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## 2012 OPERATING BUDGET BRIEFING NOTE

### Status of Multi Year Fee Strategy

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#### Issue/Background:

At its meeting on November 14, 2011, the Budget Committee requested the Acting General Manager, Solid Waste Management Services (SWMS) to provide a Briefing Note to the Executive Committee for its meeting on November 21, 2011 on the status of the multi-year fee strategy for solid waste that was requested by City council in July 2011.

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. Council adopted Recommendation 4:

*The General Manager of Solid Waste Management and the Deputy City Manager and Chief Financial Officer develop a Multi-Year Strategic Plan to reflect Council's current strategic direction regarding the 70% Diversion Plan and report on a multi-year fee strategy to Budget Committee prior to the 2012 Budget Process.*

Solid Waste Management Services has developed a multi-year rate model that allows the analysis of different scenarios to achieve 70% diversion. Inputs from the 2012 SWMS 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.

However, SWMS has not formally reported on the proposed multi-fee strategy as provincial decisions on composting standards that would affect the viability of a mechanical and biological treatment facility are still pending. As well, the Core Service Review conducted by KPMG Consultants identified a savings opportunity for Solid Waste Management Services to consider reducing the target rate for diversion and /or setting target rates by category of waste producer. At its meeting of September 26, 2011 City Council adopted EX10.1 "Core Service Review –

Final Report" requesting the City Manager to review efficiencies and opportunities to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014

Operating Budget. As a result, prior to Solid Waste Management proceeding with further investment in waste diversion, City Council should reaffirm its commitment to the Target 70 objectives. Solid Waste is expected to report to Council on the progress of Target 70 and will seek authority to continue with the 70 % diversion target.

User fee rates for future years will be dependent on whether Solid Waste Management Services proceeds with the construction of the Biogas Composting Facility (Mechanical and Biological Treatment). Depending on MOE efforts to amend the composting standards and SWMS further assessment of the potential for a private sector processing option for this facility, all or part of the capital costs for this project could be funded by the City of Toronto, or alternatively SWMS could enter into a contractual arrangement (tipping fee) whereby the private sector would assume the responsibility for the commissioning and operation of the facility. The scenario selected will determine the costs and corresponding the rates for future years. It should be noted that the Budget Analyst Notes currently assume a 50/50 funding assumption until further information regarding the status of this facility project is known.

**Key Points:**

- Although SWMS has presented a budget with a zero per cent increase as a result of savings from contracting out curbside collection in District 2, the rates for future years will depend on the decision to build or contract out a Biogas Composting Facility (Mechanical and Biological Treatment). It is anticipated that rate increases will be needed in subsequent years to ensure that SWMS can continue with the Target 70 Plan in subsequent years on a self sustaining basis.
- Historically, SWMS had identified the need to have a rate increase of 3.5% annually. These rate increases were meant to ensure that the Target 70 objectives for diversion could be achieved while maintaining a low debt ratio and a healthy stabilization reserve. The 3.5% was a preliminary estimate of the proposed rate increases.
- As recommended in the 2012 SWMS Capital Budget Analyst Notes:
  6. the Acting General Manager of Solid Waste Management and the Deputy City Manager and Chief Financial Officer report on a complete financial assessment regarding the viability of proceeding with the Mechanical and Biological Treatment Facility to Budget Committee prior to the 2013 Budget Process including how this facility will impact the Multi-Year Strategic Plan for Solid Waste Management Services; and,
- As recommended in the 2012 SWMS Operating Budget Analyst Notes:
  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.

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