November 06, 2020

To: Budget Committee

From: Chief Financial Officer and Treasurer and General Manager, Solid Waste Management Services,

Wards: All

SUMMARY

This report outlines the recommended 2021 Solid Waste Management Services (SWMS) Rates and Fees arising from the adoption of the 2021 Solid Waste Management Services Operating and Capital Budgets. The recommended rate and fee increases will vary based on customer group and are highlighted in Table 1.

Table 1 highlights the recommended key Solid Waste Management Services Rates and Fees effective January 1, 2021.

Table 1 - 2021 Recommended Rates and Fees Increases (Effective January 1, 2021)

| Customer Group | % Rate Increase | Comments |
|-------------------------------------------------------------|------------------------|-----------------------------------------|
| Multi-Residential | 1.50% | Mitigate impact in response to COVID-19 |
| Single Family and Residential Units Above Commercial (RUAC) | 1.50% | Mitigate impact in response to COVID-19 |
| Bag Tags, Bin Purchase | 1.50% | Mitigate impact in response to COVID-19 |
| Commercial, Divisions, Agencies and Corporations, Schools | 1.50% | Mitigate impact in response to COVID-19 |
| Blended Rate | 1.50% | |

The recommended blended 1.5% increase in Solid Waste Management Services Rates will continue to provide and maintain Council Approved service levels unchanged from the prior year and fund the 2021 Capital Budget and 10-Year Capital Plan. This is in line with the City's Economic Support and Recovery plan to assist residence and business in the City of Toronto recover from the impact of Covid-19.

The 1.5% utility rate increase for 2021 is recommended to maintain the contribution to Waste Management Reserve fund to finance future capital investments, and to address affordability concerns resulting from the pandemic , which results in a loss of approximately \$3.334 million (gross) in previously anticipated revenues when compared to the planned 2.7% blended rate increase for 2021.

The 2021 Operating Budget is \$361.973 million, representing an increase of \$1.236 million or 0.3% over the 2020 Operating Budget as well as a \$17.137 million contribution to the Waste Management Reserve Fund, all of which are offset by total revenues of \$379.110 million. The marginal increase in operating expenditures is attributable to contractual inflation increases and an increase in debt principal and interest payments to fund the 10-year Capital Budget and Plan as well as other balancing action taken by staff.

The 2021 Capital Budget is \$69.079 million including carry-forwards, which is comprised of \$51.374 million in new 2021 funding and \$17.705 million in funding carried forward from 2020 into 2021. The 2021 Capital Budget and Plan remains generally unchanged from last year focusing on the following key capital objectives and priorities for Solid Waste Management Services:

- To safely and efficiently collect materials from 875,000 homes, business and public spaces by implementing Council's direction on health and safety by installing telematics solutions on vehicles in support of Vision Zero 2.0;
- To manage 900,000 plus tonnes of material in an environmentally and fiscally sustainable manner by accelerating the development of the 3rd Anaerobic Digester (AD);
- To continue investigating long-term disposal options including landfill capacity development and energy from waste as well as site contract renegotiations and strategically using alternate landfill sites; and
- To continue to develop and invest in renewable energy such as Renewable Natural Gas (RNG) facilities.

RECOMMENDATIONS

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

1. City Council adopt effective January 1, 2021, the Solid Waste Management Services Rates and Fees as set out in Appendix A attached to this report.

2. City Council authorize that the necessary amendments be made to the Municipal Code Chapter 441 – Fees and Charges, and any other necessary Municipal Code Chapters as may be required to give effect to these Recommendations.
3. City Council authorize the City Solicitor to introduce any necessary Bills required to give effect to Council's decision and authorize the City Solicitor to make any necessary refinements, including stylistic, format and organization, as may be identified by the City Solicitor, the Chief Financial Officer and Treasurer, and General Manager Solid Waste Management Services.
4. City Council direct the General Manager of Solid Waste Management Services to develop and submit the 2022 and 2023 budgets as outlined in Appendix B representing a 3% increase in 2022 and a 3% increase in 2023 to be applicable to all Solid Waste Management Services Rates and Fees in order to support the Divisions long term capital plan.
5. City Council direct the General Manager, Solid Waste Management Services to review, as part of the work of the Province's transition to extended producer responsibility programs and the amended Food and Organic Waste Policy Statement, the currently accepted items in the City's existing diversion programs with a primary focus on materials in the Green Bin stream and report back to Council with recommendations on items to remain or exclude from the list of accepted items using a triple bottom line approach which considers financial, environmental and social considerations.
6. City Council direct the General Manager, Solid Waste Management Services to review the current installment of waste collection bins in Parks and open spaces and as a pilot project determine how the quality of recyclable materials generated in Blue Bin recycling can be improved and the quantities of litter disposed of in landfill can be reduced through the expansion of Green Bin organics and the adjustment of waste bin types, quantities and placement within in Parks.
7. City Council request financial support from the Province of Ontario to fully-recover transition costs the City may incur as a result of the Province's anticipated adoption and implementation of measures under the Resource Recovery and Circular Economy Act, 2016 that will implement a new Extended Producer Responsibility model for Ontario, including but not limited to increased service contract costs, specialized professional services support, additional communications, promotion and education support.
8. City Council authorize the General Manager, Solid Waste Management Services, to establish and manage a First Nations Engagement Grant Fund for the Green Lane Landfill Renewable Energy Study Project funded through the capital program for qualifying local First Nations to retain, on a verified basis, technical services such as energy, environmental and/or similar consultants to assist with the engagement process.

9. City Council authorize the General Manager, Solid Waste Management Services, and/or designate, to negotiate and enter into an amending agreement with the City's current mattress recycling contractor for a term up to December 31, 2026, with specific requirements that allow for increased mattress recycling volumes and maintain or exceed existing capture rates for recoverable materials, and on any other terms satisfactory to the General Manager, Solid Waste Management Services, and each in a form satisfactory to the City Solicitor, in support of efforts to increase diversion of these materials from landfill.

10. City Council direct that all the rates, fees and charges set out in Appendix A to this report, adopted by Council in Recommendation 1 and 2 above, continue in full force and effect until such time as they are amended or repealed by City Council.

FINANCIAL IMPACT

Solid Waste Management Services is a utility funded program that recovers program costs from a combination of service rates and fees, recoverable debt, other charges, the sale of recyclables and industry stewardship funding. The 2021 Budget provides funding to support Solid Waste Management Services operations and capital projects, and diversion by reducing materials entering the waste stream and overall waste sent to landfill.

Revenues total \$379.110 million in the recommended 2021 Operating Budget as outlined in the table below.

Table 2: 2021 Operating Budget Revenues

| Revenue Source | Revenue Total | % of Total |
|------------------------------|----------------------|-------------------|
| Service Rates and Fees | \$327.680M | 86% |
| Industry Stewardship funding | \$25.062M | 7% |
| Sale of Recyclables | \$8.628M | 2% |
| Interdivisional Recoveries | \$7.201M | 2% |
| Capital Recoveries | \$5.040M | 1% |
| Other Recoveries | \$5.499M | 2% |
| Total | \$379.110M | 100% |

Service Rates and Fees of \$327.608 million represent 86% of total revenues which consists of a 1.5% rate increase on all customer classification except for the following:

Table 3: User Fee Adjustments to Reflect Full Cost Recovery

| User Fee Adjustments | Comments | Rate Increase / Decrease |
|--------------------------------------------|--------------------------|---------------------------------|
| Oversized & Metal Item Fee - All Customers | Full cost recovery | \$3.85 annual increase |
| Waste Loading Services - Transfer Station | Encourage use of service | \$5.30 per tonne decrease |

The 2021 Solid Waste Management Services Operating Budget includes an increase to the Oversized & Metal Item fee to reflect full cost recovery for the service inclusive of recycling mattresses city-wide. The oversize & metal item fee rate increasing from \$15.90 to \$19.75 per household.

The 2021 Recommended Rates and Fees associated with the various customers and services are outlined in Appendix A.

The 2021-2030 Capital Budget and 10-Year Plan totals \$737.454 million, which includes 2020 capital carryovers to 2021 of \$17.705 million financed by reserve funding of \$359.163 million (49%) and recoverable debt of \$378.291 million (51%).

The City issues debt on behalf of Solid Waste Management Services and debt servicing costs are repaid to the City by Solid Waste Management Services through the Debt Reserve Fund financed by operating fee revenues. Capital projects are funded by the Program's operating contributions to the Waste Management Reserve Fund, Fleet Reserve, Green Lane Reserve Fund and Perpetual Care Reserve Fund.

The Solid Waste Management Services 2021 Operating Budget also includes \$33.973 million to repay debt issued to fund capital infrastructure needs (\$15.946 million) and to pay for the Green Lane Landfill acquisition (\$18.027 million).

Recommended Rate and Fee Multi-Year Sustainability Plan

At its meeting of March 7, 2019 City Council adopted the recommendations in the Executive Committee Report EX2.3 "2019 Rate Supported Budgets – Solid Waste Management Services and Recommended 2019 Solid Waste Rates & Fees" and directed the General Manager, Solid Waste Management Services and the Executive Director, Financial Planning to develop a Multi-Year Financial Strategy and rate structure for the Solid Waste Management Services Division which was reported back in the 2020 budget submission to Budget Committee.

KPMG Consulting is working with Solid Waste Management Services to assist with this review to maintain a sustainable multi-year financial plan under the following scenarios:

- Develop a baseline scenario that trues-up the rates to equal the cost of providing existing services.
- Assess the potential impact of full Extended Producer Responsibility (EPR) starting in 2023 that identifies the impact of the City's reduced recycling responsibilities when recycling collection, processing and recycling disposal responsibilities are transferred from the City of Toronto to producers of printed paper and packaging.
- Review SWMS 10-Year Capital Budget and Plan funding to ensure capital reserve contributions and recoverable debt adequately fund current and future infrastructure requirements.

The 2021 Operating Budget is recommending a 1.5% rate increase and has been adjusted downwards from 2.7% projected in last year's budget to mitigate impacts on Solid Waste Management Services customers in response to the ongoing COVID-19 pandemic. In addition, as a result of the recommended 1.5% increase for 2021 the 2021 Operating Budget is seeking approval for a 3.0% annual rate increase for the 2022 and 2023 outlook years to ensure future program and rate stability. The 2024 to 2030 Operating Budget is projecting a 3.0% year over year rate increase over the remaining seven years to ensure sufficient contributions to reserves are maintained to fund the capital budget and plan. This was the projected rate increase that was presented to Council for the development of the 2020 budget.

The introduction of Extended Producer Responsibility (EPR) resulting in a net reduction in expenditures of \$15 million beginning in 2024 has been incorporated in the outlook years to help stabilize the rate. If EPR is not implemented by 2024 and \$15 million from EPR efficiencies is not recovered, Solid Waste Management Services will need to increase the rate over the following few years.

Operating Budget recommends the following user fees:

Table 4: 2021 Recommended 2021 and 2022 to 2030 Proposed User Fee Increase

| Customer type | Approved | Recommended for 2021 Approval | | | Projected Rate Increases | | | | | | |
|-------------------------------|----------|-------------------------------|-------|-------|--------------------------|-------|-------|-------|-------|-------|-------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Multi Residential | 1.50% | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Single Family & RUAC | 2.50% | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Commercial and others | 6.00% | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Blended (Excluding Oversized) | 2.45% | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

Forecasted future rates and fee increases by customer group are as described in Appendix B.

Extended Producer Responsibility (EPR) Scenarios

The Consultant Study ran a number of EPR scenarios assuming that in 2024 the City's recycling responsibilities will be transferred to producers. There are a number of unknowns as the regulatory landscape and planned transition to full EPR under current transition plans by the Province is between 2023 and 2025. The Study indicated that if the City of Toronto is no longer responsible for managing the blue box system and the responsibilities are transferred to Producers, certain efficiencies are estimated between \$15.000 and \$20.000 million could be realized annually.

The 2021 Operating Budget outlook includes a \$15.000 million in efficiencies starting in 2024 going forwards. These savings have been included as a funding source for the 10-Year Capital budget and Plan starting in 2024. If EPR does not materialize, user fee rates will need to increase beyond the proposed changes in 2024 in lieu of realizing the anticipated \$15.000 million in efficiencies.

SWMS 10-Year Capital Budget and Plan funding

This report recommends that the user fees be increased to 1.50% in 2021 below last years projected increase of 2.70% to mitigate impact to Solid Waste Management customers in response to ongoing COVID-19 pandemic, and in subsequent 9 years be increased by 3.00% annually starting 2022 as indicated in Table 4 above.

In addition, EPR funding of \$15.000 million is included in budget starting in 2024, annual revenues generated from the sale of RNG of \$3.305 million and annual revenue from Carbon Tax Credit of \$0.300 million are included in budget beginning in 2021. The EPR funding contributes to keeping user fee increases to the rate of inflation over the 10-year Capital Budget and Plan. However, if EPR is not implemented or City of Toronto is transitioned to EPR in later years (2025 or 2026), a future additional rate increase of approximately 2% per year starting in 2024 will be required.

Given the recommended rate increase, as well as EPR and RNG funding the Capital or Waste Management Reserve balance will change from \$59.812 million in 2021 to \$39.618 million in 2023 and to \$132.913 million in 2030 which is adequate to fund the recommended 10-Year Capital Budget and Plan and provides a reserve balance base for future year requirements beyond 2030 such as a new or expanded land fill site or other Council approved diversion facility as shown below in Chart 1.

Chart 1 – Capital Funding and Waste Management Reserve Balance

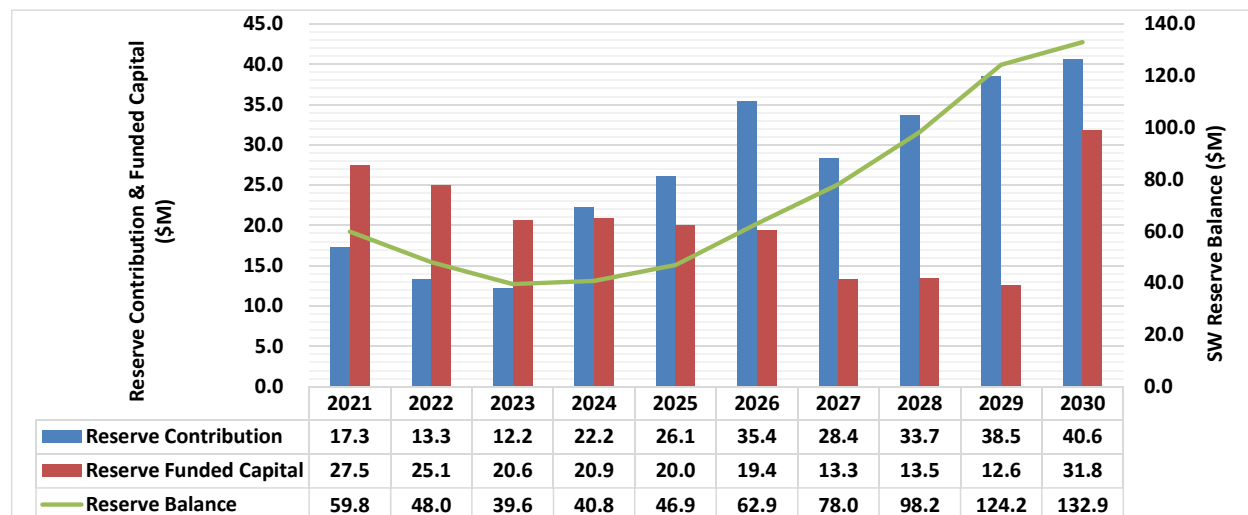


Table 5 provides a summary of anticipated major capital investments required in the 10-Year period beyond the 10-Year Capital Plan (2031-2040) which aligns to the implementation of longer term disposal options including future landfill options once Green Lane is to capacity, completion of Energy from Waste as well as a new Waste Management facility.

Table 5 - Capital Investments for the period 2031 to 2040 is \$1,000.000 million

| Capital Investment | 2031 - 2035 | 2036 - 2040 | Total |
|-----------------------------------------|-------------------|-------------------|---------------------|
| Future Landfill | \$250.000M | | \$250.000M |
| Future Energy from Waste * | \$225.000M | \$225.000M | \$450.00M |
| Future Mixed Waste Processing Facility* | \$100.000M | \$200.000M | \$300.000M |
| Totals | \$575.000M | \$425.000M | \$1,000.000M |

Note: * Pending Council Direction

Two projects have been accelerated from future periods beyond the 10-Year Capital Budget & Plan which includes the Organics Processing Facility or the 3rd Anaerobic Digester (\$129.800 million) and the Landfill Capacity Development / Energy from Waste Project of which \$50.000 million has been moved into 2030.

Pending initiatives and actions, in addition to Extended Producer Responsibility uncertainties, that may impact Solid Waste Management Services future operating costs and revenues opportunities are as follows:

Expiry and renewal of following major operating contracts valued at \$657.237million over the next 3 years, which include:

- Operation and maintenance of the Green Lane Landfill Site, current term expires March 31, 2021, with two (2) option years remaining (\$79.453 million); contract extension negotiations that would also replace the option years are in progress;
- Processing and Haulage of Source Separated Organics waste contacts (3 service providers) expiring on May 31, 2021 (\$31.487 million), new RFP in development;
- District 1 Collection contract expiring June 30, 2021 with two (2) option years remaining (\$63.996 million);
- District 2 Collection contract expiring August 2, 2021 (\$162.243 million); negotiated extension agreement signed with vendor;
- Processing services for Leaf & Yard Waste expiring December 31, 2022, with 2 option years remaining (\$64.559 million)
- Contingency landfill disposal capacity contracts (3 service providers) expiring August 31, 2022 (\$94.785 million);
- Supply, delivery and maintenance of recycling and garbage bins expiring November 30, 2022 (\$47.149 million); and
- Single Stream Recovery Material Processing Contract expiring January 31, 2023, with up to four (4) option years remaining (\$113.565 million).

The extent to which these initiatives and contract changes will impact future expenditures and revenues is not fully known; however, estimates have been included in the outer years.

Decision History

At its meeting on September 30, 2020, City Council adopted the Infrastructure and Environment Committee report IE12.4 Mixed Waste Processing Study Update directed the General Manager, Solid Waste Management Services to:

1. City Council direct the General Manager, Solid Waste Management Services to consider future work on the development of a mixed waste processing facility, with or without a thermal treatment process, where the overarching goals are maximizing resource recovery through reduce, reuse, recycle, energy recovery then residual disposal, minimizing the dependence on long term landfill use all while ensuring the financial sustainability of the Solid Waste Management Services program.

2. City Council direct the General Manager, Solid Waste Management Services to report back to the Infrastructure and Environment Committee no later than the end of 2023 with a business case, including a triple bottom line analysis (environment, social and financial) and a utility rate impact assessment on the mixed waste processing of waste with and without thermal processing compared to increased reduction and diversion and traditional landfilling.

3. City Council direct the General Manager, Solid Waste Management Services to pursue potentially applicable federal government, provincial government, and non-profit organization funding opportunities to assist in implementing Recommendations 1 and 2 above and to negotiate and enter into all necessary agreements to receive any available funding in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE12.4>

At its meeting on September 30, 2020, City Council adopted the Infrastructure and Environment Committee report IE15.4 Transition of Toronto's Blue Box Program to Extended Producer Responsibility directed the General Manager, Solid Waste Management Services to:

4. City Council direct the City Manager, Mayor and General Manager of Solid Waste Management, to communicate to the Minister of the Environment, Conservation and Parks City Council's position that:

a. any changes to Toronto's blue box program and Extended Producer Responsibility regulations, have clear and measurable goals, targets, outcomes and penalties that ensure producers are accountable for reduction targets and are consistent with the provincial interests stated in the Resource Recovery and Circular Economy Act, 2016, the purposes stated in the Waste Diversion Transition Act, 2016 and the principles of full extended producer responsibility;

B. other policy tools and incentives to promote the use of more recycled content in products and packaging should be included, including incentives to reduce and redesign products and packaging;

c. Extended Producer Responsibility regulations not allow for recycled content to offset recovery targets and that producers are required to report on sub categories of materials;

5. City Council request the City Manager, the Mayor and the General Manager, Solid Waste Management Services to communicate to the Minister of the Environment, Conservation and Parks to protect the deposit return system and explore expanding deposit return as a means of increasing recycling rates.

6. City Council direct the General Manager, Solid Waste Management Services to report back on impacts to user fees and any change in Solid Waste user fee program.

7. City Council direct the General Manager, Solid Waste Management Services to report back on the impact and proposed management of materials and sources not eligible for transition including costs (i.e. non-residential customer base).

8. City Council authorize the General Manager, Solid Waste Management Services or designate to negotiate and enter into any new agreements or amending agreements (including but not limited to amending agreements to receive external funding) necessary for the City's continued waste diversion operations until the latter of

December 31, 2026 or the transition period end date indicated by the Resource Recovery and Circular Economy Act, 2016 or the Waste Diversion Transition Act, 2016, or any regulations thereunder, on terms satisfactory to the General Manager, Solid Waste Management Services and each in a form satisfactory to the City Solicitor and conditional on approved funding.

9. City Council request the General Manager, Solid Waste Management Services, provide to all Members of Council, communications material to share on potential and proposed changes to the blue box program as a result of proposed Extended Producer Responsibility regulations.

10. City Council request the General Manager, Solid Waste Management Services to provide to all Members of Council communications material to share on potential and proposed changes to the blue box program as a result of proposed Extended Producer Responsibility regulations.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE12.4>

At its meeting on July 28 and 29, 2020, City Council adopted the Infrastructure and Environment Committee report IE14.7 on Citywide Greenhouse Gas Reduction Strategy through Blending Renewable Natural Gas and Natural Gas, a Low-carbon Fuel Option directed the General Manager, Solid Waste Management Services to:

1. City Council direct that Renewable Natural Gas produced at the Dufferin and Disco Road Organic Processing Facilities be delivered by Solid Waste Management Services via the local gas utility distribution company for distribution to all enrolled City gas accounts under the City Natural Gas Purchasing Program managed by the Environment and Energy Division and to those enrolled accounts for City's agencies, boards and corporations that elect to purchase Renewable Natural Gas, at a cost per cubic meter not to exceed the amounts required to fully recover all Renewable Natural Gas capital and operating costs.

2. City Council direct City Divisions to include funding in all applicable 2021 and forward Operating Budgets to reflect the fully recoverable incremental costs for acquiring and consuming the Renewable Natural Gas.

3. City Council direct that all capital and operating costs for the Renewable Natural Gas program incurred by Solid Waste Management Services calculated on a full cost recovery basis are to be funded through the general tax rate/utility rate, as proportionally required, and not funded by the Solid Waste Management Services Rate Budget except for Solid Waste Management Services proportional allocation of the Renewable Natural Gas and natural gas blend.

4. City Council direct the General Manager, Solid Waste Management Services, to report annually through the budget process to Council on the actual production and operating costs and to report out annually on the Renewable Natural Gas program.

5. City Council direct the City Manager or designate to direct the terms and conditions to apply to the delivery, receipt and payment for all Renewable Natural Gas to facilitate advancing the above recommendations and to negotiate and enter into any agreement(s) to advance the above recommendations on terms satisfactory to the City Manager or designate and in a form satisfactory to the City Solicitor.

6. City Council direct the General Manager, Solid Waste Management Services, to seek federal and provincial funding for the Solid Waste Management Renewable Natural Gas strategy.

7. City Council direct that any funding obtained through Part 6 above be allocated to offset the overall Renewable Natural Gas program costs.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE14.7>

At its meeting on June 29 and 30, 2020, City Council adopted report MM22.31 Implementing a Mini Environment Day by Councillor James Pasternak, seconded by Councillor Jennifer McKelvie report directed the General Manager of Solid Waste Management Services to:

1. City Council direct the General Manager, Solid Waste Management Services, in consultation with the Medical Officer of Health, to create a safe, hybrid, mini Environment Day option for Fall 2020 using Solid Waste Management Services transfer stations; such mini Environment Days could include residents remaining in their cars and staff and volunteers assisting with the dropping off of various items, including textiles and the offering (pick up) of packaged compost; with this being the only option for an Environment Day Councillor's will be invited to partner in the events.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM22.31>

At its meeting on July 16, 17 and 18, 2019, City Council adopted the Infrastructure and Environment Committee report IE6.8 on Vision Zero 2.0 Plan directed the General Manager, Solid Waste Management Services to:

a. authorizing the General Manager, Solid Waste Management Services to negotiate, and enter into, and execute any and all agreements and amending agreements necessary, subject to available funding, to implement a fleet safety and accountability program for all new and existing, in-house and contracted out vehicles, which aligns with the principles of Vision Zero and the technologies outlined in the report and Attachment 3 to the report (June 13, 2019) from the General Manager, Transportation Services and the General Manager, Solid Waste Management Services on terms and conditions satisfactory to the General Manager, Solid Waste Management Services, and in a form satisfactory to the City Solicitor;

b. authorizing 360 degree external and all in-cab video telematics technology to support road safety and quality service, and that City Council request the General Manager, Solid Waste Management Services to incorporate the requirement of similar technologies for any future outsourcing of collection services;

c. requesting the General Manager, Solid Waste Management Services to report back annually, through the budget process, on any fleet-related safety and accountability enhancements that have been implemented and integrate fleet safety performance as a key performance indicator moving forward;

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE6.8>

At its meeting on December 17 and 18, 2019, City Council adopted the recommendations in the Executive Committee Report EX11.3 "2020 Rate Supported Budgets - Solid Waste Management Services and Recommended 2020 Solid Waste Rates and Fees" directed the General Manager, Solid Waste Management Services to:

4. City Council request the General Manager, Solid Waste Management Services and/or designate to continue consulting and negotiating with Provincial Officials to ensure inclusion of the City's priorities in any new anticipated waste diversion regulations or policy statements that implement the Resource Recovery and Circular Economy Act, 2016, and the Waste Diversion Transition Act, 2016.

5. City Council authorize the General Manager, Solid Waste Management Services and/or designate until the end of 2025, to negotiate and enter into any new agreements, amendments of existing agreements, or acknowledgements, including on the basis of a non-competitive procurement under Municipal Code, Chapter 195, Purchasing, necessary in connection with the efforts indicated in Part 4 above - including advocacy, business transformation, financial analysis, or receipt of funding on terms and conditions satisfactory to the General Manager, Solid Waste Management Services and each in a form satisfactory to the City Solicitor.

6. City Council authorize the General Manager, Solid Waste Management Services and/or designate, to negotiate and enter into a contract extension agreement with CRA Landfill Operations Limited to provide landfill operations, management and construction services for a term not to exceed 10 years, with the specific requirements that landfill compaction ratio be increased, a lower annual guaranteed minimum tonnage be implemented and efficiencies be developed to reduce site costs on terms and conditions satisfactory to the General Manager, Solid Waste Management Services and in a form satisfactory to the City Solicitor.

7. City Council authorize the Chief Financial Officer and Treasurer and the General Manager, Solid Waste Management Services and/or designate, to negotiate and enter into any new agreements, amendments of existing agreements, or acknowledgements, including on the basis of a non-competitive procurement under Municipal Code Chapter 195, Purchasing, necessary in connection with the efforts to produce, manage, market,

distribute, use and sell Renewable Natural Gas and other environmental attributes associated with Renewable Natural Gas production on terms and conditions satisfactory to the General Manager, Solid Waste Management Services and each in a form satisfactory to the City Solicitor and the Executive Director, Corporate Real Estate Management.

15. City Council request the General Manager, Solid Waste Management Services to report back, as part of the 2021 Budget process, on the impact of fees on diversion rates and source separation, contamination of blue bins, illegal dumping and undersized choice in household bin size.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.3>

At its meeting on March 7, 2019, City Council adopted the recommendations in the Executive Committee Report EX2.3 "2019 Rate Supported Budgets - Solid Waste Management Services and Recommended 2019 Solid Waste Rates and Fees" directed the General Manager, Solid Waste Management Services to:

4. City Council direct the following Renewable Natural Gas Initiatives:

- Fully exempt the Solid Waste Management Services renewable natural gas initiative, including any and all environmental attributes that may result from the program, from the City's Carbon Credit Policy.
- Place net revenues that the City derives from the future sale of renewable natural gas and/or any associated environmental attributes generated under the Solid Waste Management Services renewable natural gas initiative in the Solid Waste Management Reserve Fund XR1404 for the exclusive use of Solid Waste Management Services, which will be used to fund projects identified within the Council approved Long Term Waste Management Strategy and other environmentally sustainable initiatives.
- Allow only Solid Waste Management Services to hold any unsold environmental attributes associated with the Solid Waste Management Services renewable natural gas initiative on behalf of the City, and the authority to sell the attributes.

6. City Council direct the General Manager, Solid Waste Management Services and the Executive Director, Financial Planning to develop a Multi-Year Financial Strategy and rate structure for the Solid Waste Management Services Division and to report back to the Budget Committee.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.3>

COMMENTS

2021 Operating Budget

The 2021 Operating Budget's gross expenditure of \$379.110 million is outlined in detail in the concurrent Solid Waste Management Services 2021 Operating Budget Notes. These expenditures are fully recovered by revenues as outlined in Table 6 below.

Table 6- Operating Budget Summary

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 2021 Solid Waste Management Services Gross Expenditures | \$361.973M |
| Waste Management Reserve Fund Contribution | \$17.137M |
| Total Expenditures | \$379.110M |
| 2021 Solid Waste Management Services Revenues | |
| Volume Based Solid Waste Management Services Rates (User Fees) | \$327.680 |
| Other revenues (sale of recyclable materials, industry stewardship funding, fees, paid commercial waste, and recoveries for waste collection from City agencies and programs) | \$51.430M |
| Total 2021 Solid Waste Revenues | \$379.110M |

This budget allows Solid Waste Management Services to maintain all current service levels and allocates sufficient funds to the reserve to finance and support future capital needs over the 10-Year Capital Plan timeframe.

The 2021 Operating Budget changes are outlined in Table 7.

Table 7 - 2021 Operating Budget Changes

| | 2020 Adjustment Projected Actual | 2021 Budget | \$ Change | % Change |
|----------------------------------------------------------------|-------------------------------------------|-------------------|------------------|--------------|
| General Operating Expenditures | \$341.131M | \$361.973M | \$20.842M | 6.11% |
| Contribution to Capital | \$17.589M | \$17.137M | (\$0.452M) | -2.57% |
| Total Expenditures | \$358.720M | \$379.110M | \$20.390M | 5.68% |
| Volume Based Solid Waste Management Services Rates (User Fees) | \$311.578M | \$327.680M | \$16.102M | 5.17% |
| Other Revenues | \$47.142M | \$51.430M | \$4.288M | 9.10% |
| Total Revenues | \$358.720M | \$379.110M | \$20.390M | 5.68% |

The 2021 Operating Budget includes pressure of \$20.390 million as listed below:

- Increase in salaries and benefits in the amount of \$2.335 million due to union inflationary increases.
- Increase in services and rents \$14.474 million resulting from an increase in tonnage collected and processed and contract inflationary increases.
- Increase in debt financing costs of \$2.502 million to fund the 2021 capital budget.
- Increase in inter-divisional transfers \$0.294 million.
- Increase in equipment, material & supplies of \$0.785 million due contract inflationary increases and operational needs.

The above pressures are offset by revenue changes totalling \$20.390 million as follows:

- Increase in collection revenues of \$11.809 million which is comprised of \$2.857 million in single family residential revenues, \$2.909 million in multi-residential revenues, Oversized & Metal Item Fee revenue of \$3.525 million; and other non-residential collection customer's revenue of \$2.518 million.
- Increase in Tipping fee and Load weighing revenue of \$3.993 million.
- Increase of Capital recovery of \$0.362 million.

- Increase of sale of RNG of \$3.605 million.
- Decrease in other revenues including sale of recyclables \$0.621 million.

The purpose of the Waste Management Reserve Fund is to provide funding for the capital needs of the Division. The rate model is predicated on the replenishment of the reserve through contributions from the Operating Budget sufficient to ensure that an adequate balance is maintained in this reserve fund. In 2021, Solid Waste Management Services has included a \$17.137 million contribution to the Waste Management Reserve Fund.

2021 Capital Budget and 10-Year Plan

The Solid Waste Management Services 2021-2030 Capital Budget and Plan Budget Notes provide additional details on the Solid Waste Management Services' proposed 10-Year Capital Plan. Solid Waste Management Services 2021 tangible assets are valued at \$781.607 million. The state of good repair of these assets, as well as the development of new infrastructure, is funded through the Capital Budget.

The 2021 Capital Budget of \$69.079 million is comprised of \$51.374 million for previously approved and new capital projects and a carry forward of \$17.705 million from 2020. The 2021 budget, including carried forward amounts, includes projects in the following categories: Legislated (\$22.900 million), State of Good Repair (\$24.965 million), Service Improvement (\$20.339 million) and Growth Related (\$0.875 million).

The top three 2021 capital budget projects (by dollar value) total \$35.154 million and comprises 51% of the \$69.079 million 2021 Capital Budget and are as follows:

1. Green Lane Landfill site - primarily for legislated cell development (\$13.415 million in 2021).
2. Transfer Station Asset Management - state of good repair projects at 7 Transfer Stations (\$13.254 million in 2021).
3. Perpetual Care of Closed Landfill - legislated costs to monitor Solid Waste Management Services' 160 closed landfills and maintain regulatory compliance (\$8.485 million in 2021).

The Long Term Waste Management Strategy's recommended 2021 Capital Budget is \$5.408 million which will execute the following four priority actions:

- Development of Promotion & Education Tools (\$3.103 million).
- Extended Producer Responsibility Transition (\$1.155 million).
- Mixed Waste Processing with Organics Recovery Study (\$0.650 million).
- Long Term Waste Management Strategy Update (\$0.500 million).

The top three projects (by dollar value) total \$387.364 million and comprise 53% of the \$737.454 million 10-Year Capital Budget & Plan (2021 to 2030):

1. Green Lane Landfill Cell Development (\$130.815 million).
2. New Organics Processing Facility (3rd Anaerobic Digester) \$129.800 million;
3. Transfer Station Asset Management (\$126.749 million).

The 10-Year Capital Plan (including carry-forward) was updated to include Climate Change Resiliency projects including the 3rd Organics Processing Facility (Anaerobic Digester estimated at \$129.800 million) to address the shortage of green bin processing capacity, the development of renewable natural gas at Green Lane Landfill (\$51.583 million), Dufferin Waste Facility Site Improvement (\$29.328 million), and Mixed Waste Processing with Organics Recovery (\$7.785 million).

Transition of Toronto's Blue Bin Recycling Program to Extended Producer Responsibility (EPR)

The Provincial landscape of waste management is undergoing a pivotal change as it relates to several existing waste diversion programs, including blue box waste, municipal hazardous or special waste, used tires, household batteries and waste electrical and electronic equipment. The proclaiming in November 2016 of the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WDTA), initiated the monumental transition from a shared municipal-producer funding model to an extended producer responsibility (EPR) model, which assigns producers the financial and operational responsibility for the end-of-life management of their materials supplied into the marketplace.

One of the most significant program changes will be to the existing Blue Box Program. On August 15, 2019 the Minister of the Environment, Conservation and Parks provided a direction letter to [Stewardship Ontario](#) and the [Resource Productivity & Recovery Authority](#) (RPRA) to begin the program transition from municipalities to producers and begin the wind-up of the current Blue Box Program Plan. Before transition to EPR can commence, a regulation must be enacted to establish the rules in which the new EPR system for Blue Box materials, including packaging, paper and packaging-like products (PPPP), is to transition and operate in the province.

This transition will result in a fundamental shift in how the Solid Waste Management Services Division operates the City's integrated waste management system, including its user fee program. In 2019, Toronto managed nearly 177,000 tonnes of Blue Box materials. This vast quantity of materials managed represents approximately 20% of the provincial tonnage and associated producer funding. The transition to an EPR model for the Blue Box Program for the City of Toronto is very complex. It will impact all areas of Toronto's integrated waste management system, including, but not limited to:

- capital assets and fleet needs;
- determining changes to connected programs services and contracts for waste collection; transfer and processing;
- communications and promotional campaigns; and
- customer service.

Since Solid Waste's last budget report to City Council in December 2019, several developments have occurred related to the transition of the Blue Box Program to an EPR model:

- From December 2019 – July 2020, the Ministry of the Environment, Conservation and Parks (MECP) hosted a series of stakeholder working group meetings to inform the development of a draft EPR regulation for PPPP;
- Stewardship Ontario, the Industry Funding Organization that provides municipalities with partial funding under the current Blue Box Program Plan, released their draft wind-up plan for consultation in June 2020 and subsequently submitted their proposed plan to the RPRA in August 2020 for review. RPRA consulted on the draft wind-up plan from October to November 2020;
- At its September 30 – October 2, 2020 meeting, City Council considered item [IE15.4](#) entitled *Transition of Toronto's Blue Box Program to Extended Producer Responsibility* and directed staff to, among other items, communicate Toronto's preferred transition date and advocate for Toronto's best interests to MECP; and
- The Ministry of the Environment, Conservation and Parks released the draft regulation for Blue Box materials under *Resource Recovery and Circular Economy Act, 2016* for consultation until December 3, 2020.

Despite the content included in the draft regulation for PPPP, the specific details of the final regulation could still deviate from those presented in the current draft.

Consequently, Solid Waste Management Services' staff continue to vigorously advocate for the protection and inclusion of the City's best interests, including, but not limited, to the following:

- Requiring producers to report tonnages and achieve management targets for both broad material categories and specific sub-categories to identify poor performing materials so action can be taken to improve their diversion;
- Ensuring management targets are aggressive enough to incent continuous improvement;
- Not allowing recycled content credits to be used to offset diversion targets;
- Increasing the list of eligible sources to include all multi-residential buildings (regardless of service provider) during the transition; parks; public spaces; and municipally-operated facilities (e.g. arenas, community centres);
- Reinforcing inclusion of Toronto's preferred transition date of July 1, 2023 in the final regulation; and
- Requesting Toronto's review of a proposed Common Collection System Agreement (a single collection system for designated materials and eligible sources across Ontario) prior to its review and approval by the RPRA.

After the final regulation is enacted in early 2021, producers will decide whether to organize and manage their own Blue Box Program recovery system or contract with a Producer Responsibility Organization (PRO) to undertake this work on their behalf. PROs will then negotiate a draft Common Collection System Agreement prior to

RPRA's review and approval. Approximately one-third of Ontario municipalities are anticipated to transition each year from 2023 – 2025. During these transition years, it is anticipated municipal Blue Box Programs will remain as is, meaning no change to the list of eligible sources or materials, nor the collection container or frequency. Producers must decide if they wish to negotiate with municipalities to maintain a role in the collection of PPPP materials or establish new contracts with other service providers.

Beginning in 2026, after the transition phase is complete, producers will have full control of the residential Blue Box Program in Ontario and can make changes as they see fit. While producers must comply with the collection of designated materials from eligible sources outlined in the regulation, they will have the complete autonomy to decide how they will achieve their targets. This could result in a change in the type of collection container, collection schedule, frequency, and customer service practices.

Solid Waste Management Services staff continue to plan for how best to manage the transition in a way that is seamless to Toronto residents. To meet the extremely tight timelines and to best prepare Toronto for transition, external expertise has been retained, including a policy strategist to assist Toronto with developing its strategic policy positions and associated advocacy strategy, and a financial consultant to analyse financial impacts of potential future scenarios.

Solid Waste Management Services is currently procuring a business transformation and change management consultant to assist the Division with transitioning its business processes, procedures, policies, bylaws, operations, customer service levels, programs and workforce from the current to future state.

The Division is also currently procuring a consultant to review best practices in sustainable utility rate structures and update Solid Waste Management Services' program user fees and rates, taking into consideration the transition of the Blue Box Program to EPR.

Solid Waste Management Services will bring forward an update report in 2021 that will include transition progress updates and request for Council decision on actions and timelines released by the Province.

Financial Support for EPR Transition

Recent and upcoming changes in Provincial regulations including the transition of the Blue Box Program to an Extended Producer Responsibility (EPR) system and amendments to the Food and Organic Waste Policy Statement, may have a financial impact on the City. In order to ensure financial sustainability of the Solid Waste Management Service rate program it is recommended that cost recovery and financial support be sought from the Province of Ontario. The regulatory changes will impact the City's integrated waste management system, including potential loss of economies of scale and efficiencies, potential increase of contamination in the remaining municipal-controlled garbage and diversion waste streams, and require transformational of operational procedural, administrative and business process changes. As a result, the City may incur various costs that include but are not limited to increased management and contract costs, and work required to transition waste diversion programs.

A detailed analysis of the financial impact resulting from regulatory changes including staffing and business transformation related costs will be brought forward in a future report on the progression of Toronto's Blue Box Recycling Program to EPR.

Renewable Natural Gas from Green Bin Organics

The City of Toronto, Solid Waste Management Services (SWMS) Division produces biogas from processing Organics (formerly referred to as Source Separated Organics or SSO) collected through the Green Bin Program in the City-owned Organics Processing Facilities. One of the main components of the biogas produced is methane, also the main component of natural gas (NG). The biogas can be refined into Renewable Natural Gas (RNG), a carbon-neutral, if not carbon-negative fuel. RNG production has been a strategic priority for SWMS as an opportunity to advance Toronto City Council's aspirational circular economy goals. RNG projects enable SWMS to adopt a closed loop approach that allows for local organics management, whereby organics collection trucks can ultimately be powered by the waste product they collect.

Since 2015, SWMS has been working closely with Enbridge Gas Inc. (EGI) and other stakeholders to develop its Renewable Natural Gas (RNG) infrastructure. The first RNG facility has been built at the Dufferin Organics Processing Facility and will produce 3.380 million cubic meters of RNG by fall 2020. A second proposed RNG facility (in early development) at the Disco Road Organics Processing Facility is expected to produce 4.609 million cubic meters of RNG by 2022.

City Council adopted item [IE14.7](#) on July 28, 2020 entitled "Citywide Greenhouse Gas Reduction Strategy through Blending Renewable Natural Gas and Natural Gas, a Low-carbon Fuel Option" which directs that RNG from the Disco and Dufferin Facilities be delivered by SWMS via the local gas utility distribution company for distribution to all enrolled City gas accounts under the city Natural Gas Purchasing Program managed by the Environment and Energy Division.

The blending of RNG with the City's NG purchase will enable the City to create a lower carbon RNG/NG blend, advancing the City in its TransformTO goals. The TransformTO goals were accelerated through City Council's vote on October 2, 2019 to declare a Climate Emergency resulting in the adoption of stronger emissions reduction targets of net zero by 2050.

The production of RNG from biogas has an environmental benefit of "closing the carbon loop" by avoiding the current practice of flaring the biogas produced during the anaerobic digestion process, cleaning up the biogas to RNG pipeline quality and displacing fossil fuel with green fuel. The project specific reductions on a lifecycle GHG emissions basis will be 9,356 and 12,759 tonnes CO₂e per year at the Dufferin and Disco Road RNG facilities, respectively. The gigajoules of energy produced by the Dufferin and Disco RNG facilities will enable the City to reach 19.6% of the TransformTO goal of generating 1.5 million gigajoules of energy from biogas by 2030.

First Nations Engagement Grant Funding Program for the Green Lane Landfill Renewable Energy Study Project

Solid Waste Management Services will conduct the Green Lane Landfill Renewable Energy Study Project. The project will help the division identify future opportunities to produce renewable energy at Green Lane Landfill. This project may also help identify any potential environmental, social and economic opportunities and impacts to the First Nations in proximity to Green Lane Landfill and will seek to engage them in a meaningful way throughout the process. These efforts support the City's Climate Strategy (TransformTO), its overall goals to reduce greenhouse gas emissions across the organization and the City's Statement of Commitment to the Aboriginal Communities of Toronto (2015). Solid Waste Management Services recently established the Stakeholder and Community Outreach unit to lead the development and maintenance of meaningful relationships, community engagement and partnerships to achieve long-term sustainability of programs and support value-based service delivery.

In order to facilitate First Nations participation in the project's engagement activities, it is recommended to establish a 2021 Green Lane Landfill Renewable Energy Study Project First Nations Engagement Grant Funding Program for a total amount of \$300,000. Through an approvals process, this program will make available grants of a maximum of \$100,000 per First Nation to the Munsee-Delaware Nation, the Oneida Nation of the Thames and the Chippewa's of the Thames First Nation in 2021. Through these grants, First Nations may acquire, on a verified basis, technical consulting supports (i.e. energy, environmental, land use, legal and/or similar supports) directly related to the project's engagement activities which may include, but not be limited to, meetings, engagement sessions, workshops and requests for feedback, throughout 2021.

Waste Reduction Community Grants

Since 2018 the City has offered Waste Reduction Community Grants of up to \$25,000 to support innovative community-based efforts to reduce residential waste and increase waste diversion. In 2018, seven projects were funded for a total of \$202,488 with initiatives focused on multi-residential waste diversion, food and packaging waste reduction, textile diversion, reuse and zero waste programs. In 2019, five projects were funded for a total of \$72,140 with initiatives focused on food waste reduction, educational resources for newcomers and youth, and repair and reuse programs. The program was a three year pilot project with no funding budgeted for 2021. Solid Waste Management Services will report on the outcomes of the program and recommendations for continuing any aspects of the program as part of the 5-year review of the Long Term Waste Management Strategy to be completed in 2021.

Environment Days at Depots

Community Environment Days are traditionally held in various locations throughout the City accommodating up two scheduled per Ward per year between April and October. At the City Council meeting June 29 and 30th, Solid Waste Management Services was

asked to explore the option of providing mini Environment Days which resulted in seven Community Environment Days to be held as drive-through events at the City's Drop-off Depots. Events followed Toronto Public Health guidelines for Drive-in and Drive-thru events with enhanced COVID-19 protocols in place. While attending Community Environment Days during the pandemic at the Transfer Stations, the public will keep two metres (six feet) from others and wear a mask or face covering when physical distancing cannot be maintained. Events were operated with optimal efficiency, resulting in the successful collection of hazardous waste materials, electronic waste and items for donation as well as the provision of free bagged compost. In 2019, an average of 350 visitors attended each event (46 events total). In 2020, at four events held up until mid-October, there was an average of 438 visitors to each event.

It should be noted that residents are able to drop off residential hazardous waste and electronics throughout the year at Drop-off Depots during regular business hours and are not limited to the Environment Day events. Current service levels provide events within communities that are more accessible to residents and within walking distance for highly populated neighbourhoods. To mitigate the impact to residents, the services offered at E-days are provided through curbside collection, such as e-waste and toxic taxi services in addition to other non-profits who collect textiles.

For 2021, it is recommended to increase the 2020 approved service level of up to 26 Community Environment Day events, to include an additional 7 events to be held at the City's Drop-off Depots, one at each of the City's seven Drop-off Depots, resulting in up to 33 events 2021.

Green Bin Accepted Items

The Province has and continues to transition a number of materials to extended producer responsibility programs. Batteries, tires, and electronic waste have already transitioned and Municipal Hazardous Solid Waste and Blue Box materials are in the process of transitioning. Recently released Food and Organic Waste Policy statement amendments have introduced considerations for municipalities as it relates to produce products and packaging such as "compostable bags and coffee pods" amongst other products.

In 2021 Solid Waste Management Service staff will be undertaking a review of items accepted in the Green Bin organics material stream to determine if collection of all currently accepted items through the Green Bin program are appropriate, if some items should be excluded or some items can be added to the list. As extended producer responsibility gains increasing importance in the management of products, items accepted in the organics material stream should be reviewed through the lens of extended producer responsibility to determine how products can be best managed and who should bear the costs of management. There is a potential for rate-payer cost savings in the removal of materials from SWMS' collection, processing and management of those materials if certain materials are designated for extended producer responsibility.

It is recommended that Solid Waste Management Services conduct a review of items currently accepted in all of the City's diversion programs beginning with the Green Bin

organics stream. The review will look at items for potential exclusion or addition to the list, an analysis of current operational and contractual capacity to manage additional proposed items and any applicable upcoming regulations from other levels of government. A future report will include recommendations to Council on items to remain or exclude from the list of accepted items using a triple bottom line approach which considers financial, environmental and social considerations.

Increased Black and Green Bins in Parks

The City has experienced increased contamination in Blue Bin recycling resulting in collected materials to be designated for landfill rather than processed at a materials recovery facility. Recent draft extended producer responsibility regulations for the Blue Box program from the Province of Ontario defines public space as an eligible source to be serviced by producers by 2026. Draft regulations are currently being reviewed to better understand how the regulation will be met by producers during transition in 2023 to 2026 or whether it will be from 2026 onwards. In order to help improve the quality of potentially diverted materials generated in parks and open spaces, Solid Waste Management Services will be conducting a pilot project that reviews the number of Blue Bins installed within a Park and expands the amount of Black garbage and Green organic Bins.

Oversized & Metal Item Fee - Bulky Items & Mattress Collection

Solid Waste Management Services (SWMS) collects oversized/metal (bulky) items from single family and multi-residential customers and charges a separate annual user fee for this service. Collection includes mattresses, which can be processed for recycling.

Due to unforeseen circumstances in 2017, SWMS had to discontinue the recycling of mattresses collected through in-house curbside collection operations in District 3 (D3) and District 4 (D4); mattresses collected from these two (2) districts are currently disposed of in landfill. While there are costs to process mattresses for recycling, there are also savings in landfill space which could be better utilized for waste that has no potential to be diverted. Beginning in 2021, SWMS will be working to resume mattress recycling in District 3 (D3) and District 4 (D4); this will allow for additional data and experience to be collected that will help inform future mattress recycling contract requirements.

Following a review of the costs associated with the oversized/metal (bulky) item collection service, including the costs of city-wide mattress recycling, it was determined that an adjustment to the related user fees is needed to align with full cost recovery for the service. The SWMS 2021 Operating Budget includes a \$3.85 increase to the Oversized & Metal Item user fee which increases the annual fee from \$15.90 to \$19.75 per year. This increase supports city-wide mattress recycling and is necessary to recover the full cost of the service (17.068 million in the 2021 budget, net of saleable materials) for the collection, recycling and/or disposal of bulky items that cannot fit in regular garbage bins.

Long Term Waste Management Strategy - Financial Implications

City Council approved the Long Term Waste Management Strategy (Waste Strategy) in July 2016, which will guide the Division's decision making for the next 30 to 50 years.

The 10-Year Capital and Operating Budget for the Waste Strategy was approved in December 2016 and has been adjusted iteratively over the past 5 years.

Funding included in the 2021 Capital Budget totals \$5.408 million for the following sub-projects as shown in Table 8 below:

Table 8 – 2021 Long Term Waste Management Strategy Budget by Sub-Project

| Sub-Projects | 2020 | 2021 |
|------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Promotion & Education, Circular Economy and Reduction, Reuse and Multi-residential Programming | \$2.278M | \$3.103M |
| Preparation for Extended Producer Responsibility Transition | \$0.538M | \$1.155M |
| Mixed Waste Processing with Organics Recovery Study | \$0.300M | \$0.650M |
| Long Term Waste Management Strategy Update | \$1.031M | \$0.500M |
| Total | \$4.147M | \$5.408M |

Impact of Fees on Diversion and Source Separation, Contamination of Blue Bins, Illegal Dumping and Undersized Choice in Household Bin Size

Throughout 2020, Solid Waste Management Services has undertaken a number of initiatives to assist in informing a response to this recommendation which was brought forward by Council as part of the 2020 budget process. This has included a review of litter impacts in parks, enhancing existing tools that support the collection of data related to household contamination of blue bins, and ongoing third-party litter audit work. However, as a result of COVID-19, and the related focus on maintaining core service delivery, this ongoing work has been delayed.

Solid Waste Management Services intends to continue this work in 2021 through single family household material audits to be conducted over 3 seasonal periods, which will include audits on households with small garbage bins and the quality of material being set out in other streams to assess the appropriateness of their garbage bin size. In addition, investments have been made in developing new tools to support enhanced collection of data related to multi-residential contamination of blue bins. This continued work through 2021 will support a report back to Council as part of the 2022 budget process.

Other Cost Containment Measures

In response to the 2021 budget pressures, additional efficiencies within the Operating Budget are proposed. These additional efficiencies include reductions to advertising and promotion budget while still maintaining sufficient funding to ensure continued public engagement on priority program areas. In addition, the 2021 budget recommends that the annual collection calendar be transitioned to an electronic (online) format that will significantly reduce annual printing and postage charges related to the existing content delivery format.

CONTACT

Adam Gerrard, Interim Director, Business Services, Solid Waste Management Services, Telephone 416-396-5016, Fax: 416-397-1348, Email: Adam.Gerrard@toronto.ca

John Oswald, Manager, Financial Planning & Business Analysis, Solid Waste Management Services, Telephone 416-392-4226, Fax: 416-397-1348, Email: John.Oswald@toronto.ca

Stephen Conforti, Executive Director, Financial Planning, Telephone: 416-397-4229, Fax: 416-397-4465, Email: Stephen.Conforti@toronto.ca

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Matt Keliher
General Manager,
Solid Waste Management Services

ATTACHMENTS

Attachment 1: Appendix A – Recommended 2021 Solid Waste Management Services Rates and Fees

Attachment 2: Appendix B – 2021 to 2030 Solid Waste Management Services Rates and Fees Estimates

Appendix A – Recommended 2021 to 2023 Solid Waste Management Services Rates and Fees

1. Multi-Residential Front End Solid Waste Management Services Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 1 - Multi-Residential Front End and Multi-Residential Curbside Rates

| 2021 Rates | Volume (yd³) | Base/Unit | Excess/yd³ |
|-------------------|--------------------------------|------------------|------------------------------|
| Un-compacted | 1.917 | \$221.88 | \$15.40 |
| Compacted | 0.9585 | \$221.88 | \$30.81 |

| 2022 Rates | Volume (yd³) | Base/Unit | Excess/yd³ |
|-------------------|--------------------------------|------------------|------------------------------|
| Un-compacted | 1.917 | \$228.54 | \$15.86 |
| Compacted | 0.9585 | \$228.54 | \$31.73 |

| 2023 Rates | Volume (yd³) | Base/Unit | Excess/yd³ |
|-------------------|--------------------------------|------------------|------------------------------|
| Un-compacted | 1.917 | \$235.40 | \$16.34 |
| Compacted | 0.9585 | \$235.40 | \$32.68 |

2. Single Family Residential Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 2 - Single Family Residential Rates

| Bin Size | 2021 Annual Rates | 2022 Annual Rates | 2023 Annual Rates |
|-----------------|--------------------------|--------------------------|--------------------------|
| Small | \$270.23 | \$278.34 | \$286.69 |
| Medium | \$328.05 | \$337.89 | \$348.03 |
| Large | \$445.54 | \$458.91 | \$472.68 |
| Extra-Large | \$516.79 | \$532.29 | \$548.26 |
| Bag-Only | \$173.00 | \$178.19 | \$183.54 |

3. Residential Units above Commercial Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 3 - Residential Units above Commercial Rates

| Bin Size | 2021 Annual Rates | 2022 Annual Rates | 2023 Annual Rates |
|------------------------|--------------------------|--------------------------|--------------------------|
| Bi-Weekly: Small | \$270.23 | \$278.34 | \$286.69 |
| Bi-Weekly: Medium | \$328.05 | \$337.89 | \$348.03 |
| Bi-Weekly: Large | \$445.54 | \$458.91 | \$472.68 |
| Bi-Weekly: Extra-Large | \$516.79 | \$532.29 | \$548.26 |
| Bi-Weekly : Bag-Only | \$173.00 | \$178.19 | \$183.54 |
| Weekly: Small | \$328.05 | \$337.89 | \$348.03 |
| Weekly: Medium | \$445.54 | \$458.91 | \$472.68 |
| Weekly: Large | \$631.78 | \$650.73 | \$670.25 |
| Weekly: Extra-Large | \$1,015.12 | \$1,045.57 | \$1,076.94 |
| Weekly: Bag-Only | \$230.83 | \$237.75 | \$244.88 |

4. Sale of Bins Fees proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 4 - Sale of Bin Fees

| Customer Type | Bin Size | 2021 Annual Rates | 2022 Annual Rates | 2023 Annual Rates |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| Multi-Residential Front End and Multi-Residential Curbside | 95 gallon garbage bin | \$112.95 | \$116.34 | \$119.83 |
| Multi-Residential Front End and Multi-Residential Curbside | 95 gallon recycling bin | \$112.95 | \$116.34 | \$119.83 |
| Multi-Residential Front End and Multi-Residential Curbside | 35 gallon organics bin | \$73.09 | \$75.28 | \$77.54 |
| Multi-Residential Front End and Multi-Residential Curbside | 26 gallon organics bin | \$60.80 | \$62.62 | \$64.50 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations) | 95 gallon garbage bin | \$112.95 | \$116.34 | \$119.83 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations) | 95 gallon recycling bin | \$112.95 | \$116.34 | \$119.83 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations) | 35 gallon organics bin | \$73.09 | \$75.28 | \$77.54 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations) | 26 gallon organics bin | \$60.80 | \$62.62 | \$64.50 |

5. Other (including Non-Residential) Solid Waste Management Services Fees and Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 5 - Non-Residential Rates

| Customer Type | Frequency | 2021 Annual Rates | 2022 Annual Rates | 2023 Annual Rates |
|------------------------------------------------------------------------------------|---------------------|--------------------------|--------------------------|--------------------------|
| Commercial / Divisions, Agencies, and Corporations / Schools for Curbside Bin | Bi-Weekly | \$551.61 | \$568.16 | \$585.20 |
| Commercial / Divisions, Agencies, and Corporations / Schools for Curbside Bin | Weekly | \$1,103.23 | \$1,136.33 | \$1,170.42 |
| Commercial / Divisions, Agencies, and Corporations / Schools for Curbside Bin | Twice Weekly | \$2,206.47 | \$2,272.66 | \$2,340.84 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Small | Bi-Weekly | \$110.33 | \$113.64 | \$117.05 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Medium | Bi-Weekly | \$220.66 | \$227.28 | \$234.10 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Large | Bi-Weekly | \$330.98 | \$340.91 | \$351.14 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Extra-Large | Bi-Weekly | \$551.61 | \$568.16 | \$585.20 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Small | Weekly | \$220.66 | \$227.28 | \$234.10 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Medium | Weekly | \$441.28 | \$454.52 | \$468.16 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Large | Weekly | \$661.93 | \$681.79 | \$702.24 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Extra-Large | Weekly | \$1,103.23 | \$1,136.33 | \$1,170.42 |
| Charities, Institutions and Religious Organizations for Curbside Bin – Extra-Large | Twice Weekly | \$2,206.47 | \$2,272.66 | \$2,340.84 |
| Front End Container – Un-compacted | per yd ³ | \$15.17 | \$15.63 | \$16.10 |
| Front End Container – Compacted | per yd ³ | \$30.37 | \$31.28 | \$32.22 |

Table 5a - Non-Residential Organics Collections

| Customer Type | Frequency | 2021 Annual Rates | 2022 Annual Rates | 2023 Annual Rates |
|--------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------|--------------------------|--------------------------|
| Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations | Twice Per Week | \$438.00 | \$451.14 | \$464.67 |
| Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations | Five Times Per Week | \$1,642.52 | \$1,691.80 | \$1,742.55 |
| Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations | Six Times Per Week | \$2,190.02 | \$2,255.72 | \$2,323.39 |

Table 5b - Tip Fees at City Transfer Stations (except Drop and Load and Load Weighting Rates)

| Customer Type | Material | 2021 Fee (Per Tonne) | 2022 Fee (Per Tonne) | 2023 Fee (Per Tonne) |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Charities, Institutions and Religious Organizations / Schools) | Waste Loads | \$161.42 | \$166.26 | \$171.25 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations/ Charities, Institutions and Religious Organizations / Schools) | Recyclable Material Loads | \$121.07 | \$124.70 | \$128.44 |
| Non-Residential (Commercial / Divisions, Agencies, and Corporations/ Charities, Institutions and Religious Organizations / Schools) | Tire Loads | \$242.12 | \$249.38 | \$256.86 |

Note: All other fees for waste loads under 100 kilograms, waste loads, recyclable material loads and tire loads based on axle rates when scales are unavailable are also proposed to be increased by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 5c - Residual Management Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

| Customer Type | Material | 2021 Fee (Per Tonne) | 2022 Fee (Per Tonne) | 2023 Fee (Per Tonne) |
|--------------------------------------------------------------------------------|-------------------------|---------------------------------|---------------------------------|---------------------------------|
| Commercial | Waste Loads | \$161.42 | \$166.26 | \$171.25 |
| Divisions, Agencies, and Corporations | Bio-solids | \$161.42 | \$166.26 | \$171.25 |
| Divisions, Agencies, and Corporations | Water Treatment Residue | \$161.42 | \$166.26 | \$171.25 |
| Asbestos | Waste Loads | \$484.25 | \$498.78 | \$513.74 |
| Canadian Food Inspection Agency | Waste Loads | \$484.25 | \$498.78 | \$513.74 |
| Special Handling | Waste Loads | \$484.25 | \$498.78 | \$513.74 |
| Ministry of Environment Ordered Municipal Waste | Waste Loads | \$484.25 | \$498.78 | \$513.74 |
| Ministry of Environment Ordered Industrial, Commercial and Institutional Waste | Waste Loads | \$484.25 | \$498.78 | \$513.74 |

Table 5d - Solid Waste Management Services Miscellaneous Collection, Haulage and Other Services Rates proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

| Customer Type | 2021 Hourly Rate | 2022 Hourly Rate | 2023 Hourly Rate |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Non-Residential (Commercial / Divisions, Agencies, and Corporations / Schools / Charities, Institutions and Religious Organizations) | \$110.23 | \$113.54 | \$116.95 |

6. Rate for Clean Fill at City of Toronto owned Landfills proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 6 - Rate for Clean Fill

| Activity | 2021 Rate (Per Tonne) | 2022 Rate (Per Tonne) | 2023 Rate (Per Tonne) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Sale of Clean Fill (Per load fee) | \$29.77 | \$30.66 | \$31.58 |

7. Rates for Drop and Load and Load Weighing

Table 7 - Drop and Load Rates and Load Weighting Rates at City Transfer Stations

| Customer Type | Activity | 2021 Fee (Per Tonne) | 2022 Fee (Per Tonne) | 2023 Fee (Per Tonne) |
|---------------|---------------|----------------------|----------------------|----------------------|
| All Customers | Drop and Load | \$17.00 | \$17.51 | \$18.04 |
| All Customers | Load Weighing | \$13.69 | \$14.10 | \$14.52 |

Note: Drop and Load rates proposed to decrease by 23.77% in 2021 to align with the market will pay.

8. Oversized and Metal Item Fee is proposed to increase by \$3.85 in 2021 to reflect actual cost of collection, processing and disposal, by 3% in 2022 and 3% in 2023

Note: Adjust rate to full cost recovery and begin recycling mattresses city wide from curbside, in-house collections in District 3 and District 4 which are currently disposed of in Green Lane Landfill.

Table 8 - Oversized and Metal Item Fees

| Customer Type | 2021 Fee | 2022 Fee | 2023 Fee |
|---------------|----------|----------|----------|
| All Customers | \$19.75 | \$20.34 | \$20.95 |

9. Solid Waste Rates for Street Events proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

Table 9 - Street Event Rates

| Customer Type | Activity | 2021 Rate | 2022 Rate | 2023 Rate |
|---------------|-----------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| All Customers | Signature Street Event Road closures for up to 4 consecutive days – first day | \$962.54 per event | \$991.42 per event | \$1,021.16 per event |
| All Customers | Signature Street Event Road closures for up to 4 consecutive days – each additional day | \$286.81 per additional day | \$295.41 per additional day | \$304.27 per additional day |
| All Customers | Signature Street Event Rental/Service of 12-60 pairs of Carts – first day | \$3,879.41 per 12-60 pairs of carts | \$3,995.79 per 12-60 pairs of carts | \$4,115.66 per 12-60 pairs of carts |

| Customer Type | Activity | 2021 Rate | 2022 Rate | 2023 Rate |
|----------------------|-------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| All Customers | Signature Street Event Rental/Service of 12-60 pairs of Carts – each additional day | \$380.17 per additional day per 12-60 pairs of carts | \$391.58 per additional day per 12-60 pairs of carts | \$403.33 per additional day per 12-60 pairs of carts |
| All Customers | 1-day Street Event - road closures for 1 day | \$522.66 per event | \$538.34 per event | \$554.49 per event |
| All Customers | 1-day Street Event Rental/Service of 12-60 pairs of Carts | \$2,290.81 per 12-60 pairs of carts | \$2,359.53 per 12-60 pairs of carts | \$2,430.32 per 12-60 pairs of carts |
| All Customers | 40 yd ³ recycling Roll-off Bins | \$209.544 per bin | \$215.83 per bin | \$222.30 per bin |
| All Customers | Signature Parade: Large parade of 20,000 people + or parade route over 2 km | \$11,748.52 per event | \$12,100.98 per event | \$12,464.01 per event |
| All Customers | Parade: Smaller parade, 5,000 to 20,000 people, parade route under 2 km | \$3,122.79 per event | \$3,216.47 per event | \$3,312.96 per event |
| All Customers | Athletic events: full or partial closure for up to 4 days – first day | \$1,359.95 per event | \$1,400.75 per event | \$1,442.77 per event |
| All Customers | Athletic events: full or partial closure for up to 4 days – each additional day | \$903.04 per additional day | \$930.13 per additional day | \$958.03 per additional day |

10. Bag Tag Fees proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

| Customer Type | Activity | 2021 Rate | 2022 Rate | 2023 Rate |
|----------------------|-----------------------------------------|------------------|------------------|------------------|
| All Customers | Garbage Collections: Fee per Bag or Tag | \$5.79 each | \$5.96 each | \$6.14 each |

11. Garbage Bin Upsizing Fee for Single Family and Residential Units above Commercial (RUAC) proposed to increase by 1.5% in 2021, 3% in 2022 and 3% in 2023

| Customer Type | Activity | 2021 Rate | 2022 Rate | 2023 Rate |
|----------------------|----------------------|------------------|------------------|------------------|
| All Customers | Garbage Bin Upsizing | 24.90 each | \$25.65 each | \$26.42 each |

Appendix B – 2021 to 2030 Solid Waste Management Services Rates and Fees Estimates

Table 1 - 2021 to 2030 Recommended Rates and Fees Estimates

| Customer Type | Recommended for Approval in 2021 Operating Budget | | | Projected Estimated Rate Increases | | | | | | |
|---------------------------------------------------------|---------------------------------------------------|-------|-------|------------------------------------|-------|-------|-------|-------|-------|-------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Multi-Residential (Excluding Oversized and Metal Items) | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Single Family (Excluding Oversized and Metal Items) | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Residential Units Above Commercial | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Commercial and others | 1.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Oversized and Metal Items for all customers | 24.21% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Drop and Load Rates | -23.77% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |