



**STAFF REPORT
ACTION REQUIRED**

**Waste Diversion Rate Waiver Program for
Non-Residential Charitable Sector**

Date:	June 4, 2014
To:	Public Works and Infrastructure Committee
From:	Executive Director, Social Development, Finance & Administration Acting General Manager, Solid Waste Management Services
Wards:	All
Reference Number:	18951

SUMMARY

In 2012, City Council approved the *Solid Waste Management Donated Items Reduced Rate for Non-Residential Special Category (Reduced Rate Donated Goods Program)* for Charities, Institutions and Religious Organizations (CIRO¹) that receive publically donated goods. However, many organizations that are Non-Residential customers but do not offer a donated goods program have expressed concerns about the impact of the rate on their financial stability.

As requested by City Council at its meeting of December 16, 2013, staff explored options to mitigate the impact of solid waste rates on Toronto’s charitable sector.

Four options were considered:

1. A *Waste Diversion Rate Waiver Program* for approved Non-Residential customers who are registered as charitable organizations. Charities would be eligible for this full rate waiver, regardless of whether they operate programs that rely on donated goods. Therefore, the current *Reduced Rate Donated Goods Program* would no longer be necessary. The *Waste Diversion Rate Waiver Program* would be incentive based. Applicants would need to demonstrate a commitment to waste diversion strategies to be eligible for a 100% waiver on the solid waste rate based on a waste audit compliance inspection.

¹ For the purpose of this report CIRO will be referred to as charities and non-profit organizations.

2. A separate *Grant Program* based in Social Development, Finance & Administration. Organizations would submit a grant application to demonstrate an inability to pay the Solid Waste Management Services rate along with their waste diversion strategies.
3. A separate *Non-Residential Rate for Charities and Non-profit organizations*. This universally applied rate would be lower than the current Non-Residential Rate Structure in recognition of the services provided by these organizations to communities in the City of Toronto.
4. Continue with the current *Non-Residential Rate Structure* as approved by City Council in 2012 as phased in for 2015 and the *Reduced Rate Donated Goods Program* for approved Non-Residential customers.

This report recommends Option 1, the *Waste Diversion Rate Waiver Program* beginning in April 2015 as it:

- recognizes the contribution that charities make to the City;
- mitigates the additional financial pressure that the new rate presents to the sector;
- encourages the sector to strengthen their waste reduction strategies and participation in the City's diversion programs; and
- decreases the administrative burden to the City to implement.

RECOMMENDATIONS

The Executive Director, Social Development, Finance & Administration and Acting General Manager, Solid Waste Management Services recommend that:

1. City Council approve the implementation of a *Waste Diversion Rate Waiver Program* for charities who are Non-Residential customers of the City's Solid Waste Management Services.
2. City Council approve the elimination of the separate *Reduced Rate Donated Goods Program* as the proposed *Waste Diversion Rate Waiver Program* addresses this need.
3. City Council consider the impact of implementing the *Waste Diversion Rate Waiver Program* during the 2015 Operating Budget process, with this program taking effect in April 2015.
4. City Council direct the City Solicitor to bring forward a bill directly to City Council to enable the cancellation of the *Reduced Rate Donated Goods Program* and creation of the *Waste Diversion Rate Waiver Program*.

Financial Impact

To administer the recommended *Waste Diversion Rate Waiver Program*, a permanent Agency Review Officer in Social Development, Finance & Administration and six Project Lead resources in Solid Waste Management Services to conduct on-site inspections, education, and support would be required, for a total staffing requirement of seven resources.

Social Development, Finance & Administration will require Operating funds of \$0.125 million gross, \$0 net, with Solid Waste Management Services providing the funding through an Inter-Departmental Recovery/Charge to support one permanent position required to administer the program. In order to deliver the existing *Reduced Rate Donated Goods Program*, the 2014 Approved Operating for Social Development, Finance & Administration includes funding of \$0.212 million gross, \$0 net, with Solid Waste Management Services providing the funding through an Inter-Departmental Recovery/Charge to support two temporary positions required to administer the program. By implementing the *Waste Diversion Rate Waiver Program* the existing Inter-Departmental Recovery/Charge would be reduced.

Solid Waste Management Services will require operating funds of \$0.682 million to support six permanent positions and vehicles to conduct waste audit compliance inspections. Moreover, if the expected number of approved applicants receive a full rate waiver, Solid Waste Management Services could potentially face a loss in revenues of approximately \$1.403 million based on actual waste generation in 2013 and 2014. As noted in the following table, cost of service delivery through the *Waste Diversion Fee Waiver Program* is estimated at \$2.210 million, an increase of \$1.998 million from the cost of delivering the existing *Reduced Rate Donated Goods Program*. Table 1 provides a breakdown of the total annual impact of this program including staffing, vehicles, and lost revenue.

Table 1: Annual Financial Impacts of the Waste Diversion Rate Waiver Program

Description	Annual Impact
One Agency Review Officer (Social Development, Finance & Administration)	\$ 125,000
Six Project Leads for new waste audit compliance inspections (Solid Waste Management Services)	\$ 552,000
Six trucks for new waste audit compliance inspections (Solid Waste Management Services – Vehicle Rental)	\$ 130,000
Lost Revenue (Based on 2013 & 2014 waste generation)	\$ 1,403,000
Total Financial Impact	\$ 2,210,000

The financial impacts resulting from the implementation of the *Waste Diversion Rate Waiver Program* will be reviewed as part of the 2015 Operating Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of November 29, 30 and December 1, 2011, City Council adopted a *Non-Residential Rate Structure* during its consideration of EX 13.2 “2012 Rate Supported Budgets - Solid Waste Management Services and Recommended 2012 Solid Waste Rates”.

The City Council Decision Document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX13.2>

At its meeting of October 2, 3 and 4, 2012, City Council approved the creation of a *Reduced Rate Donated Goods Program* during its consideration of action report PW17.14 “Solid Waste Management Donated Items Reduced Rate for Non-Residential Special Category”. The program offsets the rate for eligible organizations that receive public donations for redistribution to their clients or their retail store operations and rely on City services to dispose of the unusable items from these programs.

The City Council Decision Document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PW17.14>

At its meeting of December 16, 17 and 18, 2013, City Council considered EX 36.18 “2014 Rate Supported Budgets - Solid Waste Management Services and Recommended 2014 Solid Waste Rates”. City Council voted to suspend the rate for 2014 and instructed staff to explore further options to reduce the burden of waste collection rates on the City’s charitable and non-profit sector.

The City Council Decision Document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX36.18>

ISSUE BACKGROUND

The *Non-Residential Rate Structure* came into effect July 1, 2012. The rate structure gives authority to charge a rate for collection of garbage, premium organics collection and a tip fee for charitable organizations for loads of garbage and recyclables taken to the City’s transfer stations. Services provided free of charge include the collection of recyclables, organics (base frequency), electronics, bulky and scrap metal items, and leaf and yard waste. The rate was suspended by City Council during the 2013 and 2014 Budget Processes.

Many affected Non-Residential organizations came forward to express that the rate may impose increased hardship on organizations who receive public donations for redistribution to their clients or their retail store operations. Organizations that depend on public donations include shelters, drop-in centres, clothing banks, places of worship, out-of-the-cold programs, and hot meal programs. City Council approved the *Reduced Rate Donated Goods Program* in response. Since its implementation, 23 charities that offer donated goods programs have been enrolled. This number represents a very small percentage of approximately 1,100 charitable and non-profit organizations that are Non-Residential customers.

Charitable organizations that did not qualify for the *Reduced Rate Donated Goods Program* have come forward to voice their concerns about the financial impact of the solid waste rates. Although there are a small minority of charitable organizations that run a revenue generating enterprise, in order to maintain charitable status, all income generated must be reinvested into the organization.

COMMENTS

Four options were explored by staff in response to City Council's directive at its meeting of December 16, 2013. An overview of all four options, including the recommended *Waste Diversion Rate Waiver Program*, is provided below.

Option 1: Waste Diversion Rate Waiver Program for Charities – RECOMMENDED

- Staff recommends the *Waste Diversion Rate Waiver Program* as the approach that best responds to the spirit of City Council's motion, minimizes the administrative burden and cost to both the City and the sector, encourages waste diversion practices and recognizes the services that charities provide to the city's residents.
- All Non-Residential charities will be eligible for a full (100%) waiver on their solid waste rates going forward from the approval of their application. Charitable organizations comprise the majority of eligible customers². The focus on charitable organizations allows the City to rely on Canada Revenue Agency's assessment and monitoring related to accountability practices and demonstrated public benefit.
- As part of the intake process, staff will confirm that the organization is registered as a charitable organization, and is in good standing with the Canada Revenue Agency.

² Approximately 85% are charities and the remaining 15% are non-profit organizations or for-profits such as nursing homes that were grandfathered onto service from pre-amalgamation.

- On an annual basis, organizations will enroll in the *Waste Diversion Rate Waiver Program* by completing a simplified applicant profile. This will be administered through Social Development, Finance & Administration's current online platform.
- Solid Waste Management Services will conduct an annual compliance waste audit as part of the application process to ensure compliance and participation in the City's waste diversion programs, and will suspend the billing of any approved applicant going forward from the date of the applicant's approval.
- The two lead Divisions (Social Development, Finance & Administration and Solid Waste Management Services) will work with internal and external partners to leverage expertise and support the charitable sector's role in the City's overall waste diversion goals.

Option 2: Establish a Grant Program – NOT RECOMMENDED

- Of the four options, a grant program represents the highest administrative burden and additional cost - both to the City and the applicants.
- Currently there are approximately 1,100 charities and non-profit organizations that are Non-Residential customers. It is anticipated that most, if not all charities, would apply.
- The vast majority of these organizations are not currently in a funding relationship with the City.
- Eligible organizations would be required to submit an application to demonstrate an inability to pay Solid Waste Management Services' rates.
- Additional Social Development, Finance & Administration staff would be required to review and assess these applications to determine which organizations best meet the criteria and demonstrate need for support. It is estimated that 4 to 5 Agency Review Officers would be required for program administration. This figure is based on the number of staff that administers the Community Services Partnership funding program, which in 2013 consisted of a portfolio of 213 eligible organizations and 500 programs.
- Six additional Solid Waste Management Services staff would be required to administer the waste audit compliance inspections.
- An analysis of the applicant's financial statements and operating budget would be part of the assessment and recommendation, and this would be required on an annual basis as organizations' budgets are subject to change.

- A grant program based on financial need alone would not encourage better waste diversion habits. If a waste diversion component were to be added to the program, staff expertise would be required to assess and then evaluate progress.
- Grant processes are by nature competitive therefore not all applicants would be successful.
- A grant allocation would need to be established through the budget process to fund approved organizations.

Option 3: Establish a Separate Rate – NOT RECOMMENDED

- The administrative burden of establishing a separate rate to both organizations and the City would be negligible.
- The rate would be universally applied to the charities and non-profit customers.
- The rate would be established at a level that would still create a financial incentive for waste diversion while recognizing the services that the sector offers to the residents of Toronto.
- However, the introduction of a separate rate specifically for charities and non-profit organizations would operate in contrast to the eventual harmonization of all other Non-Residential customers to the commercial rate, and instead establishes two different rate structures within the Non-Residential customer base.

Option 4: Continue with the current Reduced Rate Donated Goods Program for approved Non-Residential Customers – NOT RECOMMENDED

- Maintain the *Reduced Rates Donated Goods Program* which is only employed when there is a corresponding rate structure utilizing the existing administration process and staffing level.
- Approved *Reduced Rate Donated Goods Program* customers receive up to 100% of waste collection rates/tip fees at transfer stations based on an extensive waste audit.
- Non-Residential customers would be subject to the rate approved by City Council during the 2012 Budget Process as phased in for 2015, and if approved, would receive a reduced rate under the *Reduced Rate Donated Goods Program*.

- This option does not allow organizations that do not operate donated goods programs to receive any reduction under any approved *Non-Residential Rate Structure*. These customers will have to pay the full rate as approved by City Council.

CONTACT

Jenn Miller, Manager, Community Funding, Social Development, Finance & Administration, Telephone: 416-397-7302, Fax: 416-392-8492,
E-mail: jmiller4@toronto.ca

Sharon Fleming, Acting Director, Policy Planning and Support, Solid Waste Management Services, Telephone: 416-392-9095, Fax: 416-392-4754,
E-mail: sfleming@toronto.ca

SIGNATURE

Chris Brillinger
Executive Director
Social Development, Finance & Administration

Vincent Sferrazza
Acting General Manager
Solid Waste Management Services