



STAFF REPORT ACTION REQUIRED

Recommended 2012 Solid Waste Rates

Date:	November 4, 2011
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer and Acting General Manager, Solid Waste Management Services
Wards:	All
Reference Number:	P:/2011/Internal Services-Bc11021Fp (AFS #14339)

SUMMARY

This report outlines the recommended 2012 Solid Waste Rates arising from concurrent adoption of the 2012 Solid Waste Management Services Recommended Operating and Capital Budgets. The recommended rates represent a 0 percent increase from the 2011 rates with the exception of the following:

- the existing Multi-Residential rate structure for bulk collection customers be applied to Multi-Residential Curbside Collection (Subscription) Properties;
- the existing Commercial Collection Program be expanded to include previously excluded properties, such as but not limited to hospitals, libraries, places of worship, properties which provides community support services, profit and non-profit nursing/retirement homes and charitable organizations;
- the charging of tip fees at Transfer Stations to charitable organizations;
- a rate structure adjustment for Commercial, Agencies, Boards, Commissions, Departments, and School Board Front-End Bulk Collection to be based on a linear cubic yard basis;
- the establishment of a Twice Weekly Premium Organics service and fee for Commercial Properties on the Commercial Collection program; and
- a new transfer station load weighing service and fee to permit haulers to weigh their load for their own information;

The expected revenue change from the Multi-Residential Curbside Collection properties is approximately \$3.72 million. This represents 1.52 percent of the total Volume-Based user fees. The remaining fee changes represent an additional \$0.37 million in other revenue.

RECOMMENDATIONS

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

1. City Council consider this report concurrently with the 2012 Capital Budget, 2013-2021 Capital Plan and the 2012 Operating Budget;
2. City Council adopt the 2012 Solid Waste Rates as set out in Appendix A to become effective on January 1, 2012;
3. City Council adopt the new Multi-Residential Billing System and Solid Waste Rate/Rebate Structure for Multi-Residential Curbside Collection (Subscription) customers as set out in Appendix B with the rate structure to become effective on January 1, 2012;
4. City Council adopt the expansion of Solid Waste Management Services' Commercial Collection Program to include Non-Residential Properties based on the eligibility criteria and principles as described in Appendix C, effective July 1, 2012;
5. Subject to the adoption of recommendations 4, City Council adopt the rate structure and the billing system for the eligible Non-Residential Properties as set out in Appendix D on a phase in schedule as follows:
 - Beginning on July 1, 2012 - 25% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties;
 - Beginning on January 1, 2013 - 50% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties;
 - Beginning on January 1, 2014 - 75% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties; and
 - Beginning on January 1, 2015 - 100% of the applicable fees for the year fees set out in Appendix D will be charged to the eligible Non-Residential Properties.
6. City Council direct the General Manager, Solid Waste Management Services, to charge the tip fees at City Transfer Stations, as set out in Appendix F, to the charitable organizations listed in Appendix F, effective July 1, 2012 on the same phase in schedule as set out in recommendation 5;
7. City Council direct the General Manager, Solid Waste Management Services to offer a twice weekly premium organics collection service, effective January 1,

- 2012, to those eligible commercial properties on the Commercial Collection Program based on the rate set out in Appendix A;
8. City Council adopt the proposed modifications to the Commercial, ABCD and School Board Front-End Bulk Rates as set out in Appendix E and application of these charges to the customer's Utility Bill be approved effective July 1, 2012; and
 9. City Council direct the City Solicitor to submit the necessary bills to Council required to implement the above recommendations.

Financial Impact

Solid Waste Management Services is fully funded from a combination of user fee revenue, reserve funds, sale of recyclables and industry stewardship funding. The property tax budget is not impacted by adoption of the recommendations contained in this report.

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 Services through its user fee revenues.

In 2012, the Solid Waste Management Services Operating Budget includes \$6.79 million to repay debt issued to fund capital infrastructure needs. Ultimately, the annual contributions to the Solid Waste Management Services Reserve Fund will fully fund the Solid Waste Management Services 10-Year Capital Plan.

The recommended 2012 Volume-Based Solid Waste Rates are expected to generate \$243.89 million in Volume-Based Rate revenue representing 70% of total revenues. The other 30% of total revenues (\$101.94 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. These revenues will provide funding to support Solid Waste Management Services 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 2012 Recommended Operating and Capital Budgets for Solid Waste Management Services.

DECISION HISTORY

Residential Volume-Based Solid Waste Rates

At its special meeting of February 23 and 24, 2011 City Council adopted the recommendations in Executive Committee reports EX3.2, "Rate Supported Budgets - Toronto Water and Solid Waste Management". The staff report sought approval of the 2011 Solid Waste Rates.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=4428>

At its meeting of November 30, December 1, December 2, 4 and 7, 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 City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/report/loadReport.jsp?report=CouncilDecisionDocumentReport&meetingId=2210>

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>

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>

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>

Multi Residential Curbside and Residential Above Commercial Units Solid Waste Rates

At its meeting of August 5 and 6, 2009, City Council approved the Multi-Residential Curbside and RUAC fee structure contained within the staff report "PW25.1 Residential Units above Commercial Premises and Revisions to Particular Solid Waste Management Rates".

The City Council Decision Document can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

Commercial Collection Program Solid Waste Rates

City Council on March 4, 5, 6, and 7 2002 in Report No. 4, Clause 1 "City of Toronto 2002 Recommended Operating Budget" of the Policy and Finance Committee approved the report dated January 25, 2002 "Commercial Eligibility Harmonization and Proposed Commercial Collection Services Fees for Municipal Collection".

The Council Decision document can be viewed at:

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020304/pof4rpt/cl001.pdf>

Agencies, Boards, Commissions and Departments and School Boards Solid Waste Rates City Council on March 4, 5, 6, and 7 2002 in Report No. 4, Clause 1 "City of Toronto 2002 Recommended Operating Budget" of the Policy and Finance Committee approved the report dated February 4, 2002 "Waste Management Fees for Agencies, Boards, Commissions, Departments and Schools - Waste Diversion Task Force 2010", wherein it states that these fees became effective January 1, 2002.

The Council Decision document can be viewed at:

<http://www.toronto.ca/legdocs/2002/agendas/council/cc020304/pof4rpt/cl001.pdf>

ISSUE BACKGROUND

A rate increase of 0 percent to the Volume-Based Program for single residential and multi-residential (bulk front-end collection) units is recommended for 2012. The recommended rate, if approved, 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.

Adoption of the concurrent Solid Waste Management Recommended 2012 Operating, 2012 Capital Budget and 2013-2021 Capital Plan, together with the waste rate structural changes, will necessitate the 2012 waste rates outlined in this report.

COMMENTS

Financial Model

The financial model used to determine Solid Waste Management Services rates is based on the principle that Solid Waste Management Services remains fully self funding with financial stability to meet both operating and capital needs over the long term, and that any rate changes required should be phased in a planned manner to avoid excessive year-to-year fluctuations.

Inputs from Solid Waste Management Services' 2012 Recommended Operating and Capital Budget, together with their 10-year Capital Plan and operating projections, are utilized to estimate current and future funding requirements. The capital and operating funding requirements are considered together with the projected waste composition,

diversion rates and recyclable markets to generate the waste rates which will self-finance the Solid Waste Management Services program over the 10-year planning period, including reserve contributions. The model also includes any capital financing requirements and debt servicing costs.

Target 70

The key program objective is to achieve a residential diversion rate of 70% and secure long term waste disposal capacity. This budget continues achieving the Target 70 objectives, such as the expansion of the durable goods program; the introduction of new materials to the blue box program; and the continued roll-out of green bin collection in multi-residential diversion programs.

Attaining Target 70 requires that Solid Waste Management Services utilize a Biogas Composting facility using a mechanical and biological processing technology that will process residual waste, extract the recyclables and produce a compost-like material from the waste organics that will meet legislative standards. Going forward with this initiative requires that the Ministry of the Environment to amend the current composting standards (pending since 2010). Proposed new compost standards will provide an opportunity to process mixed residual waste to produce 'compost-like material' for beneficial land application uses. This material would be considered diversion by the Ministry of the Environment and therefore would assist the City in meeting the 70% diversion target.

Rates for future years will be dependent on whether Solid Waste Management Services proceeds with the construction of the above-mentioned Biogas Composting Facility. Solid Waste Management Services will undertake a cost-benefit analysis on options that will examine the City providing full capital costs for this project, or alternatively Solid Waste Management Services could enter into a contractual arrangement (tipping fee) where the private sector would assume the responsibility for the commissioning of the facility. The scenario selected will determine the rates for future years.

A staff report on a multi-year rate strategy including a complete financial assessment regarding the viability of proceeding with the Biogas Composting Facility will be submitted to City of Toronto Council prior to the 2013 Budget Process. Solid Waste Management Services will also be seeking City of Toronto Council to reaffirm their commitment to the Target 70 objectives.

1. Residential Volume-Based Solid Waste Rates

Solid Waste Management Services has recommended a 0 percent rate increase in 2012 for the vast majority of the City's residential customers. This was achieved by including several of the recommendations arising from the following initiatives:

- contracting out curbside collection for District 2 and Litter Vacuuming;
- the core service review conducted by KPMG;
- the service efficiency studies conducted by Ernst & Young;

- the review of existing user fees;
- management initiatives related to continuous improvement and efficiencies.

These reviews allowed Solid Waste Management Services to further examine current service delivery models and identify opportunities for improved efficiency and cost effectiveness. Solid Waste Management Services has recommended savings that can be achieved through the elimination of minor services that no longer achieve the goals originally set or provide a service that is already covered by other initiatives (Please refer to Table 1 which identifies the service efficiencies.)

Solid Waste Management Services seeks to make Volume-Based user fees more equitable by restructuring the waste rates for non-residential customers and multi-residential curbside collection customers that are on subscription billing. These recommendations are necessary to ensure that Solid Waste Management Services maintains effective service levels and a fair and equitable approach to Volume-Based user fees. Overall, these options would result in savings and/or additional revenues and would need to be accepted in order to achieve the 0 percent rate increase

Multi-Residential Curbside (Subscription) Solid Waste Rates

Current Billing System and Rate Structure

In August of 2009, City Council adopted a Volume-Based Rate Structure for Multi-Residential Curbside (Subscription) properties, who receive a more frequent (weekly or twice weekly) curbside collection service and that exclusively use curbside extra large bins for collection.

Under the current rate structure, Multi-Residential Curbside (Subscription) properties are provided with a rebate of \$157 for each multi-residential unit, but billed based on a formula that includes two variables:

- number of curbside extra large bins; and
- frequency of collection.

After a phased-in implementation and a review of Solid Waste Management Services' first full year of revenue for this customer base, it became apparent that there were issues with the approved rate structure. The issues are as follows:

- Currently, the rate is applied on a per bin basis, but the rebate is applied on a per unit basis resulting in approximately 60 percent of these customers accumulating large credit balances on their solid waste utility bill. Customers are using these disproportionate credits to reduce their City of Toronto Water bill. This is inconsistent with the goals of the Volume-Based Rate Program.
- The existing rate structure provides a financial incentive for building owners to potentially provide insufficient solid waste capacity per unit or to consider other

disposal options, while on City collection which results in a violation of the City's waste By-law and a manipulation of the existing rate structure.

- This customer base is currently paying significantly less per volume than multi-residential front-end customers.
- The existing rate structure does not cover the costs of providing services to this customer base while providing rebates on a per unit basis.
- Approved Bag Only customers that have space constraints and cannot accommodate bins are receiving the rebate per unit, but are not necessarily purchasing sufficient tags to cover the costs of providing service.

Recommended Rate Structure

It is recommended that the Multi-Residential Curbside (Subscription) Rate Structure be changed to mirror the existing Multi-Residential Front End Rate Structure where there is a standard flat base rate for each unit with a corresponding per unit rebate for the collection of a base volume (for the collection of specified base volume per unit per year), and a linear cubic yard rates for excess volume above the base volume.

The base rate for each unit will be \$191.30 per year with an allotted a base volume of 1.917 yd³ or 0.9585 yd³ per year for uncompacted and compacted waste respectively. Excess volume above the base volume will be charged a rate \$13.27 per yd³ or \$26.55 per yd³ for uncompacted and compacted waste respectively. An annual rebate of \$185.00 per unit will be issued. Rates are set out in Appendix B.

For example, a 10 unit uncompacted location with bi-weekly collection for two garbage bins will be allocated a base volume of 1.917 yd³ multiplied by 10 units equalling 19.17 yd³ per year. With each of the two garbage bins having a volume of 0.47 yd³, the annual volume for the bins collected bi-weekly will equal 24.44 yd³. Thus, this location will be:

$$\begin{aligned} & 10 \text{ units } \times \text{ annual base rate of } \$191.30 \\ & \quad + \\ & 24.44 \text{ yd}^3 - 19.17 \text{ yd}^3 \times \$13.27 \text{ uncompacted rate} \\ & \quad - \\ & 10 \text{ units } \times \text{ annual rebate of } \$185.00 \\ & \quad = \$132.93 \end{aligned}$$

Customers who are approved for Multi-Residential Curbside (Subscription) bag-only service will be provided with 26 tags per unit in lieu of a base volume allowance and be provided with the same rebate. These customers that require additional volume will be required to purchase Residential Bag Tags as they do currently.

This realignment will result in a rate for this customer base that better reflects the full cost of providing service to them. It continues to provide a financial incentive for

buildings to divert, the flexibility to address storage issues, and property owners will continue to receive a low cost benefit of a shared collection point.

The proposed billing system and rate structure implementation is estimated to generate \$3.72 million and will be effective January 1, 2012 and is provided in Appendix B.

2. Inclusion of Non-Residential Customers in a Volume-Based Rate Structure System

Solid Waste Management Services has been providing collection services to other non-residential properties ("Non-Residential Properties"). However, these Non-Residential Properties have not been subject to a solid waste rate since the Volume-Based Rate Program began in 2008. Currently, there are approximately 100 Front-End Bulk and 1,000 curbside Non-Residential Properties not participating in a Volume-Based Rate Structure. The types of non-residential customers that are receiving collection services include but are not limited to hospitals, libraries, places of worship, facilities which provides community support services, profit and non-profit nursing/retirement homes, charitable organizations, and educational facilities (as opposed to schools subject to the school board rate). For a more comprehensive list of Non-Residential Properties, please see Appendix C.

The basis for providing collection services to these properties goes back before amalgamation to the former municipalities. For example, in Scarborough, collection services were available to institutional properties such as hospitals, libraries, places of worship and other non-profit agencies. Similarly, in the former City of Toronto, institutional properties also were eligible for collection services. The current City of Toronto Municipal Code Bylaws do not have provisions related to providing collection services to these types of properties. To be able to charge a rate for collection services to these properties, the current Collection Bylaws will need to be amended.

In addition to Non-Residential Properties who receive collection services, there are ten large charitable/non-profit organizations and a number of smaller organizations that drop off waste and recyclable loads directly at transfer station free of charge. In 2011, approximately 6,500 tonnes of waste and recyclable material will be dropped off at City transfer stations by these aforementioned customers. All other customers who drop off waste and recyclable loads directly at transfer stations are subject to pay tip fees for both waste and recyclables. In addition, a review of other GTA municipalities ascertained that these specific organizations are subject to a tipping fee policy. Staff is recommending that these charitable organizations listed in Appendix F be charged the normal tip fees at Transfer Stations (as set out in Appendix F) on a phased in basis.

The exclusion of these non-residential properties from a Volume-Based Rate has resulted in the following issues:

- These customers do not have an incentive to improve their diversion rate;
- Costs associated with this customer base should not be borne by other Volume-Based ratepayers; and

- Eligibility for City Collection for this customer base is inconsistent across the former municipalities.

In addition, the Ernst and Young Service Efficiency Study recommended that Solid Waste Management Services pursue additional revenue generation through a fee-for-service charge to these Non-Residential customers currently exempt from the Volume-Based Rate Program. Thus it was determined that Solid Waste Management Services would seek authority to extend participation of its current Commercial Collection Program to include these Non-Residential Properties by grandfathering the existing non-residential customers and setting an eligibility requirement for future non-residential customers to be added to City collection services. It was also determined that all waste and recyclable loads by the charitable organizations listed in Appendix F who are currently exempt from tipping fees should be charged the full tipping fees at transfer stations as set out in Appendix D.

Recommended Rate Structure

The existing Commercial Collection Program for small eligible commercial customers offers waste bags, Commercial Bin, and Front-End garbage collection on either a weekly or biweekly basis, depending on collection schedules, with recyclable materials collected at no additional charge at a base frequency. In addition, eligible Commercial Collection curbside customers have access to a premium organics collection service.

It is therefore recommended that the existing Commercial Collection Program be expanded to include eligible Non-Residential Customers as set out in Appendix C and to grandfather the current Non-Residential Customers who have received continuous service from the City as set out in Appendix C. This program and rate structure was selected because 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.

Non-Residential 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 details of expanding the Commercial Collection Program and the eligibility criteria for Non-Residential customers to be added to the program are set out in Appendix C. Associated rates are provided in Appendix D. As recommended, the rate structure for the Non-Residential Properties will be phased in over a four year period as follows:

- Beginning on July 1, 2012 - 25% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties;
- Beginning on January 1, 2013 - 50% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties;

- Beginning on January 1, 2014 - 75% of the applicable fees set out in Appendix D will be charged to the eligible Non-Residential Properties; and
- Beginning on January 1, 2015 - 100% of the applicable fees for the year fees set out in Appendix D will be charged to the eligible Non-Residential Properties.

Implementation Plan

Due to the complex nature of the Non-Residential customer base and to limit undue hardship, a comprehensive implementation plan has been developed to ensure a successful application of the Commercial Collection Program to the eligible Non-Residential customer base. Details of the implementation are as follows:

- The rates will be phased in over 4 years to provide ample opportunity for customers to manage their set-out and tipping patterns, improve diversion, and manage their budget constraints.
- A comprehensive communication/education plan will be developed to start in January 2012. Eligible Non-Residential customers will receive literature, have the opportunity to attend workshops and will be able to request site visits from City staff to help them through this transition.
- During the rate phase-in period eligible Non-Residential customers will be able to purchase reduced-rate bag tags at designated locations for use beginning July 1, 2012 until the delivery of their curbside bins.

3. Twice per Week Organics Collection for Eligible Commercial Properties

If adopted by City Council, Solid Waste Management Services will begin offering twice per week organics collection in response to a request from the Greater Toronto Restaurant and Hotel Association to the Commercial Properties on the Commercial Collection Program. Their members advised that they did not produce the volume warranted for the existing premium organics collection program of five and six times collection per week; however the volume exceeds the once per week organics collection which is provided at no additional charge included in the basic approved service. Twice per week collection frequency will help customers divert more waste while offering this service under the existing routing schedule as a Saturday night collection. The twice weekly premium organics service and fee for eligible Commercial Properties as set out in Appendix A will become effective on January 1, 2012. This program will also be extended to the eligible Non-Residential Properties starting July 1, 2012 as set out in Appendix D.

4. Flat Rate Fee at Solid Waste Management Services Transfer Stations for use of Weigh Scale

Solid Waste Management Services has weigh scales at transfer stations for weighing loads entering and leaving the site. Haulers often need proof of load weight for Ministry of Transportation requirements or other uses. In order to prevent non-paying customers from tying up weigh scale function for weighing of loads, Solid Waste Management Services is proposing a fee for the use of the scale. The Transfer Station Load Weighing Service and Fee to permit haulers to weigh their load for their own information as set out in Appendix A will become effective on January 1, 2012.

5. Commercial, Agencies, Boards, Commissions, Departments and School Board Solid Waste Front-End Bulk Collection Rates

The City of Toronto since 2002 has had in place a Commercial, Agency, Board, Commission and Department (ABCD) and School Board Rate Structure Systems for the provision of solid waste front-end collection services.

The proposal will amend the current front-end bulk collection rates from an annual charge based on number of bins, bin size and collection frequency to a linear cubic yard rate on a per lift basis. Per lift billing allows for more accurate billing and is beneficial from both the Solid Waste Management Services and customer perspective as it will allow for changes in bin sizes and collection frequency to happen in real time and on demand as material is set out for collection, rather than the current system where bin size changes are managed manually. Per lift billing will also permit Solid Waste Management Services to move from a manual billing method to an automated billing method through our current Volume-Based rate lift tracking system linked to Revenue Services. It is being recommended that a technical adjustment to the existing rates be approved to amend the front-end bulk collection rates to a standard cubic yard rate effective July 1, 2012 as per Appendix E.

The recommended changes for Commercial, Agencies, Boards, Commissions, Departments and School Board Bulk rates are revenue neutral and current customers are not expected to see any increases in waste management fees. The rates will however provide better customer service as bills will be based on services actually received and the rate structure will allow customers to see the immediate benefits of improved set-out patterns and diversion.

2012 Operating Budget

On June 19, 20 & 22, 2007, City Council adopted staff report "Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010" thereby establishing a Volume-Based Rate system for residential solid waste management services in order to generate sufficient funds to support the programs and initiatives necessary to achieve the goal of 70% solid waste diversion and to provide residents with an incentive to reduce or divert solid waste from landfill."

In this budget, Solid Waste Management Services has assumed that revenue generated from Volume-Based user fees will remain unchanged and that the number of multi-residential units will stabilize, resulting in no significant change from the overall total unit counts estimated in the 2011 budget process. Solid Waste Management Services expects that the market for the sale of recyclable material will recover and to pre-recession levels.

Green Lane Landfill

On December 30, 2010, the City ended the contract to ship waste to Michigan, USA and began sending all waste to the London-based, Green Lane Landfill. The Year 2011 was the first year that Green Lane was fully operational. There were no major transition issues. This budget has minor volume related adjustment with no significant increases for City waste other than increases related to normal economic factors. Green Lane Landfill continues to be a self-sustaining unit within Solid Waste Management Services with dedicated reserves for capital requirements and perpetual care.

Solid Waste Management Services Reserves and Debt Charges

The purpose of the Solid Waste Management Services Reserve is to provide funding for the capital needs of the Program as well as rate stabilization. The rate modelling is predicated on the replenishment of the reserve through contributions from the Operating Budget sufficient to ensure that an adequate balance is maintained in these reserve funds. In 2012, Solid Waste Management Services has included a \$18.96 million contribution to the Solid Waste Management Services Reserve.

Solid Waste Management Services was able to reduce debt charges significantly by funding over 80% of the 2011 capital cash flows through the Solid Waste Management Services Reserve. This budget proposes to continue this funding strategy and reduce the number of capital projects funded through recoverable debt thereby further reducing debt charges for 2012.

2012 Summary of Changes

The 2012 Recommended Operating Budget gross expenditures are \$345.836 million. The Residential Volume-Based Solid Waste Rates will generate \$243.89 million in volume-based program revenue representing 0 percent of total revenues. The other 30% of total revenues (\$101.94 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 2012 Recommended Operating Budget funds base budget pressures and new services as outlined in Table 1 below:

Table 1
2012 Recommended Operating Budget Summary

	Net Expenditures (in millions)	% of Rate Increase/ (Decrease) Required
2011 Approved Budget		
Salaries & Benefits - Minutes of Settlement/Benefits/Leap Year	\$ 3.85	
Economic Factors - Non-Payroll Expenditures	\$ 1.95	
Operations - Volume Changes/User Fees/Other	\$ (3.05)	
Debt Charges	\$ (4.25)	
Contribution to Solid Waste Management Services Reserve	\$ 14.17	
2012 Recommended Base Prior to Service Options	\$ 12.66	5.28%
Service Efficiencies	\$ (4.08)	
Contract Out: Curbside Collection - District 2	\$ (6.12)	
Contract Out: Litter Vacuuming - Additional 17 Units	\$ (0.13)	
User Fees:		
Residue Haulage	\$ (0.08)	
Structural Rate Change - Multi Residential - Curbside	\$ (3.72)	
Cost Recovery Option - Green Tag Program (Free Tags)	\$ (1.29)	
Tipping Fees: Non-Residential (CIRO)	\$ (0.25)	
Weight Load Fee	\$ (0.01)	
Premium Organics - Twice Weekly	\$ (0.01)	
2012 Recommended Base with Efficiencies & Users	\$ (3.03)	-1.26%
Minor Service Level Changes:		
Eliminate Collection of Overflow Recycling	\$ (0.50)	
Reduce Environment Days to 11 City Wide	\$ (0.12)	
2012 Recommended Base with Service Reductions	\$ (3.65)	-1.52%
Addition of New Services		
Reduce Gapping rate from 3.3% to 2%	\$ 1.18	
Blue Box New Materials - Mixed Rigid Plastic Packaging	\$ 0.11	
Perpetual Care Contribution - Pay as You Go	\$ 2.36	
Sub-Total of New Services	\$ 3.65	+1.52%
2012 Recommended Operating Budget	\$ -	0.00%

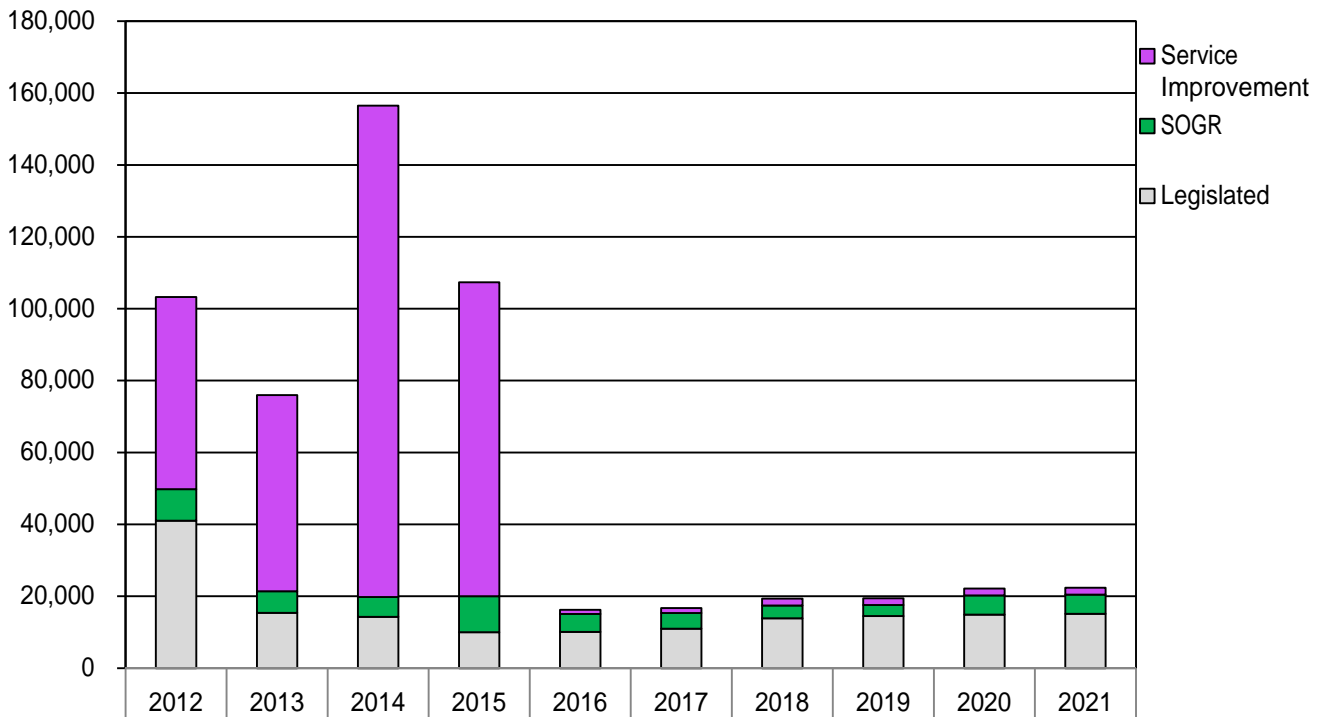
This budget allows Solid Waste Management Services to maintain or improve all major services currently provided to the residents of Toronto, and sustains Solid Waste Management Services' ability to achieve the objectives set out in the Target 70 Plan.

2012 Capital Budget

The Recommended 10 Year Capital Plan provides funding of \$103.3 million in 2012 including:

- Diversion Systems and Facilities (\$53.5 million);
- Ongoing maintenance of Perpetual Care of Closed Landfills (\$6.2 million);
- Transfer Station Asset Management (\$7.3 million);
- Collection Yard Asset Management (\$1.5 million); and
- Development of Green Lane Landfill (\$34.8 million).

Table 2
2012–2021 Capital Plan by Project Category
(In \$000s)



1. *Service Improvement Projects*: Achieving a waste diversion rate target of 70% continues to drive Solid Waste Management Services capital program. Over the first 5 years, investment in these projects represents 71% or \$293 million of all project funding declining to 9% or \$9 million in the second 5 years.

2. *Legislated and State of Good Repair* represents the remaining 29% or \$122.7 million of the funding requirement in the first 5 years and 91% or \$91 million over the last 5-year period. Legislated projects include the ongoing development of the Green Lane Landfill and Perpetual Care of Old Landfills). State of Good Repair projects represent 11% of the 10-Year Recommended Capital Plan.
3. By 2016, the 10-Year Recommended Capital Plan declines to approximately \$16.2 million per year as all major facilities work has been completed and reflects only ongoing development and asset management costs only.

Summary

Of the total \$345.8 million gross operating budget, the recommended 2012 Residential Volume-Based Solid Waste Rates are expected to generate a total of \$243.9 million in volume-based user fee revenue, with recycling and other revenues funding the remainder of the operating expenditures. There will be no increase in the Residential Volume-Based Solid Waste Rates (0 percent). Solid Waste Management Services will continue to fund existing recycling initiatives 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 2036.

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SIGNATURE

Vincent Sferrazza
Acting General Manager
Solid Waste Management Services

Cam Weldon
Deputy City Manager and
Chief Financial Officer

Attachments

Appendix A – Recommended 2012 Solid Waste Rates

Appendix B - Proposed New Multi-Residential Billing System and Rate Structure for Multi-Residential Curbside Collection (Subscription) Customers

Appendix C - Proposed Expansion of Commercial Collection Program to eligible Non-Residential Properties

Appendix D - Proposed Non-Residential Customers Properties Billing System and Rate Structure

Appendix E - Proposed modifications to Commercial, ABCD and School Board Bulk Rates

Appendix F - List of Charitable Organizations who currently do not pay tipping fees at City Transfer Stations and Proposed Fee