



City Budget 2012

Solid Waste Management Services Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

2012 Operating Budget

2012 OPERATING BUDGET ANALYST BRIEFING NOTES
BUDGET COMMITTEE NOVEMBER 10, 2012

TABLE OF CONTENTS

PART I: RECOMMENDATIONS	2
PART II: 2012 SERVICE OVERVIEW AND PLAN	
Program Map and Service Profiles.....	4
2012 Recommended Service Levels	6
2012 Service Deliverables	7
PART III: RECOMMENDED BASE BUDGET	
2012 Recommended Base Budget	9
2012 Recommended Service Changes	11
2013 and 2014 Outlook	13
PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS	
2012 Recommended New/Enhanced Service Priority Actions	15
PART V: ISSUES FOR DISCUSSION	
2012 and Future Year Issues	19
Issues Referred to the 2012 Operating Budget Process	N/A
APPENDICES	
Appendix 1: 2011 Performance	24
Appendix 2: 2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers	29
Appendix 3: Summary of 2012 Recommended Service Changes	31
Appendix 4: Summary of 2012 Recommended New/Enhanced Service Priority Actions	32
Appendix 5: Inflows / Outflows to/ from Reserves and Reserve Funds	33

Contacts: **Alan Cohen**
 Manager, Financial Planning
 Tel: (416) 392-3740

Brian Tagg
 Senior Financial Planning Analyst
 Tel: (416) 392-5377

PART I: RECOMMENDATIONS

**2012 Recommended Operating Budget
(In \$000s)**

(In \$000s)	2011		2012 Recomm'd Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget	\$	%	2013	2014
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	342,631.4	332,169.1	342,054.3	3,781.8	345,836.1	3,204.7	0.9	(7,362.0)	4,229.0
REVENUE	342,631.4	350,416.0	345,359.6	476.4	345,836.1	3,204.7	0.9	(738.2)	716.1
NET EXP.	-	(18,246.9)	(3,305.4)	3,305.4	0.0	0.0	-	(6,623.8)	3,512.9
Approved Positions	1,341.7	1,341.7	1,107.2	-	1,107.2	(234.5)	(17.5)		

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(29,884.9)	(17,498.0)	(12,386.9)	5.9%

Recommendations

The City Manager and Chief Financial Officer recommend that:

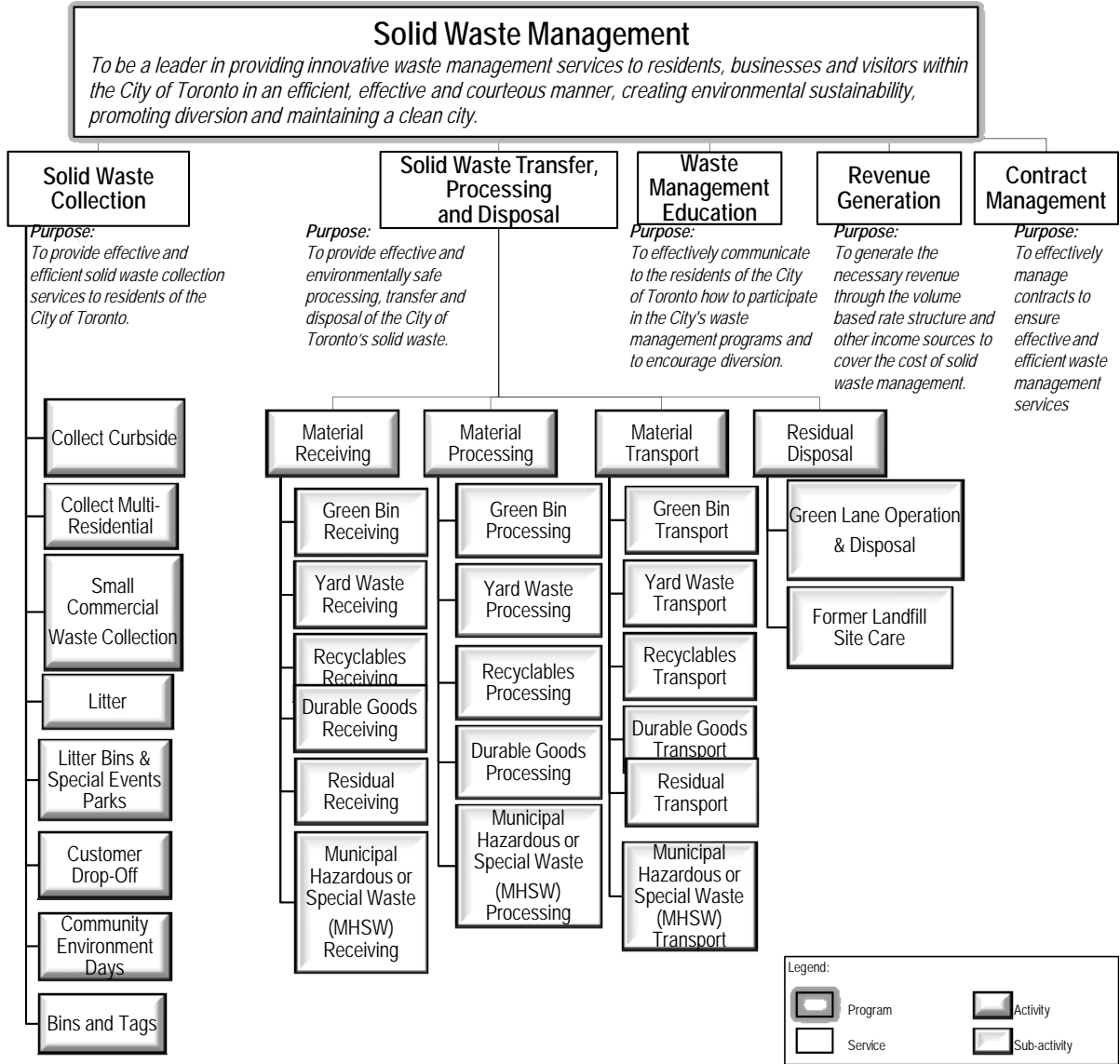
1. City Council approve the 2012 Recommended Operating Budget for Solid Waste Management Services (SWMS) of \$345.836 million gross and \$0.0 million net, comprised of the following services:

<u>Services</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Program Support	65,378.1	(199,921.9)
Collection	116,705.5	112,867.
Transfer	29,840.6	22,555.3
Processing	40,397.9	20,066.5
Disposal	93,513.9	44,432.1
Total Program Budget	345,836.1	0.0

2. the Acting 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. the Acting General Manager of Solid Waste Management in consultation with the Deputy City Manager and Chief Financial Officer report to the Public Works and Infrastructure Committee and the Budget Committee prior to the 2013 Budget Process to reconfirm City Council's commitment to continue with the 70% Waste Diversion Program and to recommend a supporting Multi-Year Rate Strategy;
4. the information contained in Confidential Attachment 1 remain confidential until the outcome of Council's decision has been communicated to Unions and affected staff; and,
5. this report be considered concurrently with the "Recommended 2012 Solid Waste Rates" (November 2011) report from the Deputy City Manager and Chief Financial Officer and Acting General Manager for Solid Waste Management Services.

PART II: 2011 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Service Customer

Solid Waste Collection

- Property owners (residential households - single, semi, townhouse)
- Multi unit residences
- Small Commercial/ Industrial businesses institutional/ ABCDs, Recyclable material purchasers, Contracted municipalities/ private sector disposal (Green Lane landfill)

Contract Management

- Private/ Commercial solid waste collection providers
- Private/ solid waste processors, haulers and program support service providers
- Residents

Solid Waste Transfer, Processing and Disposal

- Solid Waste Service Providers

Waste Management Education

- Property owners (residential households - single, semi, townhouse)
- Multi unit residences
- Small Commercial/ Industrial businesses
- Institutional/ ABCDs

Revenue Generation

- Property owners (residential households - single, semi, townhouse)
- Multi unit residences
- Commercial Recyclable material purchasers
- Industry Stewardship Funding
- Solid Waste Account holder

2012 Recommended Service Levels

The following chart indicates the current and 2012 Proposed Service Levels for SWMS' Services and Activities:

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level	
Solid Waste Collection	Collect Curbside		Residual Waste (including bulky items)	1x/2wks	1x/2wks	
			Single Stream Recycling	1x/2wks	1x/2wks	
			Organics (SSO)	1x/wk	1x/wk	
			Organic Yard Waste	1x/2wk seasonal	1x/2wk seasonal	
			Toxic Taxi	on demand	on demand	
			Durable Goods	1x2wks	1x2wks	
	Bins and Tags			Garbage and Blue Bin delivery	on demand for servicing for blue bins and garbage bins	on demand for servicing for blue bins and garbage bins
				Container pick-up at Depots and Environment Days	on demand for servicing for green bins, kitchen containers & composter	on demand for servicing for green bins, kitchen containers & composter
	Collect Multi Residential			Residual	1-2x/wk	1-2x/wk
				Single Stream Recycle	1-2x/wk	1-2x/wk
				Organics (SSO)	1x/wk future where provided	1x/wk future where provided
				Toxic Taxi	on demand	on demand
				Durable Goods	1xwks or on demand	1x2wks
	Non Residential Waste Collection			Residual	1x - 2x/wk	1x - 2x/wk
				Single Stream Recycle	1x - 2x/wk	1x - 2x/wk
				Organics (SSO)	1,5,6x /wk 600 buildings participating and 2,500 invited.	1,5,6x /wk 600 buildings participating and 2,500 invited.
	Litter			Residual Waste	1x - 7x/wk	1x - 7x/wk
				Single Stream Recycling	1x - 7x/wk	1x - 7x/wk
	Litter Bins & Special Events & Parks			Residual Waste	1x - 7x/wk	1x - 7x/wk
				Single Stream Recycling	1x - 7x/wk	1x - 7x/wk

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
	Customer Drop-Off		Residual (includes paid tonnes/other municipalities/ABCD drop-offs/Non profit)	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Single Stream Recycling (includes paid tonnes/other municipalities/ABCD drop-offs/Non profit)	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Drywall	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Household Hazardous Waste	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Tires	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Electronic Waste	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Organic Yard Waste (includes paid tonnes/other municipalities/ABCD drop-offs/Non profit/Asian Longhorn Beetle)	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
			Scrap Metal/White Goods	Hours of Operations at the applicable Transfer Station	Hours of Operations at the applicable Transfer Station
	Community Environment Days		Household Hazardous Waste	44 Events	11 Events
			Electronic Waste	44 Events	11 Events
			Re-Use/Donations	44 Events	11 Events

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
Solid Waste Processing, Transfer & Disposal	Material Receiving	Durable Goods Receiving	Mattresses	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Electronics	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			White Goods (appliances)	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Scrap Metal	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Toilets	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Tires	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Large plastic furniture and large plastic children's toys	In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Yard Waste Receiving		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Recyclables Receiving	Paper	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Plastics	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Glass	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Aluminum / Metal	In compliance with Certificate of Approval	In compliance with Certificate of Approval

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
		Green Bin Receiving		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Residual Receiving		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Municipal Hazardous or Special Waste (MHSW) Receiving		In compliance with Certificate of Approval	In compliance with Certificate of Approval
	Material Processing	Durable Goods Processing	Mattresses	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Electronics	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			White Goods (appliances)	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Scrap Metal	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Toilets	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Large plastic furniture and large plastic children's toys	on Demand	on Demand
		Yard Waste Processing		In compliance with Certificate of Approval	In compliance with Certificate of Approval
Recyclables Processing	Paper	In compliance with Certificate of Approval	In compliance with Certificate of Approval		

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
			Plastics	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Glass	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Aluminum / Metal	In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Green Bin Processing		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Municipal Hazardous or Special Waste (MHSW) Processing		In compliance with Certificate of Approval	In compliance with Certificate of Approval
Solid Waste Processing, Transfer & Disposal	Material Transport	Durable Goods Transport	Mattresses	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Electronics	As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval
			White Goods (appliances)	As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval
			Scrap Metal	As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
			Toilets	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Tires	In compliance with Certificate of Approval	In compliance with Certificate of Approval
			Large plastic furniture and large plastic children's toys	As required	As required
		Yard Waste Transport		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Recyclables Transport	Paper	As per contracts	As per contracts
			Plastics	As per contracts	As per contracts
			Glass	As per contracts	As per contracts
			Aluminum / Metal	As per contracts	As per contracts
		Green Bin Transport		As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval
		Residual Transport		In compliance with Certificate of Approval	In compliance with Certificate of Approval
		Municipal Hazardous or Special Waste (MHSW) Transport		As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval

Service Types & Levels

Service	Activity	Sub- Activity	Type	2011 Current Service Level	2012 Proposed Service level
Waste Management Education/Awareness	Residual Disposal	Green Lane Operation & Disposal		As per Contract & In compliance with Certificate of Approval	As per Contract & In compliance with Certificate of Approval
			Calendars	Issue calendars to 100% of the household within 3 months	Issue calendars to 100% of the household within 3 months
			Website	80% of information content updated in advance of a change to a program	80% of information content updated in advance of a change to a program
			Advertised campaign	100% on schedule/ on budget for each campaign	100% on schedule/ on budget for each campaign
			Printed material	100% on schedule/ on budget for each campaign	100% on schedule/ on budget for each campaign
			3R Ambassadors	129 volunteers recruited who represent 128 buildings	129 volunteers recruited who represent 128 buildings
Revenue Generation			Volume based user fees	Daily	Daily
			Sale of blue box material	Daily	Daily
			Industry financial support	Daily	Daily
			Tipping fees (User Fees)	Daily	Daily
Contract Management				Daily	Daily

Service Deliverables

Solid Waste Management Services has established service deliverables for the next 3 year period to address its challenges and opportunities and primarily reflect the need to move forward with the 70% Diversion Plan in order to maintain a clean and healthy City and to minimize the impact of waste on the environment.

Solid Waste Collection Services

- Collection Services are an integral part of achieving the goal of 70% waste diversion from landfill. Collection programs as approved by Council are implemented to achieve the diversion goals. These initiatives mainly include maintaining and enhancing a volume-based rate structure for solid waste collection to encourage residents, small commercial and institutional/ABCD (Agencies, Boards, Commissions and Departmental) customers to move toward increased diversion as well as supporting new initiatives.
- In addition, Collection Services implements, expands and improves service levels to single and multi-residential homes, including green bin deployment, household durable goods collection, eWaste and curbside townhouse collection to encourage diversion and minimize the costs of garbage collection.
- Further improvements in service to residents include converting the collection vehicle fleet to a fully and semi-automated collection system, efficient and effective route design and maintaining of litter operation to support the Clean and Beautiful City initiative. As well, implementation of RFID (Radio Frequency Identification) data collection software will track the number of lifts picked up by collection staff so as to feed into the volume-based billing system.

Solid Waste Transfer, Processing and Disposal Services

- As an important component of 70% Diversion, Transfer, Processing and Disposal Services focus on system capacity requirements for waste transfer and processing, diversion and disposal initiatives. This focus includes three main areas: Single Stream Recycling (SSR), Source Separated Organics (SSO) and Green Lane Landfill operations.
- As existing SSR and SSO processing contracts are reviewed and continually improved, other options to address SSO and SSR additional capacity requirements remain a priority. This would include securing additional SSO processing capacity by entering into third party contracts with qualified contractors as well as construction and commissioning more SSO processing capacity at the Disco and Dufferin transfer sites.
- Transfer, Processing and Disposal Services are instrumental in operations at the Green Lane landfill while complying with conditions of approval for the site license as well as

existing transfer and processing facilities in conjunction with Provincial Certificates of Approval (CofAs). Also, in order to move ever closer to higher diversion rates, planning and development of a Mixed Waste processing facility at Green Lane will divert additional materials from the mixed waste stream. Landfill responsibilities also include provision for perpetual care management for closed landfill sites now and in the future.

- As these services move into the future, supporting further implementation of diversion initiatives such as SSO in Multi-residential buildings as well as the re-use centers and the durable goods collection system will continue. Other important initiatives include achieving the goal to reduce greenhouse gas and meet air pollution reduction targets. Bioenergy (biogas) reuse at the expanded SSO facilities and fleet improvements are identified as important initiatives in support of climate change efforts.
- Finally, temporary/mobile/permanent drop-off centres for Municipal Hazardous and Special Waste including Waste Electrical and Electronic Equipment augment continued efforts to achieve 70% Diversion.

2012 Service Deliverables

The 2012 Recommended Operating Budget for Solid Waste Management Services (SWMS) provides funding for SWMS to continue to move forward towards 70% overall waste diversion.

- The 2012 projected diversion rates are estimated as follows:
 - Residential unchanged at 63%;
 - Multi-unit residences to improve from 22% to 25%;
 - Overall to improve from 48% to 50%.
- Diversion rates will increase by:
 - Completing rollout of the program for multi-unit SSO collection;
 - Implementing in-unit and on-floor recycling systems to increase the recovery of recyclable material in multi-unit residences;
 - Continuing to operate the reuse pilot centre;
 - Enhancing education and enforcement of the City's Diversion By-law;
 - Providing door-to-door curbside service in town homes;
 - Providing full access to recycle and Green Bin service for residential above commercial;
 - Delivering curbside collection of household durable goods for reuse and recycling;
 - Implementing in-store packaging reductions initiatives.

- Replacing and upgrading existing street litter / recycle bins.
- Examining how digester gas from the diversion of green bin organic waste is to be refined to produce renewable natural gas to be supplied to the local gas distribution system for use in all applications where natural gas is currently used. The Landfill gas resource is to be developed to produce electricity for sale to the Ontario Power Authority under the Feed-In Tariff (FIT) program.
- Continuing integration of Green Lane Landfill as a cost neutral business unit as all residual waste disposal is now managed at Green Lane.
- Processing the following tonnages of materials in 2012:
 - Organic material (including Green Bins) – 120,093 tonnes
 - Recyclable material – 204,253 tonnes; and,
 - Residual waste sent to Green lane – 501,740 tonnes.

PART III: RECOMMENDED BASE BUDGET

2012 Recommended Base Budget (In \$000s)

(In \$000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
					2013	2014
	\$	\$	\$	%	\$	\$
GROSS EXP.	342,631.4	342,054.3	(577.1)	(0.2)	(7,501.0)	4,229.0
REVENUE	342,631.4	345,359.6	2,728.2	0.8	(1,842.3)	0.0
NET EXP.	0.0	(3,305.4)	(3,305.4)	NA	(5,658.7)	4,229.0
Approved Positions	1,341.7	1,107.2	(234.5)	(17.5)	0.0	0.0

Target Comparison	10% Reduction Target	2012 Rec.'d Reduction	2012 1Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(29,884.9)	(17,151.6)	(12,733.3)	5.7

2012 Recommended Base Budget

- The 2012 Recommended Base Operating Budget of \$342.054 million gross is \$0.577 million or 0.2% less than the 2011 Approved Operating Budget. This base budget decrease is augmented by increased revenue of \$2.728 million mainly comprised of the following:
 - Annualization of User Fee adjustments in 2011 (including the 3% rate increase), \$2.6 million;
 - Increased Industry Stewardship funding of \$3.1 million;
 - Other revenue increases of \$4.4 million comprised of the Structural Rate Change – for Multi-residential Curbside (Static Fee) Customers (\$3.7 million) and the Elimination of 4 free waste tags per household (\$0.7 million).
 - Green Lane Operations revenue loss based on reduced volumes of residual waste offset by lower expenditures (\$2.3 million);

- Other revenue reductions of \$4.8 million comprised of the interruption of the Recycling Processing Contract (\$2.3 million) and a net revenue loss due to lower waste volumes from Multi-residential customers (\$2.5 million);
- In total, SWMS (excluding Green Lane Operations which is fully self-funding) has achieved \$17.152 million in savings or 5.7% compared to a reduction target of 10% mainly through a combination of base budget reductions (\$2.6 million), service efficiencies (\$8.9 million), minor service impacts (\$0.6 million) and revenue adjustments (\$5 million). The resulting 2012 Recommended Base Operating Budget Net Expenditures of (\$3.305) million will offset New / Enhanced Service Priorities (as detailed in Part IV).
- The total of base recommended positions for 2012 has decreased by 234.5 positions from the 2011 Approved Staffing Complement and is highlighted below.
 - a) An increase of 20 positions is recommended as a result of a labour agreement adjustment for the replacement of temporary workers. As per the Minutes of Settlement with Local 416 dated December 2010, (20) permanent driver loaders were to be hired. Through vacancy reviews done in 2011, a conversion of unfunded temporary workers to permanent (previously backfilling) was completed;
 - b) Approved positions have been reduced by 254.5 for changes mainly associated with the following: adjusted base increase for collections of 16, contracting-out 50% of litter vacuuming (10), contracting-out of collections in District 2 (222.1), management and operational efficiencies (32), contracting-out grass cutting (2), elimination of collection of overflow recycling (3) and a reduction of (1.4) positions due to reducing the number of Environment Days from 44 to 11 days:

2012 Recommended Staff Complement – Base Budget Summary

Changes	Staff Complement
2011 Approved Complement	1,341.7
- 2011 In-year Adjustments	
2011 Approved Staff Complement	1,341.7
2012 Recommended Staff Complement	
- 2012 Prior Year Staffing Commitment MOS	20.0
- 2012 Temporary Complement - Capital Project Delivery	
- 2012 Operating impacts of completed Capital projects	
- 2012 Service Change Adjustments	(254.5)
Total Recommended Complement	1,107.2

2012 Recommended Service Change Summary
(In \$000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% of 2012 Budget Reduction Target	2013		2014	
	#	\$	\$	%	\$	# Pos.	\$	# Pos.
Base Changes:								
Base Expenditure Changes								
1) Interruption of Recycling Processing Contract		(2,505.9)	(304.3)	0.1	(243.5)			
2) Line by Expenditure Line Reductions Based on Actual Experience		(1,479.9)	(1,479.9)	0.5				
3) Fleet Fuel Reduction		(815.9)	(815.9)	0.3				
Base Expenditure Changes		(4,801.7)	(2,600.0)	0.9	(243.5)			
Base Revenue Changes								
NONE								
Base Revenue Changes								
Sub-Total Base Budget Changes		(4,801.7)	(2,600.0)	0.9	(243.5)			
Service Efficiencies								
1) Contract Out - Litter Vacuuming	(10.0)	(133.5)	(133.5)	0.0				
2) Contract Out - Curbside Collection for District 2	(222.1)	(6,124.9)	(6,124.9)	2.0	(5,046.6)			
3) SWM Management and Operational Efficiency Study	(32.0)	(2,592.7)	(2,592.7)	0.9	(373.7)			
4) Reduced Grass Cutting Cost from Facilities	(2.0)	(62.4)	(62.4)	0.0				
Sub-Total Service Efficiencies	(266.1)	(8,913.6)	(8,913.6)	3.0	(5,420.3)			
Revenue Adjustments:								
1) Structural Rate Change - Static Fee Customers			(3,722.5)	1.2				
2) Core Service Review: Eliminate Free Waste Tags	(0.5)	(593.0)	(1,293.0)	0.4				
Sub-Total Revenue Adjustments	(0.5)	(593.0)	(5,015.5)	1.7				
Minor Service Impact:								
1) Eliminate Collection of Overflow Recycling	(3.0)	(500.0)	(500.0)	0.2				
2) Core Service Review: Reduce Environment Days from 44 to 11	(1.4)	(151.4)	(122.4)	0.0				
Sub-Total Minor Service Impacts	(4.4)	(651.5)	(622.5)	0.2				
Major Service Impact:								
NONE								
Sub-Total Major Service Impacts								
Total Service Changes	(271.0)	(10,158.1)	(14,551.5)	4.9	(5,420.3)			
Total Base Budget & Service Changes	(271.0)	(14,959.8)	(17,151.6)	5.7	(5,663.7)			
Total New Fees (included in New- Part IV)		100.0	(346.4)	0.1	(1,074.1)		(716.1)	
Total Base Budget, Service Changes & New Fees	(271.0)	(14,859.8)	(17,498.0)	5.9	(6,737.8)		(716.1)	

2012 Recommended Service Changes

Recommended Service Changes total \$17.498 million net and include base reductions of \$2.6 million, services change reductions of \$14.552 million net and new fee revenue of \$0.346 million which contributes towards the Program's budget reduction target. The recommended service changes are discussed below:

Base Expenditure Changes

Interruption of Recycling Processing Contract

- The current recycling processing contract with Metro Recycling will end in August 2012 with the new contractor starting operations in January 2013. As a result, no processing will take place from August to January and less recyclable material will be available for sale; there will be an under-expenditure of \$2.506 million in 2012 as well as decreased revenue of \$2.202 million from the sale of recyclable materials. The net expenditure decrease is \$0.304 million.

Reductions to Reflect Actual Experience

- As a result of thorough review of actual expenditures compared to budget by Solid Waste Management, it has been determined that a further \$1.480 million in net reductions can be made without affecting service levels.

Service Efficiencies

Contract Out – Litter Vacuuming

- Contracting-out 50% of the City of Toronto Litter Vacuuming Services will result in savings of \$0.134 million from the 2011 Budget of \$0.668 million or an overall estimated savings of approximately 20%. This would reduce the SWMS fleet of litter vacuums and associated costs including eliminating 17 seasonal positions (equivalent to 10 FTE) effective April 2012.

Contract Out – Curbside Collection for District 2

- As approved by Council on Oct. 24, 2011, daytime Residential Curbside Collection in District 2 will be contracted out commencing in August 2012. The overall estimated savings are approximately 20% of the current cost of delivering the service. The collection area is bounded by Yonge Street on the east and Etobicoke on the west. There are approximately 165,000 homes in District 2 which will have their curbside collection picked-up by Green for Life (GFL) Environmental East Corporation. This will result in a reduction of 222.1 temporary positions with permanent staff to be relocated to District 3 and 4. Total savings indicated in the above table is \$11.172 million with \$6.125 million in 2012 with a further annualized amount of \$5.047 million in 2013.

Service Efficiency Study

- As part of the Service Efficiency Study conducted by Ernst & Young in 2011, three separate initiatives will provide savings totaling \$2.593 million and 32 positions were recommended for 2012. *(Please see Confidential 2012 Recommended Service Changes under separate cover).*

Revenue Adjustments

Structural Rate Change – Static Fee Customers

- Structural Rate Change is recommended for Static Fee Customers that will generate an additional \$3.722 million in net revenue. For owners/property management that receive static (centrally collected multi-residential curbside) collection services, each account will be converted from "per bin" to a volume basis with unit being allotted a base volume. Excess volume above the base volume will be charged per cubic yard and an annual rebate of \$185.00 per unit will be issued. This is intended to adequately charge for the costs of providing waste management services on a per unit basis and to make the static rate structure equitable with the approved 2011 Multi-Residential Bulk Front-End Rate Structure. This is the last expected adjustment to all user rate schedules as all accounts will be volume based.

Eliminating Free Waste Tags

- On September 26, 27, 2011 City Council adopted Core Service Review Reductions that included cost Recovery by eliminating free waste tags for \$1.293 million in net revenue. SWMS would discontinue the annual distribution of 4 free waste tags per household. Toronto residents would be required to pay for the additional costs of any additional waste above and beyond their bin size through the purchase of waste tags.

Minor Service Impact

Eliminate Collection of Overflow Recycling

- Eliminating the collection of overflow recycling will generate savings of \$0.500 million in 2012. The public will no longer be allowed to place overflow recycling beside the bin during their scheduled pick up days. Customers can either upsize their bins for free or store excess recycling until the next scheduled collection. There will be (3) less permanent positions needed to operate the "Chaser Truck" to collect overflow recycling.

Reduce Environment Days

- As part of the Core Service Review Council did not recommend eliminating Environment Days; however, the Program is reducing the budget by adjusting the number and nature of Environment Days. Reducing Environment Days to 11 city-wide days from 44 ward specific days will result in savings of \$0.122 million and a reduction of 1.4 positions. The Environment Days are hosted by City of Toronto Councillors and provide an opportunity for residents to drop off their recyclables and durable goods. Residents may also purchase recycling containers, water efficiency kits, composters and rain barrels. As the 11 days will be considered city-wide days, they will be operated in strategically located areas across the City.

2013 and 2014 Outlook

- As shown in Table 2, approval of the 2012 Recommended Base Budget for Solid Waste Management Services will result in a 2013 net incremental increase of \$5.659 million and 2014 net incremental increase of \$4.229 million for the annualized costs of specific recommended base budget changes.

Both 2013 and 2014 do not include provision for a cost of living adjustment for Local 416 & 79 as this cost is subject to negotiations.

2013 Incremental Impact:

- 2013 Outlook includes the annualization of 2012 contracting out savings of \$5.046 million as well as the annualized savings from the Recycling Processing Contract (\$0.244 million). In addition, the Outlook includes \$0.677 million or 0.9% for the projected increase in the OMERS contribution rate for 2013 as well as a reduction for the operating impact of 2012 recommended capital projects of \$1.309 million. This impact is mainly due to the commissioning of the Disco SSO facility.

2014 Incremental Impact:

- 2014 includes an increase for the operating impact of 2012 recommended capital projects of \$4.229 million. This impact is mainly due to the operating of (3) new Reuse Centres and the normal ongoing operating cost (post commissioning) of the Disco SSO facility.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2012 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	2012 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Position	2013		2014	
	\$	\$	#	\$	# Pos	\$	# Pos
Enhanced Services:							
Perpetual Care Contributions - Pay as You Go	2,360.7	2,360.7					
70% Diversion: Blue Box - Mixed Rigid Plastic Packaging	139.0	109.0		109.0			
Reduce Gapping from 3.5% to 2.0%	1,182.0	1,182.0					
Sub-Total Enhanced Services	3,681.8	3,651.8	-	109.0	-	-	-
New Services:							
New Fees							
Premium Fee for Commercial Organics Collection		(6.4)					
Weighscale Services - Private Haulers		(2.0)					
User Fee: Residue Haulage		(80.0)					
Waste Fees: Charities, Institutions & Religious Organizations	100.0	(258.0)		(1,074.1)		(716.1)	
Sub-Total New Services	100.0	(346.4)	-	(1,074.1)	-	(716.1)	-
Total Enhanced/New Services	3,781.8	3,305.4	-	(965.1)	-	(716.1)	-

2012 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions

Perpetual Care Contributions – Pay as You Go

- In conjunction with a report from the Auditor General (January 2011) an engineering review was undertaken and it was determined that the Perpetual Care Reserve Fund will require approximately \$6.2 million per year to fund a "pay as you go" operating model to finance the perpetual care requirements included in the 10-Year Recommended Capital Plan. Annual contributions to this reserve have averaged approximately \$3.8 million per year and therefore will require an increase in the amount contributed to the Perpetual

Care Reserve Fund of \$2.361 million. As a result, the 2012 contribution to the Perpetual Care Reserve Fund totals \$6.2 million. *Please also see PART V: ISSUES FOR DISCUSSION.*

70% Diversion: Blue Box – Mixed Rigid Plastic Packaging

- Funding of \$0.139 million gross and \$0.109 million net is recommended to expand blue box materials to include Mixed Rigid Plastic Packaging #1–7 for single stream recycling. It is estimated that 500 tonnes of plastic could be diverted from landfill with this initiative and a mixed plastic product could be produced. For 2012, this would generate \$0.030 million of revenue with a net cost of \$0.109 million. This initiative will help to align public behaviour with what will be accepted and result in less contamination of the single stream recycling process and increased diversion.

Decrease Gapping (Vacancy) Rate from 3.5% to 2%

- This recommended Enhanced Service Priority Action will provide funding of \$1.182 million in 2012 to increase salaries and benefits to reflect actual experience. The increase will lower the budgeted gapping for Solid Waste Management Services from 3.5% to 2% over a two year period.
- Historically, SWMS has been unable to meet the gapping target of 3.5% mainly because SWMS cannot hold positions vacant without impacting direct service delivery such as the collection of waste and recyclables. Where employees are absent due to illness, leave, and/or injury, they must be replaced with either temporary or re-assigned staff.

New Fees

Premium Fee for Commercial Organics Collection

- SWMS currently provides daily SSO collection from restaurants. This is provided (6) times per week. This new fee will allow for a new organics collection service option for restaurants which only need collection 2 days per week. The Toronto Restaurant Association advised that their members whose organic volumes did not warrant a 6 days/week commercial organic collection service be reduced to a 2 day/week commercial organic collection service either all year or seasonally during the summer months.
- As a result, the 2 days /week commercial organic collection service was introduced and the fee was developed. The fee of \$320 per year is expected to generate \$6,400 per year based on a volume of 20 customers. The 20 customers currently have 1 collection per week free of charge.

Weigh Scale Services– Private Haulers

- Providing weigh scale services to the public is expected to generate revenue of \$2000 per year. This service is currently not available for private haulers. Transfer Stations currently have operating capacity to provide this new service which is also available to private haulers on Provincial Highways. It is estimated that annual demand will total 200 private haulers being charged \$10 per load.

User Fee: Residue Haulage

- Solid Waste Management Services Haulage Operations will begin transport of residual waste for a fee from the contracted recycling facility to the City Transfer Station for final disposal. The fee will generate \$400 per day for 4 operating days per week at the recycling facility or \$0.080 million per year.
- This activity, which will move 20,793 tonnes of residual waste per year, will be conducted utilizing existing on-site staff and haulage equipment (use of an existing shunt truck) and residual haulage trailer provided by Verspeeten Cartage (the existing contracted hauler of residual waste from the City Transfer Stations to Green Lane Landfill).

Waste Fees: Charities, Institutions & Religious Organizations

- SWMS currently provides collection and transfer station services to Charities, Institutions & Religious Organizations (CIROs) free of charge. Based on a full cost recovery model, implementation of a volume based rate will be effective July 1, 2012 and be phased-in over 4 years. Implementation of waste fees will generate \$2.9 million per year to recover the cost of waste collection and disposal. For 2012, after an initial expenditure of \$0.100 million mainly for contracted services for communications the fees will generate \$0.258 million in net revenue. For 2013 and 2014, the net revenue to be provided is \$1.074 million and \$0.716 million respectively.
- CIRO's (defined as Non-Residential Customers) are currently collected in the same manner and receive similar service levels to those eligible commercial properties on the Commercial Collection Program. The new collection fees will be set at the standard commercial rates for tipping fees, volume based bulk (front-end loaded) collection or yellow bag collection.

CIRO customers will have access to all of the services currently extended to the Commercial Collection Program customer base, including the option to take advantage of the premium organics collection program offered for an additional fee.
- The rate structure for CIRO's will be phased-in over a four year period as follows:

- (1) Beginning on July 1, 2012 – **25%** of the applicable fees will be charged;
- (2) Beginning on January 1, 2013 – **50%** of the applicable fees will be charged;
- (3) Beginning on January 1, 2014 – **75%** of the applicable fees will be charged; and
- (4) Beginning on January 1, 2015 – **100%** of the applicable fees for the year will be charged.

SWMS will conduct public consultation to ensure that the concerns of CIRO's are considered where these organizations can provide input and participate in the ongoing development of the policy and rate structure to be implemented.

(Please refer to the separate staff report entitled "Recommended 2012 Solid Waste Rates" for detailed fees and descriptions).

PART V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

2012 Issues

Core Service Review Approvals

On September 26, 27, 2011 City Council adopted a report that addressed the results of the detailed Core Service review conducted by KPMG. Council approved specific recommendations regarding SWMS and service levels; namely:

- *Solid Waste Management – that the 4 free garbage tag program be eliminated.*

Status: The 2012 Recommended Operating Budget includes \$1.293 million in annual additional revenue to reflect the elimination of free waste tags and the expectation of purchased tags;

- *City Council request the City Manager to review the remaining efficiency related opportunities as set out in Appendix E of the report from the City Manager, to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budget. Appendix E listed 5 opportunities for service efficiencies (#85 to 89) that were identified for SWMS:*

(1) *Consider reducing the target rate for diversion and / or setting target rates by category of waste producer; and,*

(2) *Consider further contracting out of Collection Services.*

Status: These proposals will be referred to the Acting General Manager of Solid Waste Management and reviewed as part of the 2013 Budget Process.

(3) *Outsource facility security services.*

Status: This proposal is not recommended for 2012.

(4) *Outsource grass cutting.*

Status: This proposal is recommended for 2012 as a service efficiency totalling \$0.062 million annually in reduced expenditures.

(5) *Expansion of "drop and load" at transfer stations.*

Status: This proposal is recommended for 2012 as a revenue adjustment totalling \$0.235 million in net revenue annually.

- *That the City Manager not consider the following KPMG opportunities for inclusion in broader service and organizational studies, as previously directed by the Executive Committee:*

(1) Solid Waste Management – Eliminate Community Environment Days.

Status: As directed by Council, the proposal to Eliminate Environment Days is not recommended. However, the 2012 Recommended Operating Budget includes a proposal to reduce environment days from 44 ward days to 11 city-wide days is as a minor service level change with a total net expenditure reduction of \$0.122 million.

Solid Waste Management Service Efficiency Study

As part of the Service Efficiency Study conducted by Ernst & Young in 2011, three separate initiatives will provide savings totalling \$2.593 million and 32 positions were recommended for 2012. *(Please see Confidential 2012 Recommended Service Changes under separate cover).*

Rate Changes and Adequacy of Reserve Funds

As part of the strategy to achieve the waste diversion target of 70%, Solid Waste Management was reorganized as a self sustaining utility that would be funded from volume based user fees that would fund both current operations and capital works necessary to achieve 70% diversion target. A reserve fund balance was established so budgeted contributions could be made annually to fund SWMS' Capital Program. Contributions are budgeted each year but whether the contribution occurs is dependent on the year-end fiscal position of the Program. For example, if the Program is projecting a year-end net deficit then the Waste Management Reserve Fund is used for stabilization and funds the projected shortfall to prevent any funding from property taxes. The planned contribution to the reserve for 2012 is \$18.964 million.

While 2009 and 2010 rates remained unchanged, the 2011 rate was increased by 3.0% (3.6% effective March 1, 2011) and generated revenue of \$6.730 million in 2011 and \$1.346 million in 2012. For 2012, no user fee increase is recommended, as savings such contracting –out collections in district 2 and other recommended service efficiencies offset the requirement for a user fee increase while still supporting a 70% diversion target.

The overall funding strategy approved by Council in 2007 established that an annual rate increase of 3.5% was required to ensure that the reserve fund would have an adequate balance to fund all the Program's initiatives including capital expenditures. Limiting rate increases impacts the amount that is available to fund current and future capital projects required to meet the 70% Diversion Target, as an annual increase also has a compounding

effect over time. Depending on the timing and funding required, the Program may be required to defer projects until there is sufficient funding in the reserve fund. The reserve balance cannot drop below a zero balance as there is no other funding source for Solid Waste Management expenditures. Given the pressures on the reserve, rates must grow at a sufficient pace to offset future growth in expenditures.

Different scenarios are being developed to project future funding requirements that take into account the impact of alternate service delivery methods, operating expense and revenue projections, reserve fund stabilization requirements, and capital project investments required to reach 70% diversion target. In particular, assumptions related to building or not building the Mechanical and Biological Treatment (MBT) Facility at Green Lane required to divert more waste from landfill by more efficient separation of waste and recyclables will be considered. This MBT Facility project ultimately depends on whether Council decides to continue towards the goal of 70% Diversion and whether the Provincial Government decides to approve grade B compost, produced by the facility, for use by the public. Also service delivery options will be reviewed. These assumptions affect not only the labour cost of providing service but also variables such as fleet support including maintenance and fleet reserve contribution levels.

It is therefore recommended that the Acting General Manager of Solid Waste Management in consultation with the Deputy City Manager and Chief Financial Officer report to the Public Works and Infrastructure Committee and the Budget Committee prior to the 2013 Budget Process to reconfirm City Council's commitment to continue with the 70% Waste Diversion Program and to recommend a supporting Multi-Year Rate Strategy.

Sale of Recyclable Materials

With the downturn in the economy in 2009, revenue from the sale of recyclables to processors dropped markedly. Two factors impact the sale of recyclables: the market price for various types of recyclable material and the volume available for collection. The market price for recyclable materials such as plastic, fibre, aluminum and steel cans and glass had been fluctuating with an overall downward trend since September 2008. A composite price index for these materials for Ontario is shown in Chart A. Between September 2008 and September 2009 the index, based on Cdn\$ per metric tonne, dropped 45.4%. The sharpest drop was from September to December 2008 at 75%. Within this group of materials and time period, mixed plastic had a corresponding drop of 77.3% and newspaper dropped by 76.6%.

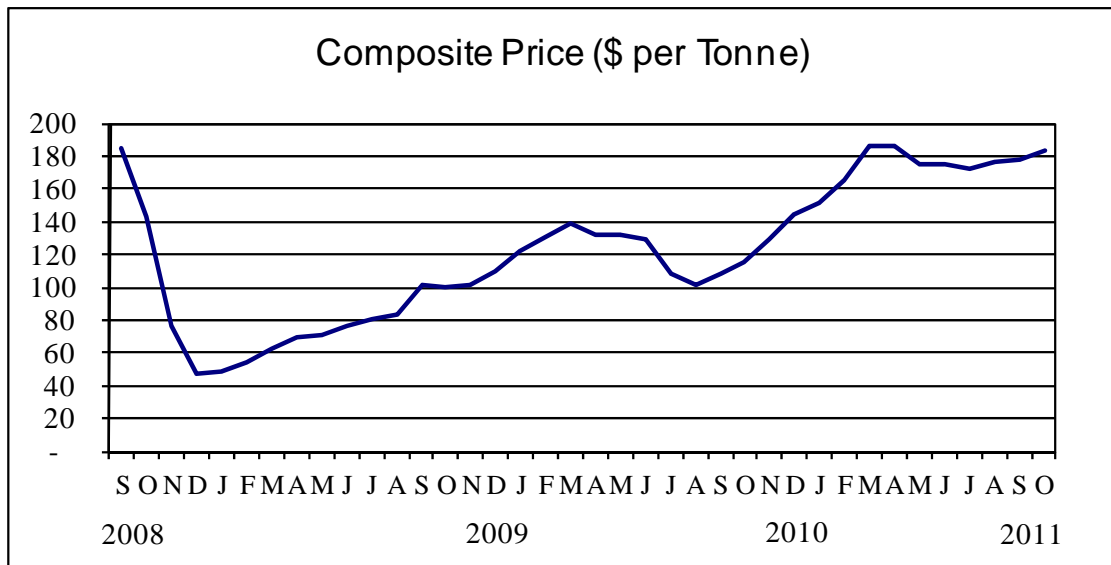


Chart A: *Data Source:* Price Sheet © StewardEdge Inc. 2011

The trend from early 2009 to 2011 shows a recovery in prices as economic stimulus took hold peaking in March 2011 at \$186 per tonne which is equivalent to September 2008. The second and third quarters of 2011 show slightly declining prices with October 2011 \$3 less than March 2011. Market prices which drive revenue from the sale of materials for processing have regained their portion of overall revenue for Solid Waste Management Services. While prices have, in general, recovered, for instance, on newspaper, other factors such as the drop in collected tonnes is driven by consumer behaviour away from print media towards electronic media and volumes may not recover.

Of the overall 2009 projected year-end revenue short fall of \$16.7 million, \$15 million is attributable to lower revenue from the sale recyclable material. The 2010 Operating Budget was adjusted to include a provision for lower anticipated revenue from the sale of recyclables by \$7.4 million. The 2011 Approved Operating Budget included a further projected revenue loss of \$1.1 million. As of the third quarter 2011, the year-end projection indicates surplus recyclables revenue of \$7.5M based on continuing improved market prices. For 2012, based on current estimates of tonnage and price, revenue from the sale of recyclable materials is expected to remain stable and comparable to the 2011 year-end position.

Perpetual Care of Landfill Reserve Fund

Under Provincial legislation, the Program is responsible for the perpetual care of 161 closed City landfill sites after primary operations have ended. A staff report from the Acting Commissioner, Works and Emergency Services, and the Chief Financial Officer & Treasurer, entitled "Adequacy of Perpetual Care of Landfill Reserve", dated November 3, 2004 recommended an annual operating fund contribution of \$3 million to the Perpetual Care Reserve Fund with increases of 5.55% each year thereafter.

One-time funding for the Perpetual Care of Landfill Reserve Fund contribution (\$3.000 million) was provided in 2005 from the 2004 Operating Budget Surplus. A similar contribution (\$3.166 million) was made in 2006 to the reserve from the 2005 Operating Budget Surplus. In 2007, the requested \$3.435 million to fund the contribution to the Perpetual Care of Landfill Reserve Fund added to the significant base pressures in this Program, and therefore was not recommended to be included in the Solid Waste Management Services 2007 Operating Budget. In 2008, a contribution of \$3.500 million was approved and funded by user fee revenue.

For 2009 and 2010, a contribution of \$3.500 million was made to the Perpetual Care of Landfill Reserve Fund with the 5.5% increase per year deferred due to affordability. For 2011, SWMS' Approved Operating Budget flat-lined a contribution of \$3.500 million. In addition, in 2011 and 2012 one-time expenditures totaling \$23 million have been provided for the Pan Am Aquatic Facility Site Remediation.

On November 1, 2011 Executive Committee adopted the report from Deputy City Manager and Chief Financial Officer, Acting General Manager, Solid Waste Management Services and the Executive Director, Technical Services entitled "Adequacy of the Perpetual Care Reserve Fund". The report recommended a pay-as-you-go plan to fund perpetual care activities as opposed to the old plan of annual percentage based increases. Based on revised estimates for basic on-going perpetual care expenditures of approximately \$4 million per year and estimated new control systems of \$2 million per year, the 2012 Recommended Operating Budget includes matching \$6 million annual budgeted contributions. Keeping the contribution at this level will maintain a positive balance in the reserve fund averaging \$6.2 million per year through to 2021 assuming inflation of 2.8% per year and conservative investment income assumptions of 1% for 2012, 1.5% for 2013 and 2% annually thereafter until 2021. This balance reflects a contingency amount which is available for unforeseen requirements.

Diversion Target Status

As part of the 2010 Operating Budget process, implementation of SSO in Multi-Residential Apartments and the Durable Goods & Reuse Centre Program were delayed. The combined impact of deferring the roll-out of the SSO in Multi-Residential Apartments and Durable Goods & Reuse Centre Program to the period 2012 to 2014 will impact the plan to reach 70% Diversion Target. The impact of deferring the roll-out of those initiatives resulted in a 3% reduction in Diversion by the end of 2010. By the end of 2011 it is projected that overall diversion will be approximately 48% and by 2012 50%. The impact is significant as a large proportion of multi-unit residences will have recycling of organics deferred and the over-all level of durable goods collected and reused continues to be less than the original plan.

The following table summarizes the Diversion Projection based on the 2012 Recommended Budget.

Average Diversion	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Projection	2012 Estimate
Single Unit Homes	57%	57%	59%	60%	63%	63%	63%
Multi-Unit Residences	13%	13%	15%	16%	18%	22%	25%
Over-All	42%	42%	44%	44%	47%	48%	50%

The annual diversion percentages shown on the table above are an average for the year. On-going diversion initiatives during the year will continue to slowly increase diversion percentages. For 2011, in particular, multi-residential units, shows 22% for the annual diversion rate, with 2012 estimated to approach 25% which is reflective of the ongoing expansion of diversion initiatives.

Vehicle Reserve Fund

The projected 2011 year-end balance for the Solid Waste Management Vehicle Reserve is \$10.963 million. A contribution to the reserve of \$8.917 million is included in the 2012 Recommended Operating Budget. This contribution reflects the 2011 approved contribution level of \$10.417 million discounted for expected savings of \$3 million from not contributing to the reserve for District 2 where Collections have been contracted-out. Also included in the 2012 Recommended Operating Budget is a contribution funded from the estimated proceeds from the sale of old equipment from District 2. Based on the forecasted vehicle replacement plan, the contribution amount is unchanged for 2013 and is projected to decrease to \$6.6 million by 2014. This provides an ongoing small year-end balance each year which reflects the pay-as-you-go plan for the replacement of fleet. Solid Waste Management projects its vehicle replacement based on the life cycle of its fleet ensuring older vehicles are replaced in priority order to minimize maintenance costs. To ensure sufficient funding is available in the reserve, Solid Waste Management has reviewed its fleet replacement requirements with the intent of smoothing and perhaps reducing requirements over time. *(Please see Appendix 5: Inflows / Outflows to/ from Reserves and Reserve Funds)*

Appendix 1

2011 Performance

2011 Key Accomplishments:

Collections

- ✓ Completed the costing analysis that led to council approved issuance of RFQs for contracting out of daytime collection services in District 2, contingency collection services and litter vacuuming collection. Contingency collection/ litter vacs successfully awarded and started. Council recently approved a staff report to award daytime collection services in District 2 to a private contractor to begin in August 2012;
- ✓ Completed the collection service transition from Parks Forestry & Recreation to Solid Waste Management Services for the collection of litter and recycling receptacles in City Parks. A component of the transition has involved the conversion from the wire baskets /plastic bag inserts that were emptied manually to an automated style of litter and recycling receptacles;

Transfer

- ✓ Continued work on Transfer Station Asset Management projects including the acquisition of Hydro land for the Re-Use building at Bermondsey Transfer Station which is 100% complete now and is fully operational;
- ✓ Completed the disassembly of the former Commissioners Street Recycling Facility in order to repurpose the building into a future household hazardous waste and electronic waste drop-off centre for the convenient drop-off and subsequent recycling of this material;
- ✓ Completed bunker design for leaf and yard waste pad and loading ramp at Disco and started construction;

Processing

- ✓ Issued and awarded a Request for Proposal to contract with a Material Recovery Facility vendor to process up to 140,000 tonnes per year of single stream material.
- ✓ Continued construction of Disco Road organics processing facility. Site plan approval, building permits and environmental site approvals secured in 2011. Site remediation (buried waste excavation) is complete and construction of foundations and structural slab is underway.

- ✓ Continued Emergency repairs to the Dufferin organics processing facility. Construction of the new anaerobic digestion vessel and biofilter to be completed in 2011.

Disposal

- ✓ Completed reports for the Durable Goods Material Stream/Community Recycling and Reuse Centre Preliminary Design Study and condition assessment. Reports have been completed for the two sites as well as a geotechnical study with conceptual designs completed.
- ✓ Issued RFP and awarded contract for the Dufferin Material Recovery Facility upgrading study.

Green Lane Landfill

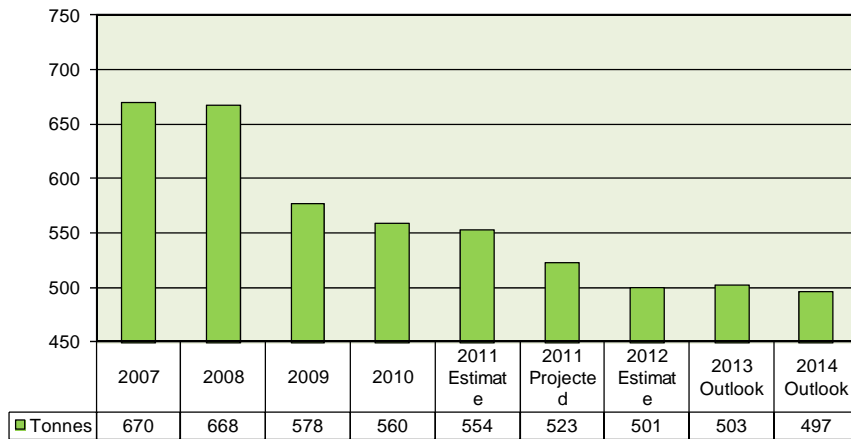
- ✓ Completed excavation and commissioning of Cell No. 6 and 8 to receive all of the City's beginning in the fall of 2011. The excavation of Cell #7 was also undertaken, which in addition to Cell 6 and 8 will allow the City to have prebuilt disposal capacity to accommodate its 2012 disposal needs.
- ✓ Successfully exited the State of Michigan for disposal capacity and implemented contingency disposal options within Ontario for a portion of City of Toronto waste. These contingency options will ensure the availability of within Ontario disposal capacity in the event of a force majeure at the Green Lane Landfill
- ✓ Successfully completed a 13 month Engineering Request for Proposals for Engineering oversight services related to the Green Lane Landfill.

Waste Diversion

- ✓ Increased diversion in multi-residential buildings by expanding electronics collection, continuing the distribution of in-unit recycling containers and rolling out source separated organics collection, and expanding the 3R's Ambassador Volunteer program.
- ✓ Projecting to achieve an overall residential diversion rate of 48% for 2011.

2011 Performance

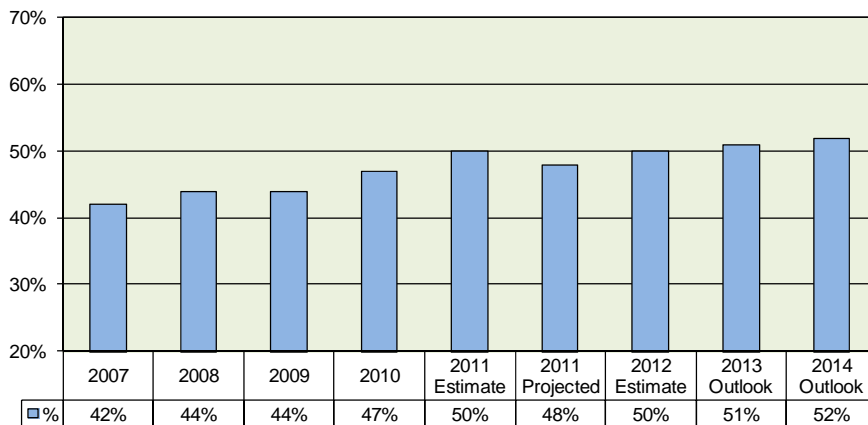
Tonnes of Waste Disposed (000's)



Tonnes of Waste Disposed

The total tonnes of waste being disposed are continuing to decrease with the implementation of various recycling initiatives.

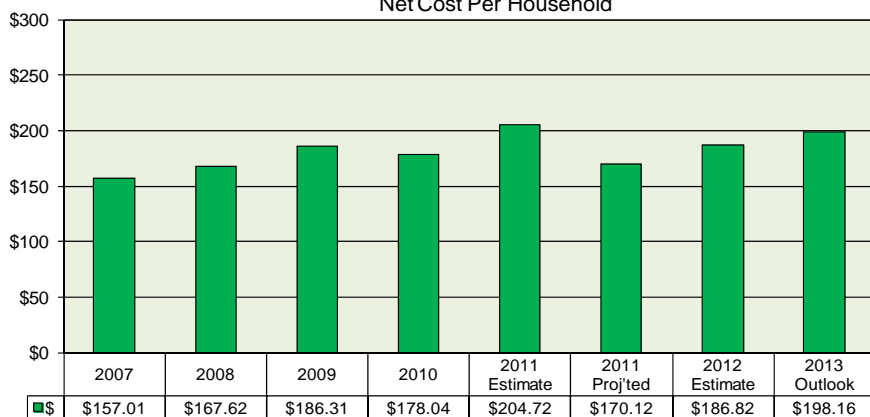
Residential Waste Diversion Rate (%)



Residential Diversion Rate

The rate will continue the trend upward with the implementation of the residential volume based rate structure as well as other diversion initiatives.

Net Cost Per Household



Cost Per Household

The implementation of various diversion initiatives; such as the SSO and Single Stream Recycling Programs have increased the operating cost per household.

2011 Budget Variance Analysis

2011 Budget Variance Review
(In\$000s)

	2009	2010	2011	2011	2011 Appvd. Budget vs Projected	
	Actuals	Actuals	Approved Budget	Projected Actuals*	Actuals Variance	
(In \$000s)	\$	\$	\$	\$	\$	%
GROSS EXP.	307,499.1	312,430.7	342,631.4	332,169.1	(10,462.3)	(3.1)
REVENUES	307,499.1	312,430.7	342,631.4	350,416.0	7,784.6	2.3
NET EXP.	0.0	0.0	0.0	(18,246.9)	(18,246.9)	(5.3)
Approved Positions	1,371.8	1,351.0	1,341.7	1,341.7	0.0	0.0

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- As of September 30, 2011 Solid Waste Management Services is projecting a year-end net favourable variance of \$18.247 million representing a projected year-end net surplus.
 - Year-end expenditures are projected to be 3.1% or \$10.5 million lower than budgeted mainly due to contracted collection, contracted processing of recyclables and lower tonnages of waste being transferred, hauled and disposed at Green Lane.
 - Contributing to the projected surplus are year-end revenues that are projected to be 2.3% or \$7.8 million more than budgeted mainly due to more revenue from the sale of recyclable materials as commodity prices continue to recover.
 - As a result, it is projected that Solid Waste Management Services will have a net surplus of \$18.3 million at year-end. The final disposition of any projected year-end surplus will be addressed with the final year-end results. It is recommended that the SWMS and the DCM/CFO report to Budget Committee as part of the 2011 Year-End Variance Report on the actual net contribution to the Waste Management Reserve Fund.

Impact of 2011 Operating Variance on the 2012 Recommended Budget

- The 2011 Operating variance to date reflects the impact of over-staffing with temporary workers in order to maintain collection schedules while managing injured employees and staff on modified duties. The year-end position indicates continued savings in the areas of contracted collection and processing of recyclables. The 2012 Recommended Budget will enhance these savings as more district collection is out-sourced, favourable contracted processing is secured with recyclable material prices expected to remain stable. The 2012 Recommended Operating Budget will balance service efficiencies with projected user fee revenue to maintain a zero net variance while building future reserve funds and maintaining volume based user rates at 2011 levels.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

Program Summary by Expenditure Category

(In \$000s)

Category of Expense	2009	2010	2011	2011	2012	2012 Change from		2013	2014
	Actual	Actual	Budget	Projected Actual	Recommended Budget	2011 Approved Budget	%	Outlook	Outlook
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	100,561.1	102,957.4	99,290.8	104,116.8	100,467.7	1,176.9	1.2%	86,715.9	86,715.9
Materials and Supplies	4,979.4	7,403.9	8,375.8	7,572.8	7,663.1	(712.7)	-8.5%	14,649.8	17,465.8
Equipment	1,003.7	283.4	3,718.4	3,318.4	820.8	(2,897.6)	-77.9%	803.3	803.3
Services & Rents	105,513.1	106,007.3	100,976.9	91,291.6	99,073.6	(1,903.3)	-1.9%	106,963.5	107,660.5
Contributions to Capital						-	n/a		
Contributions to Reserve/Res Funds	40,048.1	44,444.6	29,491.7	29,491.7	36,927.7	7,436.0	25.2%	35,427.7	35,427.7
Other Expenditures	19,627.6	22,148.0	69,355.7	65,355.7	70,389.3	1,033.6	1.5%	70,389.3	70,389.3
Interdivisional Charges	35,766.1	29,186.1	31,422.2	31,022.2	30,493.8	(928.4)	-3.0%	23,881.9	23,881.9
TOTAL GROSS EXPENDITURES	307,499.1	312,430.7	342,631.5	332,169.1	345,836.0	3,204.5	1.0%	338,831.5	342,344.4
Interdivisional Recoveries	13,233.9	4,341.1	5,766.8	5,266.8	4,391.0	(1,375.8)	-23.9%	(4,391.0)	(4,391.0)
Provincial Subsidies	9,940.8	11,151.3	14,732.9	14,732.9	14,800.9	68.0	0.5%	(14,800.9)	(14,800.9)
Federal Subsidies		50.1				-			
Other Subsidies						-	n/a		
User Fees & Donations	258,315.8	258,035.1	257,462.1	257,462.1	262,743.6	5,281.5	2.1%	(263,413.9)	(263,413.9)
Transfers from Capital Fund	2,261.7	2,234.9	2,226.4	2,226.4	2,209.1	(17.3)	-0.8%	(2,209.1)	(2,209.1)
Contribution from Reserve Funds	998.6	7,641.8				-			
Contribution from Reserve						-	n/a		
Sundry Revenues	22,748.3	28,976.4	62,443.3	70,727.9	61,691.4	(751.9)	-1.2%	(60,640.4)	(60,640.4)
TOTAL REVENUE	307,499.1	312,430.7	342,631.5	350,416.1	345,836.0	3,204.5	1.0%	(345,455.3)	(345,455.3)
TOTAL NET EXPENDITURES	-	-	-	(18,246.9)	(0.0)	(0.0)	0.0%	684,286.7	687,799.7
APPROVED POSITIONS	1,371.8	1,351.0	1,341.7	1,341.7	1,107.2	(234.5)	-17.5%	-	-

Note the 2011 net surplus of \$18.3 million is subject to final year-end variance review.

Please see Recommendation 2.

2012 Key Cost Drivers

- Starting in 2009, the Program was fully supported by volume-based user fees.
- Recommended adjustments to expenditures and revenues by category in 2012 total \$3.2 million respectively and reflect recommended service changes. The following highlights the main variances:
 - Salary and Benefits increase of \$1.176 million is due to savings of \$4.5 million for contracting-out collection in District 2 and service efficiencies of \$1.7 million offset by benefits increases of \$2 million, prior year annualizations of 2011 initiatives of \$3.8 million and \$1.2 million due to decreasing the gapping rate to address systemic historical overspending.

- Services & Rents decrease of \$1.903 million reflects the increased costs of contracting-out collection in District 2 offset by expected lower processing costs for recyclables and organics due to lower projected tonnages.
- Contributions to Reserves/Reserve Funds mainly includes a contribution increase of \$2.4 million for perpetual care of old landfills, \$11.9 million to increase the contribution to the Waste Management Reserve Fund to total \$18.964 million in 2012, a decrease of contribution of \$4.8 million to the Green Lane Reserve Fund and a decrease to the vehicle reserve contribution of \$3.2 million due to contracting-out.
- Other Expenditures increase of \$1.033 million includes an increase in payments – in-lieu of taxes for Green Lane offset by lower debt charges for capital projects.
- User Fees & Donations increase of \$5.281 million is mainly due to rate structural increases for multi-residential curbside collection of \$3.7 million and the annualization of the 2011 rate increases.
- Approved positions for 2011 totaled 1,341.7. Recommended decreases to approved positions for 2012 total 234.5 positions. The net decrease consists of an increase of (20) positions due to a Minutes of Settlement with Local 416 regarding temporary workers offset by a net decrease of 254.5 positions mainly due to contracting-out initiatives planned for 2012.
- 2012, 2013 and 2014 salaries do not include provision for cost of living adjustments for Local 416/79 as this cost is subject to negotiation.

Appendix 3

Summary of 2012 Recommended Service Changes

Appendix 4
Summary of 2012 Recommended New/Enhanced Service Priority
Actions

Appendix 5

Inflows / Outflows to / from Reserves & Reserve Funds

Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Vehicle Reserve- Solid Waste	XQ1014	Beginning Balance	10,964.0	15,336.3	790.4	Contracting Out District 2
		Proposed				
		Contributions -Total	7,417.4	8,917.4	6,600.0	
		Proceeds Sale of Vehicles & Equipment	1,500.0			
		(Withdrawals)- Total	(4,545.0)	(23,463.3)	(7,017.3)	
Total Proposed Contributions (Withdrawals)			4,372.4	(14,545.9)	(417.3)	
(Vehicle Reserve - Solid Waste) BALANCE AT YEAR END			15,336.3	790.4	373.0	

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Perpetual Care of Landfills Reserve Fund-	XR1013	Beginning Balance	15,048.8	5,680.6	5,765.8	
		Proposed				
		Contributions -Total	6,011.2	6,425.9	6,633.6	
		(Withdrawals)- Total	(15,379.4)	(6,340.7)	(6,518.2)	
		Total Proposed Contributions (Withdrawals)	(9,368.2)	85.2	115.3	
(Perpetual Care of Landfills) BALANCE AT YEAR END			5,680.6	5,765.8	5,881.1	

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Waste Management Reserve Fund-	XR1404	Beginning Balance	19,966.8	24,949.9	34,106.9	
		Proposed				
		Contributions -Total	20,953.1	19,673.9	8,179.4	
		(Withdrawals)- Total	(15,970.0)	(10,517.0)	(9,518.0)	
		Total Proposed Contributions (Withdrawals)	4,983.1	9,156.9	(1,338.6)	
(Waste Management Reserve Fund) BALANCE AT YEAR END			24,949.9	34,106.9	32,768.2	

Appendix 5 (cont'd)

Inflows / Outflows to / from Reserves & Reserve Funds

Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Green Lane Reserve Fund-	XR1408	Beginning Balance	9,604.4	14,043.0	18,481.6	Includes savings on final purchase debenture charges.
		Proposed				
		Contributions -Total (Withdrawals)- Total	4,438.6	4,438.6	4,438.6	
		Total Proposed Contributions (Withdrawals)	4,438.6	4,438.6	4,438.6	
(Green Lane Reserve Fund) BALANCE AT YEAR END			14,043.0	18,481.6	22,920.2	

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Green Lane Perpetual Care Reserve Fund	XR1409	Beginning Balance	1,068.5	1,720.8	2,373.1	Includes reduction due to ongoing lower tonnages.
		Proposed				
		Contributions -Total (Withdrawals)- Total	652.3	652.3	652.3	
		Total Proposed Contributions (Withdrawals)	652.3	652.3	652.3	
(Green Lane Perpetual Care Reserve Fund) BALANCE AT YEAR END			1,720.8	2,373.1	3,025.3	

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Description	2012	2013	2014	Note
			\$	\$	\$	
Green Lane Liability Trust	XT6109	Beginning Balance	105.5	106.5	108.1	Projected earned interest.
		Proposed				
		Contributions -Total (Withdrawals)- Total	1.1	1.6	2.2	
		Total Proposed Contributions (Withdrawals)	1.1	1.6	2.2	
(Green Lane Liability Trust) BALANCE AT YEAR END			106.5	108.1	110.3	

Appendix 5 (cont'd)

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of December 2011 \$	Proposed Withdrawals (-) / Contributions (+)			Note
			2012	2013	2014	
			\$	\$	\$	
Insurance Reserve Fund	XR1010 Proposed Contributions (Withdrawals)	31,524.3	2,027.4	2,027.4	2,027.4	
Insurance Reserve Fund			2,027.4	2,027.4	2,027.4	
Total Reserve / Reserve Fund (Draws) / Contributions			2,027.4	2,027.4	2,027.4	