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## 2013 BUDGET BRIEFING NOTE

### Removing Solid Waste Budget from Property Tax Base

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Budget Committee, at its meeting of November 7, 2012, during consideration of the 2013 Solid Waste Management Operating and Capital Budgets, requested the General Manager, Solid Waste Management (SWM) Services and the Deputy City Manager and Chief Financial Officer, to provide a Briefing Note to the Budget Committee at its meeting on November 12, 2012, on "steps to replace the garbage charges on the property tax with rate based legislation".

#### **Issue/Background:**

- In 2008, the City implemented a volume based rate structure wherein single and multi-unit residential customers would pay a utility fee based on bin size for garbage disposal services. Such a utility fee was incorporated with the customer's water bill into an overall Utility Bill. Because solid waste management services was previously funded from property taxes, every customer would also receive a fixed-amount grant from property taxes (tax rebate) which was initially established at \$209 per year for curbside customers and \$157 per unit per year for multi-unit properties (revised to \$224 and \$185 respectively in 2011).
- To this day, this system continues to rely on both a utility based charge and a property tax funded grant / rebate.
- It is understood there is a desire to:
  - remove the base SWM program cost (\$182 million) from the property tax base, and,
  - to pass the \$182 million property tax reduction to only Residential and Multi-Residential residents, and,
  - to provide this reduction as a fixed and equal amount to each homeowner (e.g. \$224 to each home, and \$185 to each apartment unit), and to show this SWM tax reduction on the tax bill.

#### **Key Points:**

- Prior to the implementation of the volume based rate structure in 2008, the Solid Waste Management Services operating budget of \$182 million was levied on the City's property tax base across all property classes.

#### Legislative Impediment

- During consideration of implementation of the volume based rate structure, Council wanted to take the program cost of Solid Waste Management off of the property tax bill, but to only credit the residential and multi-residential property classes, rather than all property classes in the manner in which it was collected. Such an approach is not in accordance with provincial

legislation and not permitted, and while the City asked for special legislation to permit such, none was made. Based on discussion with the Province, such legislative authority is not anticipated.

- If Council wishes to continue to distribute the \$182 million among only the residential and multi-residential property classes (\$143 million to residential and \$39 million to multi-residential), then the fixed rebate / grant to homeowners funded from the property tax base should be continued, as contained in the Recommended 2013 Solid Waste Management Services Operating Budget.
- If Council instead wishes to remove the \$182 million from the property tax levy, then the levy on each of the property classes must be removed in the manner in which it was collected, as shown in Table 1 below. Further, in respect of the amount of the levy reduction apportioned to the residential and multi-residential classes (\$83 million to residential and \$27 million to multi-residential pursuant to legislation and in the proportions it was originally collected), individual property owners would receive a reduction proportionate to their assessed value, as shown in Table 2 below.

**Table 1 – Removing Solid Waste Management Cost from Property Tax Levy**

Class	Levy Reduction	
	\$ M's	%
Residential	\$83	(4.9%)
Multi-Residential	\$27	(4.9%)
Commercial	\$65	(4.9%)
Industrial	\$6	(4.9%)
Total	\$182	(4.9%)

**Table 2 – Residential Impact of Removing Solid Waste Management Cost from Property Tax Levy**

Assessed Value (CVA)	2012 Municipal Taxes	Tax Reduction from Removing SWM from Levy	% Tax Impact
250,000	\$1,375	(\$68)	(4.9%)
400,000	\$2,201	(\$109)	(4.9%)
447,091	\$2,460	(\$121)	(4.9%)
500,000	\$2,751	(\$136)	(4.9%)
750,000	\$4,126	(\$204)	(4.9%)
1,000,000	\$5,502	(\$272)	(4.9%)

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