

Consolidated Clause from Report No. 3 of the Works Committee, which was before the Council of the City of Toronto at its meeting held on June 24, 25 and 26, 2003.

3b**Pay-As-You Throw Program for the Residential Sector**

(City Council on June 24, 25 and 26, 2003, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on July 22, 2003.)

(City Council on May 21, 22 and 23, 2003, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on June 24, 2003.)

(City Council on April 14, 15 and 16, 2003, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on May 21, 2003.)

The Works Committee recommends the adoption of the following report (March 17, 2003) from the Commissioner of Works and Emergency Services, subject to amending Recommendation No. (1) to read as follows:

- “(1) the Commissioner of Works and Emergency Services conduct research and public consultation and report to the Works Committee in 2005, in time for the 2005 budget cycle, on the consideration of a hybrid Pay-As-You-Throw Program for the residential sector with consideration of the following planning principles:**
- (i) that the inception of a Pay-As-You-Throw program could only take place following the introduction of the Green Bin Program for source separated organics on a City-wide basis for all single-family residential units and upon the availability of City-wide source separated organics collection for multi-family buildings;**
 - (ii) that both the single-family and multi-family residential sectors serviced by the City of Toronto would be provided with no-charge recycling and organics collection in order to promote diversion from landfill;**
 - (iii) that the inception of a Pay-As-You-Throw program would take place at the same time for both the single-family and multi-family residential sectors; and**
 - (iv) that the introduction of the Pay-As-You-Throw system would be phased to allow residents to gradually adjust to the introduction of the final bag standard;**

and further, that the report include an analysis of the overall household and commercial participation rate in City diversion programs and the estimated impact on diversion rates that a Pay-As-You-Throw Program will generate”:

Purpose:

This report is submitted in response to the recommendations of Task Force 2010 regarding adjustment of “bag limits” (the number of bags or items of residual solid waste set out at curbside for collection) and the potential introduction of a pay-as-you-throw (“PAYT”) policy for the City’s residential sector. A subsequent implementation report will seek formal approval and address the program specifics, including financial impacts, in greater detail following City Council’s direction.

Financial Implications and Impact Statement:

There are no direct financial impacts arising from the adoption of the recommendations in this report.

A strategic analysis of three scenarios for the City was undertaken to support the recommendations in this report: (i) status quo with no residential PAYT program; (ii) a hybrid PAYT that provides a financial incentive to divert; and (iii) a full cost recovery PAYT.

(i) Status Quo with No Residential PAYT:

The City’s current diversion programs, including the roll-out of the Green Bin through 2005, will move the City’s diversion to an estimated 43 percent by 2006. Reaching the Task Force 2010 goal of 60 percent diversion by 2006 will require the introduction of a PAYT initiative, in concert with other diversion initiatives over the next several years. In light of the aggressive diversion objectives established by Task Force 2010 and the need to reduce waste shipments to Michigan, this scenario is not recommended as a long-term solution.

(ii) Hybrid PAYT – Bag Standard with Fee for Extra Bags:

The “hybrid PAYT” program features a fixed bag standard funded through the tax base (e.g., two bags per week) and a charge for each bag or item collected above that set-out rate. By passing this option, the City could introduce a new mechanism to increase diversion and in so doing lower the amount of residual material requiring landfilling. Under this scenario, the City could generate some revenue to offset higher costs for diversion programs and program administration costs, however, this is secondary to the diversion objective.

Therefore, the purpose of the hybrid bag standard option would be to influence and increase diversion behaviour as opposed to creating a full cost recovery revenue source.

By adjusting the formula under the hybrid model (i.e., lower set-out rates and higher cost bag tags) greater diversion rates could be achieved. This model, as discussed in the body of this report, received favourable public support through the project’s consultation program. It promotes increased curbside recycling and reduce and reuse practices. It can be set to accommodate the waste generation rate of the majority of residents while creating a financial penalty for those households who do not fully participate in waste diversion programs. For each new tonne recycled, it also shifts the financial responsibility from the City to a shared Waste Diversion Ontario funding model.

(iii) Full Cost Recovery PAYT:

In a full cost recovery PAYT, residents would pay the full cost for each and every bag of residue they set out. The introduction of a full cost recovery PAYT program could result in a significant increase in diversion and revenue generation, with a net lower cost to the City. If such a program were implemented, we would recommend that the policy of charging for disposal and provision of no-charge recycling and organics processing be maintained.

The full cost recovery PAYT model did not receive a favourable response through the project's public consultation phase and, based on the feedback received, may lead to an increased incidence of illegal dumping and demands for tax reductions. It is therefore not recommended.

Recommendations:

It is recommended that:

- (1) the Commissioner of Works and Emergency Services report to Works Committee, prior to the initiation of the 2005 budget cycle, on the introduction of a hybrid Pay-As-You-Throw Program for the residential sector with consideration of the following planning principles:
 - (i) that the inception of a Pay-As-You-Throw program could only take place following the introduction of the Green Bin Program for source separated organics on a City-wide basis for all single-family residential units and upon the availability of City-wide source separated organics collection for multi-family buildings;
 - (ii) that both the single-family and multi-family residential sectors serviced by the City of Toronto would be provided with no-charge recycling and organics collection in order to promote diversion from landfill;
 - (iii) that the inception of a Pay-As-You-Throw program would take place at the same time for both the single-family and multi-family residential sectors; and
 - (iv) that the introduction of the Pay-As-You-Throw system would be phased to allow residents to gradually adjust to the introduction of the final bag standard;
- (2) the City's exemption program for large families unable to manage their household residual solid waste within the set-out limit while utilizing the City's mandatory recycling programs be maintained; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The Task Force 2010 Report made the following recommendations regarding bag limits and PAYT:

Recommendation No. 30:

“That bag limits for residual garbage be lowered to five bags every two weeks in 2002 and four bags every two weeks in 2003.”

Recommendation No. 31:

“The issue of bag limits be reviewed by the Works Committee in January 2003 to see if there should be further reductions.”

Recommendation No. 44:

“That City Council not implement a user fee, at this time.”

Recommendation No. 45:

“That City staff report in January 2003 on a user fee, in conjunction with the bag limits report.”

In addition, the Task Force adopted the following recommendation from the Commissioner of Works and Emergency Services, submitted through a staff report to the Task Force, dated June 14, 2001:

“the Commissioner of Works and Emergency Services be requested to undertake a consultation process regarding the establishment of a service fee for solid waste management with stakeholders such as apartment and condominium management associations, ratepayers’ associations, condominium boards, members of the public, and other self-identified stakeholders.”

A further recommendation advised that a subsequent staff report would be submitted by the Commissioner of Works and Emergency Services in conjunction with the Chief Financial Officer and City Solicitor.

This report addresses these recommendations. We have been delayed reporting on these matters due to the complexity and length of the 2003 budget review process.

Comments:

Strategic Overview:

Over five thousand PAYT programs exist in the United States and over one hundred PAYT programs are now in place in Ontario, including the Regional Municipality of Peel and several

PAYT programs in area municipalities in the Regional Municipality of York. Many of those jurisdictions have introduced PAYT programs to address one or both of the following objectives:

- increase diversion rate by creating an incentive to utilize diversion programs at no charge and create a disincentive to dispose due to levy of a direct financial cost; and
- address budget pressures arising from increased disposal fees.

While both of these strategic objectives are of concern and interest to Toronto, the first objective - waste diversion - is of principle importance as it can assist in the achievement of the City's aggressive diversion objectives. Therefore, the revenue generating aspect of some PAYT programs is of secondary importance and will be geared to producing an incentive to divert, rather than producing financial underpinnings of the City's solid waste management program. This approach was strongly endorsed through the project's public consultation program, which is discussed later in this report.

Types of PAYT Programs:

There are two basic forms of PAYT programs: (1) variable rate; and (2) combination of bag set-out limits and a charge per bag, or a charge on a per bag basis for every bag set out for collection. Examples of each form are provided below.

(1) Variable Rate – Example: City of Seattle:

Under the “variable rate” model, service charges are based on the size of the collection container, the number of containers, and in some cases, the frequency of its collection.

The City of Seattle operates a variable rate PAYT program that was initiated in 1981. Residents choose the size of the collection container they require and the number of containers, thus creating variability in the system. Fees are set by their City Council every two years and payment is made via a monthly utility bill. The revenues from the program cover the cost of garbage collection and disposal, the collection of recyclables and yard waste collection. There is no charge for collection of recyclables. Following the second phase of their PAYT program that was introduced in 1987, Seattle experienced a 10 percent increase in their diversion rate.

(2) Bag Limit/Fee Per Bag – Example: Region of Peel/City of Vancouver:

Toronto's western neighbour, Peel Region, has in excess of one million residents and, like Toronto, contains a diverse ethno-racial populace. In 2001, Peel introduced a PAYT program, known as the “Three Bag Standard” program, that has boosted their diversion rate.

They have opted for a system that provides each single-family residential household with collection of three bags per week at no charge (funding is provided through general tax revenues) and a \$1.00 charge for each additional bag that is set out at the curbside that is levied through the required purchase of a tag at a local retail outlet or civic office. In addition, residents can utilize their curbside recycling programs at no charge, creating a financial incentive to recycle.

In 2002, Peel Region saw a reduction of more than 11,800 tonnes or a four percent decrease in the amount of residual solid waste collected as compared to 2001. At the same time, Blue and Grey Box recycling tonnages increased by more than 7,800 tonnes or ten percent. Peel staff have attributed these changes in residual solid waste and recyclable material collected to the introduction of the Three Bag Standard program.

In addition, Peel's Regional Recycling Depots and Community Recycling Centres collected more than 1,650 tonnes of recyclable material in 2002, which represents an 18 percent increase over the amount collected at those sites last year.

Peel's PAYT Program also applies to multi-family residential buildings. Similar to the single family residential sector, multi-family buildings are granted the equivalent of three bags per rental unit, which is then measured in cubic meters of compacted or uncompact residual solid waste within collection bins. Under this system an apartment complex that is participating in the Region's recycling programs can achieve a zero cost waste management system.

The underpinnings of Peel's Three Bag Standard Program are:

- a three-phase program including the distribution of free tags distributed to all residential households as an introductory measure to raise public awareness and familiarity with the program;
- a strong communications support program;
- an ability to purchase tags conveniently at retail outlets and civic facilities;
- a subsidized price for bag tags (\$1 per tag);
- establishment of a bag limit that is designed to impact those with no participation in recycling programs at a household level and those with a low participation rate. Therefore, the majority of residents are in compliance at the three-bag a week set-out rate;
- no noticeable increase in illegal dumping;
- provision of "amnesty days" to accommodate high set-out rates following major holidays; and
- equitable treatment among residents in single-family households and multi-family households.

The City of Vancouver introduced a two bag standard program in 1999 that shares many of the features and principles of the Peel program.

Current PAYT Programs in the City of Toronto:

Currently, the City of Toronto has in place a PAYT policy for the following sectors:

- commercial establishments delivering solid waste to our transfer stations;
- small and mid-size commercial establishments participating in the Yellow Bag program;
- private schools receiving services from the City of Toronto;
- the Toronto District School Board and the Toronto Catholic District School Board; and
- Agencies, Boards, Commissions and Departments of the City of Toronto.

Common to all of the sectors listed above is the requirement to pay for disposal while receiving no charge recycling to create a financial incentive to divert waste from landfill.

Public Consultation:

A comprehensive consultation program was undertaken to attain public and stakeholder input and feedback regarding the concept of introducing a PAYT program in Toronto. The consultation program was facilitated by Works and Emergency Services' Public Consultation and Community Outreach unit (Technical Services Division) in conjunction with SWMS.

The majority of the events were designed for the single-family residential sector, but two specific events were held for the multi-residential sector, and an attempt was made to engage representatives of religious institutions. Consultation forums were held at the following locations and dates.

Meeting Location	Meeting Date	Stakeholder Focus
North York Civic Centre	October 1, 2002	Multi-Residential
Metro Hall	October 3, 2002	Multi-Residential
Etobicoke Civic Centre	October 24, 2002	Single Family
Metro Hall	October 26, 2002	Single Family
Scarborough Civic Centre	October 28, 2002	Single Family
North York Civic Centre	October 30, 2002	Single Family
Toronto City Hall	November 13, 2002	Religious Institutions*
York Civic Centre	November 13, 2002	Single Family/Religious Institutions*
Etobicoke, Assembly Hall	November 20, 2002	Single Family

* Umbrella organizations for religious institutions in the City of Toronto were contacted and invited to participate in our public consultation outreach program. However, on the two occasions offered no representatives came forward.

The minutes of the meetings held to facilitate public input can be viewed at www.toronto.ca/garbage.

Our outreach consultation program provided the public with an opportunity to gain an understanding of what a PAYT program entails and gain specific knowledge of different types of PAYT programs and their varying success rates.

The majority of participants expressed support for a PAYT program similar to Peel's Three Bag Standard, as they could readily conform to such a program if introduced in Toronto because they are currently setting out for collection three bags of solid waste a week or less. This public feedback is supported by studies in Toronto and Peel that found in excess of 80 percent of residential households set out three bags or less a week.

With the introduction of the Green Bin, the bags set out for collection will be reduced as organics typically account for approximately one-third of a household's waste. We will continue to track the positive impact the Green Bin has on diversion rates in the former City of Etobicoke, where the Green Bin was introduced in September 2002, and in the former City of Scarborough following its introduction in June of 2003. The results of our studies will be factored into subsequent recommendations regarding bag limits.

The participants who are supportive of the introduction of a PAYT program similar to Peel's were influenced by the positive results the introduction of a PAYT program has on improving diversion rates. This group also expressed support for the one dollar fee for a bag tag for items above three bags a week on the grounds that those who do not participate in recycling programs, or have low recycling rates, should pay for the solid waste they generate.

On the other hand, at each meeting there were participants who spoke out against the introduction of a PAYT program. They based their position on the grounds that their taxes should pay for solid waste disposal and, in some cases, that no limit or a very high limit, in terms of set-out rates, should be in place.

These positions were put forward, in particular, at the meeting at the North York Civic Centre on October 30, 2002. Participants at this meeting expressed the concern that their solid waste collection service had been reduced from twice a week to once a week following the creation of the new City of Toronto and therefore the prospect of collection on a bi-weekly schedule and being limited to the equivalent of three bags or less per week, plus the requirement to pay a fee for additional solid waste disposal, was not supported.

In general, participants at the meeting at the North York Civic Centre expressed a general concern that since amalgamation they had experienced tax and service fee increases while municipal service levels had been reduced.

The development of this staff report was assisted by representatives of Finance, Legal and the CAO's Office working in conjunction with SWMS through an inter-departmental staff team.

Conclusions:

This report has addressed the benefits of introducing a pay-as-you-throw ("PAYT") program for the residential sector in Toronto. The phased establishment of a hybrid PAYT program should only be considered after the introduction of the Green Bin program across the City and on an equitable basis for both the single-family and multi-family residential sectors.

In the “Financial Implications and Impact Statement” of this report, the impacts of the introduction of a PAYT program under three scenarios are identified: (i) status quo with no residential PAYT; (ii) a hybrid PAYT; and (iii) full cost recovery PAYT.

Since implementation is not required until 2006, the Commissioner of Works and Emergency Services will report back prior to the 2005 budget cycle on the proposed program. That report will carry detailed recommendations about implementing a PAYT program, the initiation of a public awareness campaign in 2005, timetables, and contain a detailed financial analysis.

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The following persons appeared before the Works Committee in connection with the foregoing matter:

- Ms. Fiona Nelson;
- Ms. Karen Buck, President, Citizens for a Safe Environment, and submitted a communication with respect thereto;
- Councillor Suzan Hall, Ward 1 – Etobicoke-North;
- Councillor Chris Korwin-Kuczynski, Ward 14 – Parkdale-High Park; and
- Councillor Frances Nunziata, Ward 11 – York South-Weston.