

January 26, 2011

To: Executive Committee

From: Budget Committee

Subject: Rate Supported Budgets – Solid Waste Management – 2011 Operating and Capital Budgets; 2011 Residential Solid Waste Rates

Recommendations:

The Budget Committee recommends to the Executive Committee that:

Solid Waste Management – Operating Budget

1. **City Council approve the 2011 Recommended Operating Budget for Solid Waste Management Services of \$342.631 million gross and \$0.0 million net, comprised of the following services:**

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Support	58,403.4	(201,470.8)
Collection	113,725.8	109,394.6
Transfer	24,620.7	16,613.6
Processing	48,733.4	29,383.1
Disposal	97,148.1	46,079.5
Total Program Budget	342,631.4	0.0

2. **The General Manager Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer report to Budget Committee as part of the 2011 Year-End Variance Report on the actual net contribution to the Waste Management Reserve Fund.**
3. **Solid Waste Management Services, in consultation with the Financial Planning Division and Fleet Services, confirm the future year fleet requirements and**

associated cash flow funding for Fleet Replacement prior to the 2012 Budget Process.

4. The General Manager of Solid Waste Management and the Deputy City Manager and Chief Financial Officer develop a Multi-Year Strategic Plan to reflect Council's current strategic direction regarding the 70% Diversion Plan and report on a multi-year fee strategy to Budget Committee prior to the 2012 Budget Process.
5. This report be considered concurrently with the "Recommended 2011 Solid Waste Rates" (January 2011) report from the Deputy City Manager and Chief Financial Officer and General Manager for Solid Waste Management Services.

Solid Waste Management – Capital Budget

6. City Council approve the 2011 Recommended Capital Budget for Solid Waste Management Services with a total project cost of \$74.229 million, and 2011 cash flow of \$146.064 million and future year commitments of \$73.987 million comprised of the following:
 - a. New Cash Flow Funding for:
 - i. 31 new sub-projects with a 2011 total project cost of \$74.229 million that requires cash flow of \$32.727 million in 2011, \$7.133 million in 2012, \$12.764 million in 2013, \$15.805 million in 2014 and \$5.800 million in 2015;
 - ii. 16 previously approved sub-projects that require cash flow of \$63.458 million in 2011, \$19.345 million in 2012, \$12.875 million in 2013 and \$0.265 million in 2014;
 - iii. 1 previously approved sub-project with carry forward funding from 2009 into 2011 totalling \$1.067 million;
 - b. 2010 approved cash flow for 14 previously approved sub-projects with carry forward funding from 2010 into 2011 totalling \$48.812 million;
7. City Council approve new debt service costs of \$0.272 million in 2011 and incremental debt costs of \$1.696 million in 2012, \$2.943 million in 2013, \$2.990 million in 2014, \$1.728 million in 2015 and \$0.525 million in 2016 resulting from the approval of the 2011 Recommended Capital Budget, to be included in the 2011 and future year operating budgets.
8. City Council approve the 2012-2020 Recommended Capital Plan for Solid Waste Management Services totalling \$371.917 million in project estimates, comprised of \$54.653 million in 2012; \$103.914 million in 2013; \$91.971 million in 2014; \$26.786 million in 2015; \$16.866 million in 2016; \$17.106 million in 2017; \$19.230 million in 2018; \$19.340 million in 2019; and, \$22.051 million in 2020.

9. City Council consider operating impacts of \$0.030 million in 2011; and savings of \$0.846 million in 2012 (including an additional position) and \$2.139 million in 2013 emanating from the approval of the 2011 Recommended Capital Budget for inclusion in the 2011 and future year operating budgets.
10. City Council approve that all sub-projects with third party financing be approved conditionally, subject to the receipt of such funding and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs.
11. This report be considered concurrently with the 2011 Recommended Residential Solid Waste Rate Report (January 2011), from the Deputy City Manager and Chief Financial Officer and General Manager for Solid Waste Management Services.
12. The General Manager of Solid Waste Management and the Deputy City Manager and Chief Financial Officer report on a multi-year fee strategy to Budget Committee prior to the 2012 Budget Process.

Residential Solid Waste Rates

Appendix A of the report (January 7, 2011) "Recommended 2011 Residential Solid Waste Rates" to become effective March 1, 2011:

Curbside Collection Rates

13. Recommended 2011 single residential annual curbside collection rates per bin

Bin Size	Rate	Annual Rebate	Net Bin Cost
Small	\$221.16	\$224.00	\$2.84 credit
Medium	\$271.93	\$224.00	\$47.93
Large	\$369.31	\$224.00	\$145.31
Extra Large	\$428.36	\$224.00	\$204.36

Note that in 2011 the existing rate will apply for January and February, therefore the actual amount paid in 2011 will range from \$219.97 to \$425.97 per bin.

The annual rebate per household for all the customers above will be \$224.00 *

* Please note there will be a \$15.00 structural adjustment to all the single family rates which is offset by a corresponding \$15.00 adjustment to the rebate (from \$209.00 to \$224.00 per unit), resulting in a net zero effect to the customer.

14. Recommended 2011 single residential annual curbside bag only collection rates per bin

Bi-Weekly	\$137.66
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15. Recommended 2011 residential annual RUAC collection rates per bin

Bin Size	Bi-Weekly	Weekly
Small	\$221.16	\$271.93
Medium	\$271.93	\$369.31
Large	\$369.31	\$523.68
Extra Large	\$428.36	\$841.73

16. Recommended 2011 residential annual RUAC bag only collection rates

Bi-Weekly	\$137.66
Weekly	\$104.92

Bag Tag Fees

Residential bag tag fees will remain unchanged at \$3.10

Bulk Collection Rates

17. Recommended 2011 multi-residential bulk collection rates

Base Allotment Fee (per unit/yr)	\$191.30
Fee for excess waste: un-compacted (per yd³)	\$13.27
Fee for excess waste: compacted (per yd³)	\$26.55

The annual rebate per unit will be \$185.00 *

* Please note there will be a \$10.00 structural adjustment to the multi-residential base rate which is offset by a corresponding \$10.00 adjustment to the rebate (from \$175.00 to \$185.00 per unit), resulting in a net zero effect to the customer.

18. Recommended 2011 multi-residential Static collection rates per bin

Collection Frequency	Rate
Bi-Weekly	\$428.36
Weekly	\$718.44
Twice Weekly	\$1,300.68

The annual rebate per unit will remain unchanged at \$157.00

Background:

The Budget Committee on January 10, 12, 24 and 25, 2011, considered:

- a. the recommendations in the Operating Analyst Notes for Solid Waste Management Services;

- b. the report (January 7, 2011) from the General Manager, Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer entitled "Recommended 2011 Residential Solid Waste Rates";
- c. the recommendations in the Capital Analyst Notes for Solid Waste Management Services;

The Budget Committee on January 10, 2011, received a presentation from the General Manager, Solid Waste Management Services, entitled "2011 Recommended Operating Budget and the 2011 – 2020 Capital Plan".

The following Members of Council addressed the Budget Committee on January 10, 2011:

- Councillor Carroll
- Councillor De Baeremaeker
- Councillor McMahon
- Councillor Perks
- Councillor Vaughan

The Budget Committee received the following Briefing Notes:

- Funding Model for Solid Waste Collection and Recommended Increase in Rates and - Rebate Amounts, January 12, 2011 (BN#3)
- Solid Waste Collection in City Parks, January 12, 2011 (BN#4)
- Automated Collection Program, January 12, 2011 (BN#5)

for City Clerk

Merle MacDonald/jsc

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Background Information

Recommended 2011 Residential Solid Waste Rates

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35089.pdf>

Appendix A - Recommended 2011 Residential Solid Waste Rates

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35090.pdf>

(January 10, 2011) Presentation – City of Toronto - Solid Waste Management Services - 2011 Recommended Operating Budget & 2011- 2020 Capital Plan

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35091.pdf>



**STAFF REPORT
ACTION REQUIRED**

Recommended 2011 Residential Solid Waste Rates

Date:	January 7, 2011
To:	Budget Committee
From:	General Manager, Solid Waste Management Services Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	p:/2011/swms/Jan./001BC

SUMMARY

This report outlines the recommended 2011 Residential Solid Waste Rates. The recommended rates represent a 3% increase from 2010. The recommended 2011 rates increase balances fiscal constraints while maintaining critical progress on waste diversion initiatives.

RECOMMENDATIONS

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

1. The 2011 Residential Solid Waste Rates as set out in Appendix A be approved to become effective on March 1, 2011.

Financial Impact

The recommended 2011 Residential Solid Waste Rates are expected to generate \$239.6 million in volume-based rate revenue. These revenues will provide funding to support Solid Waste Management operations, capital projects and initiatives to achieve the 70% waste diversion goal. The revenue to be generated from the recommended rates is reflected in the 2011 Recommended Operating and Capital Budgets for Solid Waste Management Services.

DECISION HISTORY

Residential Solid Waste Rates

At its meeting of June 19, 20 and 22, 2007 City Council adopted EX9.1 “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”. The plan included principles for the new solid waste rates; which removes Solid Waste Management Services operating and capital costs from the property tax base.

The City Council Decision document (Pages 1 to 9) can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-19-cc10-dd.pdf>

At its special meeting of March 31, 2008 City Council adopted the fees set out in Attachment A - Residential Solid Waste Rate Structure, 2008 Fees.

The City Council Decision document (Page 10, Item #30) can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-03-31-cc18-dd.pdf>

The staff report and Attachment A can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-11479.pdf>

At its special meeting of November 6, 2008, City Council adopted the recommendations in Executive Committee report EX25.6 “Recommended 2009 Residential Solid Waste Rates”, as amended. The staff report sought approval of the 2009 solid waste fees.

The City Council Decision document can be viewed on Page 10:

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-11-06-cc26-dd.pdf>

The staff report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-16185.pdf>

Appendix A can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-16186.pdf>

At its meeting of November 30, 2009 City Council adopted the recommendations in Executive Committee reports EX36.23, "Solid Waste Management Services 2010 Operating Budget"; EX36.25, "Solid Waste Management Services 2010-2019 Capital Program"; and EX36.26 "Recommended 2010 Solid Waste Rates". The staff report sought approval of the 2010 solid waste rates.

The Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX36.26>

The staff report and Appendix A can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-25309.pdf>

<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-25308.pdf>

ISSUE BACKGROUND

A rate increase to the volume based program for single residential and multi-residential units of 3% (annualized) or 3.6% (effective March 1, 2011) is recommended for 2011. The recommended rate increase, if approved, will be the first rate increase to Solid Waste rates since the inception of the volume based rate program in 2008. There were no rates increases in either 2009 or 2010. Furthermore, the increase of 3% is less than the 3.5% annual increase as projected in Executive Committee report EX9.1 “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010” adopted by City Council on June 19, 20 and 22, 2007.

COMMENTS

Volume Based Solid Waste Rate Program Summary

In order to assist in meeting the waste diversion goal of 70%, the City removed the cost of the Solid Waste Management Program from the property tax base and adopted a volume-based solid waste rate structure based on a property’s residual solid waste needs. A volume-based rate structure provides a financial incentive and means for residents in single and multi-residential homes to reduce their generation of waste and in doing so manage their household expense. Solid Waste Management Services has completed the transition from a City Program funded through the property tax base to a self-sufficient rate based utility.

In June 2007, City Council adopted the recommendations in Executive Committee report entitled “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, which described a series of new waste diversion initiatives to achieve 70% diversion from landfill, and developed a volume-based solid waste rate system which would raise the approximately \$54 million additional revenue necessary to achieve the 70% diversion goal.

The volume based residential solid waste rates program commenced on July 1, 2008 for multi-residential bulk collection customers and on November 1, 2008 for single residential curbside collection customers.

Since January 2009, the Solid Waste Management Services Operating and Capital Programs have been funded by a combination of utility revenue, reserve funds, sale of recyclables and industry stewardship funding. The Capital Budget and Plan have been funded by recoverable debt, reserve funds and industry stewardship funding. The City issues debt on behalf of Solid Waste Management Services' capital works and debt servicing costs are repaid by Solid Waste Management through its utility revenues. In 2011, the Program's Operating Budget includes \$12.0 million to repay debt issued to fund capital infrastructure needs. Ultimately, the annual contributions to the Solid Waste Management Reserve Fund will fully fund the Solid Waste Management 10-Year Capital Plan.

2011 Operating Budget

The 2011 Recommended Operating Budget gross expenditures are \$342.6 million. Including a recommended 3% increase, the Residential Solid Waste Rates will generate \$239.6 million in volume-based program revenue representing 70% of total revenues. The other 30% of total

revenues (\$103 million) will be generated from the sale of recyclable materials, industry stewardship funding, tipping fees, paid commercial waste and recoveries for waste collection from City agencies and programs.

The 2011 Recommended Operating Budget funds base budget pressures and new services as outlined in the table below:

Recommended Operating Budget Summary

Description	Net Exp.	% SW Rates Increase Required
	\$M's	
Base Budget Net Pressures		
Lower Volume Based User Fee Revenue	6.6	
One Time 2009 Strike Savings	4.8	
COLA and Other Salary Pressures	3.5	
Collection of Waste & Recyclables in City Parks	2.7	
Lower Commercial Paid Waste Revenue	2.2	
Economic Factors	1.7	
Lower Sale of Recyclable Materials	0.5	
Customer Service Improvements	0.3	
Lower System Volumes	(2.2)	
Increased Industry Funding for Diversion Initiatives	(3.1)	
311, Fleet, Purchasing, and MLS Enforcement increases	1.0	
Total Net Pressures and Offsets	18.0	8.0
2011 Recommended Service Changes		
Green Lane Impact - Eliminate Night Shift	(0.7)	
Green Lane Impact - Eliminate Shunting	(0.6)	
Reduce expenditures to reflect actual experience	(0.3)	
Provide Drop Off and Load Function	(0.2)	
Green Lane Impact - Reduce Radiation Program	(0.3)	
Waste Diversion - Reduction in Communications	(0.2)	
Reduce Contribution to Solid Waste Management Reserve	(7.8)	
Collections Efficiencies & Automation	(3.2)	
Total 2011 Recommended Service Change	(13.3)	(5.9)

Recommended Operating Budget Summary (con't)

Description	Net Exp.	% SW Rates Increase Required
	\$M's	
2011 Recommended Service Priority Actions		
Resue Centres / Drop Off Location - 70% Divison Initiative	0.7	
Durable Goods New Materials - 70% Diversion Initiative	0.9	
Decrease Gapping	0.2	
Customer Service - Contract Oversight and User Fee Update	0.2	
Total Recommended New /Enhanced Service Priority Actions	2.0	0.9
Net Operating Budget Pressure (before SW Rate increase)	6.7	3.0

As outlined in the table above, an additional \$18.0 million is required to fund the total net budget pressures. In order to fund this pressure, an 8.0% SW Rates increase would be necessary if no further offsets or savings are identified. These budget pressures, however, are reduced by savings generated by 2011 Recommended Service Changes of \$13.3 million also identified in the above table. To maintain critical progress to reach the 70% Diversion target and enhance operational resources, additional funding is required of \$2.0 million or an additional 0.9% increase in the SW rates.

When taken together, the combined pressures from current and new services and cost savings and increased revenues to be generated from the recommended service changes will result in a net operating budget pressure of \$6.7 million equivalent to a 3% SW rates increase.

2011 Capital Budget

The Recommended 10 Year Capital Plan provides funding of \$146.1 million in 2011 including:

- Diversion Systems and Facilities (\$97.5 million);
- ongoing maintenance of Perpetual Care of Closed Landfills (\$12.7 million);
- Transfer Station Asset Management (\$8.9 million);
- Collection Yard Asset Management (\$4.3 million); and
- Development of Green Lane Landfill (\$22.7 million).

Summary

Of the total \$342.6 million gross operating budget, the recommended 2011 Residential Solid Waste Rates are expected to generate a total of \$239.6 million in volume-based utility revenue, with recycling and other revenues funding the remainder of the operating expenditures. The residential volume based rate increase of 3% is required to fund existing operations as well as new initiatives that will enable the Program to move forward towards the 70% Diversion Target, and extend the lifespan of the City owned Green Lane Landfill Site to 2034.

CONTACT

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Josie LaVita, Director, Financial Planning, 7E, City Hall, Telephone: 416-397-4229, Fax: 416-397-4465, E-mail: jlavita@toronto.ca

SIGNATURE

Geoff Rathbone
General Manager
Solid Waste Management Services

Cam Weldon
Deputy City Manager and
Chief Financial Officer

Attachment

Appendix A – Recommended 2011 Residential Solid Waste Rates

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CURBSIDE COLLECTION RATES

1. Recommended 2011 single residential annual curbside collection rates per bin

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BULK COLLECTION RATES

Recommended 2011 multi-residential bulk collection rates

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