

2017 Rate Supported Budgets - Solid Waste Management Services and Recommended 2017 Waste Rates

Date: November 15, 2016
To: Budget Committee, Executive Committee
From: General Manager, Solid Waste Management Services
Deputy City Manager & Chief Financial Officer
Wards: All

SUMMARY

This report outlines the recommended 2017 Solid Waste Rates and Fees arising from the concurrent adoption of the 2017 Solid Waste Management Services (SMWS) Recommended Operating and Capital Budgets.

Recommended rate and fee increases will vary based on customer group. Table 1 highlights the recommended key Solid Waste Rates and Fees beginning January 1, 2017.

Table 1 – 2017 Recommended Rate and Fee Increases

Customer Group	Increase
Single Family Residential, small bin	\$12.73
Single Family Residential, medium bin	\$15.45
Single Family Residential, large bin	\$20.98
Single Family Residential, extra-large bin	\$24.34
Multi-residential base fee per unit	\$2.09
Multi-residential excess fee per yd ³	\$0.15
Yellow Tag Fee	\$1.61

The proposed blended 3.9% increase on SWMS Rates and Fees is anticipated to generate \$11.259 million in additional revenue in 2017. This recommended increase is required to fund the necessary reserve contributions that would ensure sufficient funds to pay off the City's 10-year Debt Service issue Plan for SWMS, implement the Long-Term Waste Management Strategy ("Waste Strategy"), offset rapidly escalating vehicle maintenance costs and cover lost revenue. The recommended budget contains \$8.433 million in efficiencies and new revenue enhancements representing 7.6% of SWMS variable expenses.

The 2017 Recommended Operating Budget is \$378.3 million, with a \$25.3 million reserve contribution, and the 2017 Recommended Capital Budget is \$105.3 million – comprised of \$103 million in new 2017 funding, as well as \$1.7 million in funding carried forward from 2016 into 2017. These combined budgets reflect the cost to maintain the City Council approved service levels for SWMS.

A key priority for the SWMS Division for 2017 is the implementation of the Waste Strategy, which includes making advancements in waste reduction and further diversion opportunities as well as ensuring the long term fiscal sustainability of the Division. In keeping with Council Strategic Action #7 (Develop a Long-term Solid Waste Management Strategy), this report also discusses taking continued steps toward rate sustainability through consideration of further reductions to the Single Family Residential Solid Waste Rebate in 2017 as part of the City's Tax Supported Budget to be released later this year. Changes to the Solid Waste Rebate has no impact on the SWMS 2017 Rates and Fees increase or Budgets.

RECOMMENDATIONS

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

1. City Council adopt a program of increases on all Solid Waste Rates and Fees in 2017 as set out in Appendix A to become effective on January 1, 2017, including a five year SWMS Rate and Fee Plan from 2017 to 2021 for rate setting and planning purposes.
2. City Council consider this report concurrently with the 2017 Recommended Capital Budget, 2017-2026 Recommended Capital Plan and the 2017 Recommended Operating Budget of the SWMS Division.
3. City Council authorize the General Manager, Solid Waste Management Services to negotiate and amend the Agreement between the City of Toronto and Rehrig Pacific Co., dated December 10, 2007 (in connection with Purchase Order No. 47013061) to allow for an additional \$3.5 million for the supply and maintenance of garbage and recycling bins for residential and non-residential customers until November 30, 2017, on terms and conditions satisfactory to the General Manager, Solid Waste Management Services and in a form satisfactory to the City Solicitor; and

4. City Council direct the City Solicitor to submit the necessary bills to City Council required to implement the above recommendations.

FINANCIAL IMPACT

SWMS is a utility funded from a combination of volume-based rates, property taxes, fee revenue, sale of recyclables and industry stewardship funding. The recommended budgets will provide funding to support the long term financial sustainability of SWMS operations and capital projects, and enhance diversion and reduce waste sent to landfill.

The proposed 2017 Solid Waste Rates and Fees represents various rate increases based on customer type, which equate to a blended 3.9 % increase to the 2016 approved Solid Waste Rates and Fees. Refer to Attachment - Appendix A for all the customers and services impacted by associated rate and fee increases. The rate increases on the customer groups will generate \$270.624 million in revenues.

Other revenue sources include an internal transfer of \$41.771 million for City of Toronto waste landfilled at Green Lane Landfill and \$91.166 million generated from the sale of recyclable materials, industry stewardship funding, transfer station and landfill tipping fees, paid commercial waste and recoveries for waste collection from City Divisions, Agencies and Commissions. Together these aforementioned revenues will provide funding to support SWMS operations and capital projects.

The 2017-2026 Recommended Capital Budget and Plan for SWMS is funded by a combination of recoverable debt (approximately 70%) and reserve funds (approximately 30 per cent) contributions. The City issues debt on behalf of SWMS and debt servicing costs are repaid to the City by SWMS through the Debt Reserve Fund, funded by its operating fee revenues. Capital projects are also funded through operating contributions to the Waste Management Reserve Fund, the Green Lane Reserve Fund, and the Perpetual Care Reserve Fund. SWMS plans to fund all future Capital Budget projects from its Reserve Funds by 2019.

The 2017 Rate and Fee increase is required to support SWMS capital expenditures reflecting current capital needs as well as expenditures anticipated for the implementation of the Waste Strategy. The SWMS Operating Budget includes \$36.840 million to repay debt issued to fund capital infrastructure needs (\$17.508 million) and to pay for the Green Lane Landfill acquisition and development (\$19.332 million).

Five Year Rates and Fees Plan

Development of the Waste Strategy included creating a sustainable rate financing model to ensure funding was sufficiently generated from the various customer groups to cover the Divisional long term operating and capital needs. A financial model (the Model) was developed by undertaking a financial analysis of current costs of SWMS' programs, capital projects, debt service financing, reserve contributions and the impact of the Waste Strategy recommendations and implementation plans. An analysis of the

2017-2026 10-Year Capital Plan was also undertaken to determine reserve contribution requirements to fund the SWMS 10-Year Capital Plan as well as future capital investments requested beyond the 10-year plan.

Using this analysis, the Model determined that the 2017 SWMS Rates and Fees for each customer group would need to continue to 2026 to ensure that reserve funds have a positive balance from 2017 to 2025, with the balance in 2026 being subject to the timing of implementation of key future capital infrastructure investments. The report, however, is only recommending City Council adopt a Five Year SWMS Rate and Fees Plan for rate setting and planning purposes as the Waste Strategy includes a five year review at which time staff will report back to City Council with any amendments and associated financial implications to the Waste Strategy.

Single Family Residential Rebate

In 2015 and 2016 City Council approved a reduction in the Solid Waste Rebate for Single Family Residential customers in the amount of \$17.7 million and \$9.7 million, respectively as part of the 2015 and 2016 Property Tax Budgets. This report recommends continuing the approach for the Division, services and costs to be completely reflected in the rate eventually charged for single family residential properties. Further changes to the Single Family Residential Solid Waste Rebate should be considered for Single Family Residential customers as part of the City's Tax Supported Budget to be released later this year. A similar rebate reduction strategy for the multi-residential sector will be considered once steps can be executed to ensure that all multi-residential properties are equally required to comply with waste diversion and environmental requirements regardless who is the service provider, thus creating a fair competitive marketplace.

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

DECISION HISTORY

At its meeting of July 12, 13, 14 and 15, 2016, City Council adopted the recommendations in the Public Works and Infrastructure Committee Report PW14.2 - Final Long Term Waste Management Strategy.

The City Council Decision document can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

At its meeting of February 17, 2016, City Council adopted the recommendations in the Executive Committee Report EX12.2 - 2016 Capital and Operating Budgets.

The City Council Decision document can be viewed at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

At its meeting of December 9 and 10, 2015, City Council adopted the recommendations in the Executive Committee Report EX10.24 - 2016 Rate Supported Budgets - Solid Waste Management Services and Recommended 2016 Solid Waste Rates.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.24>

COMMENTS

Development of a Sustainable Rate Model for SWMS Rates and Fees

In 2014, as part of the development of the Waste Strategy, the project team developed a long term capital infrastructure plan and a sustainable rate model to finance future program and capital expenditures.

Using the net operating cost attributable to each customer by material type, the new sustainable rate model calibrates variable rate increases across residential and non-residential customer types, as opposed to all-encompassing rate increases, to calculate a full cost recovery rate per customer. The differing rates of increase are meant to have each customer group more accurately pay for the share of the service that they use. Appendix A provides the complete listing of each rate per customer group within the residential and non-residential sectors.

2017 Operating Budget

The 2017 Recommended Operating Budget gross expenditure of \$378.3 million is outlined in detail in the concurrent SWMS 2017 Operating Budget Notes. These expenditures are fully recovered by revenues as outlined in Table 2.

Table 2 – Operating Budget Summary

2017 SWMS Gross Expenditures (excluding Reserve Contributions)	\$378.292 million
2017 SWMS Revenues	
Residential Volume Based Solid Waste Rate and Property Tax Support	\$270.624 million
Internal Transfer for City of Toronto waste disposal fees	\$41.771 million
Other revenues (sale of recyclable materials, industry stewardship funding, fees, paid commercial waste, and recoveries for waste collection from City agencies and programs)	\$91.166 million
Total 2017 SWMS Revenues	\$403.561 million

This budget allows SWMS to maintain all major service levels currently provided and allocate sufficient funds to the reserve to finance future capital needs. The 2017 Recommended Operating Budget Changes are outlined in Table 3.

Table 3 – 2017 Recommended Operating Budget Changes

(In \$Millions)	2016 Approved Budget	2017 Budget Request	\$ Change	%Change
General Operating Expenditures	267.2	274.1	6.9	3%
Contribution to Capital	78.6	87.7	9.1	11%
Internal Transfer to Green Lane Landfill	43.3	41.8	-1.5	-4%
Total Expenditures	389.0	403.6	14.6	3.5%
General Revenues	345.7	361.8	18.5	5%
Internal Transfer to Green Lane Landfill	43.3	41.8	-1.5	-4%
Total Revenues	389.0	403.6	14.6	4%

The 2017 Operating Budget includes pressures resulting primarily from:

- Capital reserve contributions (Future Infrastructure requirements, Debt Service Plan, Capital Projects, ongoing fleet replacement);
- Implementation of the Waste Strategy;
- Escalating vehicle maintenance costs;
- Annual contract price schedule increases; and
- Fluctuating tonnages of waste and recyclable material to be collected and processed.

2017 Capital Budget & Plan

The SWMS 2017-2026 Capital Budget and Plan Budget Notes provides details on SWMS' proposed 10-Year Capital Plan. SWMS has over \$600 million in assets and the maintenance of these assets, as well as the development of new infrastructure, is funded through the Capital Budget. The 2017 Recommended Capital Budget of \$105.291 million is comprised of a recommended \$104.096 million and a Carry Forward of \$1.674 million from 2016. The recommended budget includes projects in the Legislated (\$20.105 million), State of Good Repair (\$14.500 million), Service Improvement (\$33.686 million) and Growth (\$37.000 million) categories.

The 10-Year Capital Plan was updated to reflect an updated Debt Servicing Charge Plan, recommendation outcomes of the Waste Strategy and an analysis of reserve contribution requirements. Compared to the 2016-2025 10-Year Capital Plan, the 2017-2026 10-Year Capital Plan was decreased by \$386.911 million due to a large capital investment included in the Waste Strategy that is now moved outside the 10-year window encapsulated by the 2017-2026 10-Year Capital Plan, due to a greater focus on implementing policies and programs that prioritizes reduction, reuse and recycling.

The purpose of the Waste Management Reserve Fund is to provide funding for the capital needs of the Division. 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 this reserve fund. Blended rate increases equating to 3.9 per cent per year will be required to support the capital plan over the next ten years and into future years. In 2017, SWMS has included a \$25.270 million contribution to the Waste Management Reserve Fund.

Fleet Collection Vehicle One-Time "True Up"

SWMS operates 201 Class 8 Collection trucks in Districts 3 & 4. Given that the Expected Service Life (ESL) of a Class 8 collection truck is 7 years, the Division is currently operating a fleet that has 146 (of 201) vehicles beyond the ESL. The time it takes to place, order and receive a Class 8 vehicle, is approximately 18-24 months. Operating an older fleet results in a number of issues including, but not limited to, the following:

1. an increase in maintenance cost, both for planned and unplanned activities;
2. an increase in the number of breakdowns at the start of, or during, the collection day;
3. the incremental costs of getting a spare vehicle and operator(s) on the road, and/or overtime if the collection routes cannot be completed by the end of the normal operating hours of the day;
4. reliability issues, given that older trucks breaking down is on the rise;
5. an increase in the negative impact on the environment, given older trucks are currently diesel and pollute more than a new diesel truck, or CNG truck, and;
6. increased health and safety concerns of a failing fleet.

In order to address the issues above, SWMS is recommending a one-time "true up" of \$18.3M to purchase 60 new trucks that will bring the curbside waste collection fleet to an acceptable operating condition. Existing funds from the SWMS reserve will be used to underwrite the recommended truck purchase.

By implementing a "true up", the savings as a result of the average annual cost avoidance of \$6.05M over 7 years, or \$42.4M. This savings includes the capital cost avoidance of \$14.5M in year 1 from a) the reduction of the Class 8 fleet by 35 vehicles, (i.e.: from 201 to 166 trucks), as well as the avoided maintenance cost of managing a reduced number of vehicles combined with an updated fleet, estimated to be \$3.98M per year (\$27.9M for 7 years).

The "true up" can be completed in a manner that doesn't impact or bias future decisions with respect to the potential of contracting out additional waste collection service.

2017 SWMS Rate and Fee Increases and Financial Sustainability

In 2008/2009, as part of the strategy to achieve the waste diversion target of 70%, Solid Waste Management Services 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.

Over the past eight years SWMS has averaged an annual rate increase of 1.5%, trailing the rate of inflation. As a result, the SWMS annual contribution to the capital reserve required to support current and long term SWMS capital needs has only increased from \$14.4 million in 2009 to \$20.5 million in 2016.

Moving forward, SWMS would benefit from approved multi-year planned rate increases similar to the experience in the City's Toronto Water program, allowing for sustainable long term capital planning based on predictable annual rate increases.

The 2017 Recommended Operating Budget for Solid Waste Management Services includes a 3.9% (blended average) rate increase as of January 1, 2017, which includes rate increases as follows:

- 5.2% for single residential properties;
- 1% for multi-residential properties; and
- 5.2% for commercial, school, interdivisional collection fees and tipping fees.

For long term planning purposes, the SWMS rate setting model plans for an additional 3.9% annual rate increases over the next five years to ensure sufficient contributions to the Waste Management reserve fund to support both the 10-Year Capital Plan as well as \$560 million in anticipated long term capital needs required beyond 2026. As a result of these recommended rate changes, there will be a budgeted contribution of \$25.270 million to the Waste Management Reserve Fund in 2017, which is planned to grow to \$41.6 million by 2021.

Other Revenue Enhancements

Annual \$8 fee per household/multi-residential unit for oversized and metal items collection

Many major urban municipalities have implemented payment programs to recover the costs for collection of oversized and metal items. Costs associated with the collection of oversized and metal items are not covered by revenue generated through the volume based rate program. Thus, a proposed fee for an annual one-time \$8.00 fee per household/multi-residential unit, regardless of whether the service is used, would offset the Division's current costs to offer the pick-up service for oversized and metal items. There would be no limit on the amount of instances the residential customers could utilize this service. The new fee would generate an additional \$7.000 million in revenue.

Harmonized base fee for Commercial bag-only customers

Commercial businesses that utilize the City's solid waste collection services participate by setting out their waste in collection bins or Yellow Bags or tags. Collection Bin commercial customers pay a base rate that offsets the costs for diversion collection. Yellow Bag commercial customers currently purchase bags or tags that cover only garbage collection and disposal costs and do not pay an equivalent base fee. A bag-only base fee is required to cover base Solid Waste services which include collection, processing, disposal, diversion and administrative costs. All other customers, including residential bag-only customers, pay a base fee that help offset all related costs. Establishing a base fee account with Yellow Bags or tag customers will also enable SWMS to better record and monitor data for these customers receiving SWMS collection services. The base fee will be the equivalent of \$5.00 per bag, one bag per week for 52 weeks.

Recover costs for Special Event clean up

Solid Waste Management Services provides clean up services to numerous events that temporarily close streets or parks and generate a significant amount of waste. These events currently pay costs associated with street closures and other Transportation Services expenditures.

As a rate based program, SWMS collects fees from all customers that receive its services, which provide funding for its annual operations and capital projects. Charging special events directly for solid waste services utilizing the existing permit application process would establish equity and fairness as these costs are currently borne by City customers only and would be consistent with current practice within other City Divisions.

To offset 2017 net budget pressures, the division recommends to charge special events customers a fee of \$92.58 per hour for cleaning up after Special Events, which would generate an additional revenue of \$0.900 million. The aforementioned fee exists within the Division's fee schedule that includes a one person vehicle in operation per hour.

Revised garbage bin exchange fee

As a rate-based program, SWMS collects fees directly from all clients that receive its services. The division recommends to harmonize the fee for all garbage bin exchanges so a single fee is applied equally for all size bin exchanges, which could raise additional revenues of \$0.600 million.

In 2015, approximately 26,000 bin downsizes occurred. There was no fee applied to process and execute these "at your door" requests. Currently a \$21.86 fee is applied for a request to upsize a garbage bin. Staff proposes to create a common fee (\$23.00 for 2017) for all garbage bin exchanges, regardless of whether it is an upsize or downsize.

The one time garbage bin exchange will be immediately offset by the continuing annual savings from downsizing to a smaller bin. For instance, moving from a large garbage bin to a small garbage bin will generate an annual savings of \$285.66. Solely in the first year, the annual savings will be reduced by \$23.00, to \$262.66.

Efficiencies

Conversion of collection vehicles from diesel fuel to Compressed Natural Gas (CNG)

As a result of the ongoing transition from diesel vehicles to Compressed Natural Gas (CNG) vehicles, the Inter-divisional charge (IDC) from Fleet Services will be reduced in 2017 as the costs associated with the expanded refueling stations is more than offset by savings in fuel costs. The expected reduction to Fleet Fuel costs is \$1.776 million while the expected cost of CNG is \$1.000 million for a total fuel savings of \$0.776 million.

Bi-weekly collection of new larger Green Bins in Scarborough Pilot Project

A pilot project is proposed to change the frequency of the green bin collection from weekly to bi-weekly during the winter months of 2017, from January to March, for Districts 1 and 4. This pilot would affect Scarborough and Etobicoke Single Family customers. Based on the costs of salaries and benefits, etc. a seasonal reduction in organics materials collection frequency would yield an expected savings of approximately \$0.134 million in D4 (9.3 staff for 10 weeks @ \$1,455.57 per week) and \$0.066 million in D1 (4.5 staff for 10 weeks @ \$1,455.57 per week) in 2017.

Successfully implemented Charity Rate Waiver Program

Having successfully implemented the Charity Rate Waiver Program by registering nearly all eligible customers, Solid Waste Management Services is able to significantly reduce overhead and administrative expenses while completing the registration process for those few eligible customers not yet enrolled. The rate waiver itself will continue to remain in effect for registered, eligible Charities, Institutions and Religious Organizations (CIROs) customers. However, reducing such overhead and administrative expenses is anticipated to generate a savings of \$0.357 million.

The goal of the staff in the Rate Waiver Program was to educate and inspect customers' premises for evidence of diversion compliance. SWMS found that the vast majority of the CIRO customers were fully participating in diversion programs, so the program's goals were being met. As such, there is no longer a need for the dedicated diversion education and inspection staff.

Continued Harmonization of Divisions, Agencies and Corporations and School Boards Rate

As approved in the 2014 Solid Waste Rate Report, SWMS will continue the harmonization of rates and fees for Divisions, Agencies and Corporations (DACs) and School Boards in 2017 with Commercial rates. This will be the fourth and final phase-in of the rate harmonization that is expected to generate \$1.241 million from DACs and School Boards. DACs and School Boards will be fully harmonized with Commercial rates as of January 1, 2017.

Solid Waste Rebate

As part of the 2015 and 2016 Property Tax Base Budget Process, City Council approved a reduction of the Solid Waste Rebate for Single Family Residential properties in the amount of \$17.966 million and \$9.794 million, respectively, as an initial step towards moving to a full user fee based program. Staff are seeking direction from City Council to continue this policy. Continuing with this strategy that began in 2015, a multi-year Solid Waste Rebate reduction plan for Single Family properties only, will be presented for Council's consideration as part of the City's Tax Supported Budget.

The rebate reduction plan will allow for the gradual transition of Solid Waste Management Services to a full user fee based program (similar to Toronto Water), while still encouraging appropriate environmental behaviours.

Any change to the Solid Waste Rebate for Single Family properties will have no impact on SWMS 2017 Rates and Fees or approval of the budget. However, any change to the rebate will be reflected in the net cost to customers for waste collection as summarized on their utility billing.

Any change to the Solid Waste Rebate will be supported by comprehensive communications to Single Family Residential Customers on how to reduce the size of their Garbage Bin through the City's 311 Service online or via phone, and will also include educational information on how to improve waste diversion.

Multi-Residential properties were not considered because of potential impacts to both revenue loss and adherence to City waste diversion objectives that would result if Multi-Residential property owners choose to opt out of City services. This continues to be the case for 2017.

Review and Implications of Phasing Out the Extra Large Garbage Bin for Single Family Residential Customers

Recent waste audits have indicated that single family residential customers have an opportunity to improve their waste diversion as a significant quantity of divertible materials remain in the garbage stream. On average, waste audit data indicated that approximately 64 per cent of the material in the single family residential customers garbage bin by weight could have been diverted through existing diversion programs. As part of the 2016 Budget process, City Council directed Solid Waste Management Services to investigate the feasibility of phasing out the extra-large garbage bin.

Due to operational and financial impacts detailed below, Solid Waste Management Services supports a more aggressive approach to improving the capture rate of divertible materials through increasing public education and enforcement efforts, as recommended in the Waste Strategy, and not eliminating the extra-large garbage bin option.

Additional financial pressures are anticipated as a result of phasing out the extra-large garbage bin. These pressures would result in a loss of operational efficiencies in collecting waste from addresses in which a large number of people reside and therefore, more capacity is required. This is particularly true for large families and multi-unit households (under nine units). In these cases, multiple smaller bins may be required to meet the capacity needs of the household. The more bins set out for collection increases the time required to collect through either more vehicles and staff to collect within the same period or overtime incurred to complete a route.

The review also showed that there will be a loss of revenue if the extra-large garbage bin for single-family homes is phased out. If all single-family customers with extra-large garbage bins are required to downsize their bins, it is assumed that 75% will downsize to a large, 12.5 per cent to a medium, and 12.5% to a small garbage bin. This would result in approximately \$3.700 million loss of revenue in one year (based on 2016 rates).

In addition, the capital costs associated with downsizing approximately 37,700 extra-large garbage bins to large, medium and small garbage bins is anticipated to be \$2.760 million. These costs are inclusive of purchasing new garbage bins from the City's bin supplier and the associated delivery fee.

Waste Diversion Impacts following 2016 SWMS Fee and Solid Waste Rebate Changes

The 2016 SWMS Fees and the Solid Waste Rebates were approved in December 2015 and became effective January 1, 2016. An analysis of Garbage Bin distributions from January 2016 to October 2016 shows a 0.9 percentage point shift in the City's curbside residential Garbage Bin size distribution from extra-large and large to medium and small.

Recent waste audits confirmed a correlation between Garbage Bin size and the amount of contamination. The audits showed that the larger bin sizes also contained greater volumes of materials that can be diverted from the Garbage Bin to the Blue and Green Bins. This information suggests that the present financial incentive may not be sufficient to change behavior to use a smaller Garbage Bin.

There was a slight increase in garbage and a more marked increase in Green Bin organics tonnes collected based on the comparison of the first nine months of 2016 compared to 2015. Garbage and Green Bin organics increased by 0.5% and 4.1% respectively. There was a significant decrease of 3.2 per cent in tonnes of Blue Bin recycling collected. It is difficult at this time to establish a direct correlation between tonnage collected and the net cost of Garbage Bins including the three per cent rate increase implemented in the 2016 Budget. The shift in customer choices in Garbage Bin size could be due to other factors such as changes in buying behaviours, which may have an effect on the type of packaging that needs to be disposed of or recycled and economic factors, which may have an effect on the amount of waste generated.

Rehrig Pacific Co. – Purchase Order Amendment

With the introduction of the new Garbage and Recycling Bin Program in late 2007, the City of Toronto awarded a Request for Quotation to Rehrig Pacific Co. for supply and maintenance of residential bins for single family homes for 10 years. The value of the contract was \$63.300 million.

With the overwhelming success of the program, there has been a higher than anticipated demand from residential customers for additional bins. In addition, and as part of its efficiency initiatives to automate collection, SWMS identified additional residential customers that required bins, such as Residential Units Above Commercial, and small Multi-Residential buildings receiving curbside collection, as well Non Residential customers, such as DACs, Schools, CIROs and Commercial customers. At the time of the awarding of the contract, the responsibility for collecting, maintaining and supply of Parks garbage and recycling bins was the responsibility of Parks, Forestry and Recreation (PF&R). With the transfer of the responsibility from PF&R to SWMS, the Division utilized the Rehrig contract to replace bins in City Parks.

Based on the above, it is estimated that the Rehrig contract will be exhausted by the end of 2016. It is therefore recommended to increase the target value of the contract by \$3.500 million in the Capital Budget to support these programs until the contract expiration in November 30, 2017.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Appendix A – Recommended 2017 Solid Waste Rates