



REPORT FOR ACTION

2019 Rate Supported Budgets – Solid Waste Management Services and Recommended 2019 Solid Waste Rates and Fees

Date: January 30, 2019

To: Budget Committee

From: General Manager, Solid Waste Management Services, and Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report outlines the Recommended 2019 Solid Waste Management Services Rates and Fees arising from the concurrent adoption of the 2019 Recommended Solid Waste Management Services Operating and Capital Budgets. Recommended rate and fee increases will vary based on customer group.

Table 1 highlights the recommended key Solid Waste Management Services Rates and Fees effective retroactive to January 1, 2019.

Table 1 - 2019 Recommended Rates and Fees Increases

Customer Group	% Rate Increase	Comments
Multi-Residential	1.0%	Same as 2018
Single Family and Residential Units Above Commercial	2.0%	Same as 2018
Bag Tags, Bin Purchase	5.2%	Same as Commercial
Commercial, Divisions, Agencies and Corporations, Schools, Tipping	5.2%	Same as 2018
Blended Rate	2.2%	Equal to Rate of Inflation

The 2019 Recommended Operating Budget is \$391.620 million, an increase of \$8.178 million over 2018 plus a \$20.000 million contribution to the Waste Management Reserve Fund, all of which are offset by total revenues of \$411.620 million. The aforementioned increase is attributed to an increase in organic collection and processing costs due to volume and contractual inflation adjustments, reduction in the sale of recyclable materials due to declining commodity market prices and to fund the Division's 10-Year Capital Budget and Plan. Some of these increases were partially offset by service changes and efficiencies of \$4.978 million net and the net reduction in the contribution to the Solid Waste Management Reserve Fund.

The 2019 Recommended Capital Budget is \$84.626 million which is comprised of \$39.611 million in new 2019 funding and \$45.015 million in funding carried forward from 2018 into 2019. A key priority for Solid Waste Management Services in 2019 Capital Budget program is the continued implementation of the Long Term Waste Management Strategy, which includes making advancements in waste reduction and further diversion opportunities, as well as ensuring the long term fiscal sustainability of the Division.

The proposed blended 2.2% increase in Solid Waste Management Services Rates and Fees, which is in line with inflation, will generate \$10.555 million in additional revenues required to primarily maintain the City Council approved service levels for Solid Waste Management Services within the 2019 Recommended Operating Budget and fund implementing the 2019 Recommended Capital Budget program.

RECOMMENDATIONS

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

1. City Council adopt the 2019 Solid Waste Management Services Rates and Fees as set out in Appendix A to the report, dated January 30, 2019, from the General Manager, Solid Waste Management Services, and the Chief Financial Officer and Treasurer, retroactive to January 1, 2019.
2. City Council consider this report concurrently with the 2019 Recommended Capital Budget, 2020-2028 Recommended Capital Plan and the 2019 Recommended Operating Budget of the Solid Waste Management Services Division.
3. City Council authorize that the necessary amendments be made to Municipal Code Chapter 441 - Fees and Charges, and any other necessary Municipal Code Chapters as may be required, to give effect to these Recommendations.
4. City Council grant authority to the City Solicitor to introduce any necessary Bills required to implement these Recommendations, subject to any necessary refinements, including stylistic, format and organization, as may be identified by the City Solicitor, the Chief Financial Officer and Treasurer, and General Manager Solid Waste Management Services.
5. City Council direct the following Renewable Natural Gas Initiatives:

- a) Fully exempt the Solid Waste Management Services renewable natural gas initiative, including any and all environmental attributes that may result from the program, from the City's Carbon Credit Policy;
- b) Place net revenues that the City derives from the future sale of renewable natural gas and/or any associated environmental attributes generated under the Solid Waste Management Services renewable natural gas initiative in the Solid Waste Management Reserve Fund XR1404 for the exclusive use of Solid Waste Management Services, which will be used to fund projects identified within the Council approved Long Term Waste Management Strategy and other environmentally sustainable initiatives; and,
- c) Allow only Solid Waste Management Services to hold any unsold environmental attributes associated with the Solid Waste Management Services renewable natural gas initiative on behalf of the City, and the authority to sell the attributes.

6. City Council direct that all the rates, fees and charges set out in Appendix A to this report, adopted by Council in Recommendation 1 above, continue in full force and effect until such time as they are amended or repealed by City Council.

7. City Council direct the General Manager, Solid Waste Management Services, and the Executive Director of Financial Planning, to develop a Multi-Year Financial Strategy and rate structure for the Department and report back to Budget Committee.

8. City Council authorize the General Manager, Solid Waste Management Services, or their designate, to develop and implement a Single Family Residential Low-income Relief Program in accordance with the description provided in the report, dated January 30, 2019, from the General Manager, Solid Waste Management Services, and the Chief Financial Officer and Treasurer, including, but not limited to, automatic enrollment for certain qualifying customers.

FINANCIAL IMPACT

Solid Waste Management Services is a utility funded from a combination of service rates and fees (including the Solid Waste Rebate), recoverable debt, other charges, sale of recyclables, and industry stewardship funding. The recommended 2019 budget provides funding to support Solid Waste Management Services operations and capital projects, enhance diversion and reduce waste sent to landfill.

Revenues total \$411.620 million in the 2019 recommended Operating Budget as outlined in the table below.

Revenue Source	Revenue Total	% of Total
Service Rates and Fees (including the Solid Waste Rebate)	\$313.929M	76%
City of Toronto Waste Disposal	\$42.097M	10%
Industry Stewardship funding	\$26.073M	6%
Sale of Recyclables	\$11.620M	3%
Interdivisional Recoveries	\$6.199M	2%
Capital Recoveries	\$5.120M	1%
Residue Disposal	\$4.058M	1%
Other Recoveries	\$2.524M	1%
Total	\$411.620M	100%

Service Rates and Fees of \$313.929 million represent 76% of total revenues which are comprised of various rate increases based on customer type equating to a blended 2.2% increase to the 2018 approved Solid Waste Management Services rates and fees. 2019 Recommended Rates and Fees associated with the Program's various customers and services are outlined in Appendix A.

In addition, the charge for oversized items is recommended to be increased from \$8.00 to \$15.00 per Unit / household / year. This adjustment is required to recover the full cost of the service which is budgeted at \$12.510 million in 2019. This is in alignment with the City of Toronto's User Fee By-law approved by City Council on September 11, 2011 which allows City divisions to recover the cost of a service from those who receive a direct benefit and that the user fee be set to recover the full cost of the service to the extent that there is no conflict with City objectives and other legislative requirements. By not charging the full cost of collecting, processing and disposing of oversized items, the Waste Management Reserve fund will subsidize this service by \$4.292 million in 2019. The oversize charge was first introduced in 2017 at \$8.00 / household which over the past two years recovered collection costs only. The next and final step is to add processing and disposal costs, net of sale of recycled materials, to the annual cost per household which adds \$7.00 to the charge.

The 2019-2028 Recommended Capital Budget and 10-Year Plan totals \$686.295 million including 2019 capital carry forwards of \$45.015 million. The recommended 2019 Capital budget, including carry forwards, totals \$84.626 million which is financed by recoverable debt of \$31.364 million (37.1%) and reserve funding of \$53.262 million (62.9%). The City issues debt on behalf of Solid Waste Management Services and debt servicing costs are repaid to the City by Solid Waste Management Services through the

Debt Reserve Fund financed by operating fee revenues. Capital projects are funded by the Program's operating contributions to the Waste Management Reserve Fund, Green Lane Reserve Fund and Perpetual Care Reserve Fund.

The 2019 Rate and Fee increase is required to support Solid Waste Management Services' current capital needs as well as off-setting operating budget pressures of \$27.221 million including one service level enhancement at a cost of \$0.313 million. The Solid Waste Management Services Operating Budget also includes \$29.332 million to repay debt issued to fund capital infrastructure needs (\$10.000 million) and to pay over the long term for the Green Lane Landfill acquisition and development (\$19.332 million).

Recommended Rate and Fee Multi-Year Sustainability Plan

At its meeting of December 5, 6, 7 and 8, 2017 City Council adopted the recommendations in the Executive Committee Report EX29.19 "2018 Rate Supported Budgets – Solid Waste Management Services and Recommended 2018 Solid Waste Rates & Fees" and directed Solid Waste Management Services and Financial Planning to report to the Budget Committee on a multi-year rate strategy for the 2019 Budget Process.

A study was undertaken in 2018 by Solid Waste Management Services, and Financial Planning to develop a 10-Year rate structure that provides sufficient funding for the 2019 Operating Budget and the 2019 to 2028 Capital Budget and Plan. Analysis indicated that if Solid Waste Management Services continues on the path of increasing service rates and fees at or below the rate of inflation, which has been the general practice since the utility was formed in 2008, the Waste Management Reserve Fund will be insufficient to finance the recommended 2019 10-Year Capital Budget and Plan necessary to achieve a 70% diversion target, finance ongoing capital works and maintenance and will be in a negative position by 2022 at \$4.326 million, growing to a deficit of \$110.182 million by 2028 and continuing to \$336.583million by 2033.

This report recommends a blended 2.2% rate increase for 2019 followed by an estimated sustainable blended 4.0% rate increase in each year 2020 and 2021 and a blended 2.8% increase in each year from 2022 to 2028. Estimated future rates and fee increases will vary by customer group as described in Appendix B.

As illustrated in Figure 1 below, if the estimated service rate and fee increases over the 10-Year Capital Plan are implemented, the Waste Management Reserve Fund will be sufficient to fund the recommended Capital Budget and Plan projecting a reserve balance to remain positive and to increase to \$126.362 million by 2028 and fully fund the new waste management and organics facilities planned for completion by 2031.

Figure 1 - Waste Management Reserve Fund Balance Forecast based on Recommended 2019 Rate Increase, estimated multi-year rate increases versus a Fixed Annual CPI Increase of 2.2%

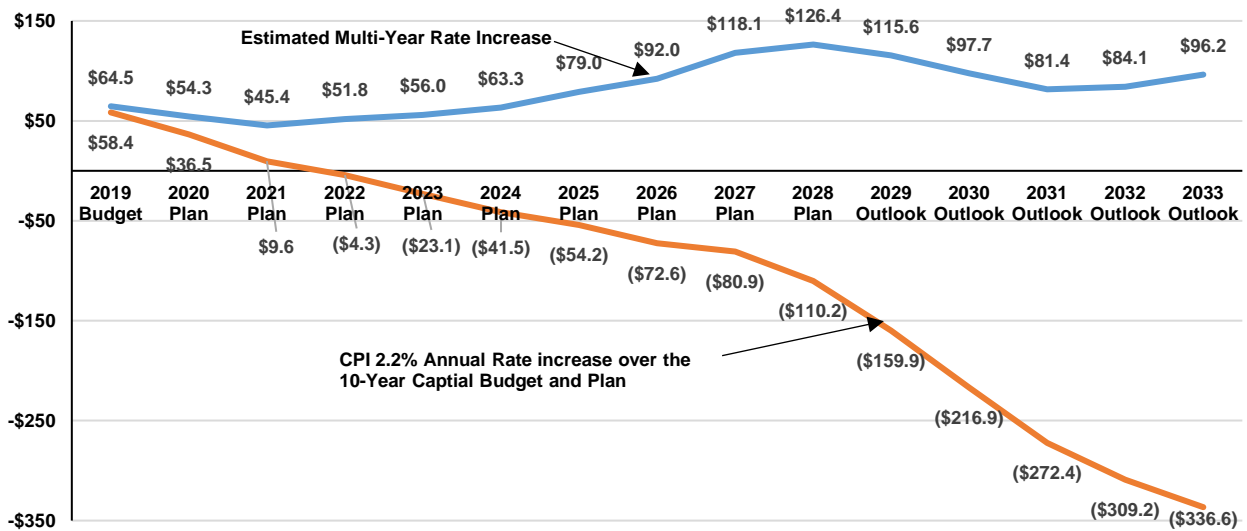


Table 2 provides a summary of anticipated major capital investments required in the 15-Year period beyond the 10-Year Capital Plan (2029-2043).

Table 2 - Capital Investments for the period 2029-2043 is \$440.145 million

Capital Investment	2029 - 2033	2034 - 2038	2039-2043	Total
Future Waste Management Facility	\$250.000M			\$250.00M
Future Organics Processing Facility	\$80.645M			\$80.645M
Future Residual Waste Management	\$6.000M	\$36.000M	\$67.500M	\$109.500M
Totals	\$336.645M	\$36.000M	\$67.500M	\$440.145M

Pending initiatives and actions that may impact Solid Waste Management Services future operating costs and revenue opportunities are as follows:

- Expiry and renewal of four major operating contracts valued at \$450 million over the next two years impact on operating costs, which include:

- the operation of the Disco Source Separated Organics Facility expiring June 2019;
 - District 2 Collection Contract expiring August 2021;
 - Single Stream Recovery Material Processing Contract expiring April 2020; and,
 - Haulage services to Green Land Landfill expiring December 2020. Outcome of these tenders may impact operating costs.
- Increased blue bin contamination which is negatively impacting recycling programs and processing costs.

The extent to which these initiatives will impact future expenditures and revenues is not fully known at this time and is a reason for staff to report back on a Multi-Year Financial Strategy.

Residential Rebate Program

The Solid Waste Rebate was introduced in 2008, when Solid Waste Management Services transitioned from a City service embedded in the property tax to a volume-based utility model, where residents who create more garbage pay higher rates.

Beginning in 2015, there were a series of reductions in the Single Family Residential Rebate, differing across different bin sizes. There were reductions in 2016 and 2017 as well. Each reduction in the aforementioned Rebate represents a savings to the property tax budget. During this time, the Multi-Residential Rebates have never been reduced.

After a pause in the reductions of the Solid Waste Rebate in 2018, this report recommends the phase out the Solid Waste Rebate Program (Single Family and Multi-Residential) by 2022. This will align the true costs to users based on waste generation, thereby incentivizing increased diversion towards meeting the 70% diversion rate goal within the Long Term Waste Management Strategy, and moving the Program towards City Council's 2016 direction of becoming a self-sustaining utility.

Part of the City's Long Term Waste Management Strategy that was approved by City Council in July 2016, was for Solid Waste Management Services to become a fully self-sufficient and sustainable utility. Eventually phasing out the Rebate will assist Solid Waste Management Services in its goal of transitioning to a sustainable utility model where operating expenses are fully covered by revenues, and property tax support is no longer part of the financial model as was envisioned in the Long Term Waste Management Strategy.

DECISION HISTORY

At its meeting of July 23, 24, 25, 26, 27 and 30, 2018, City Council adopted the recommendations in the Public Works and Infrastructure Committee Report PW31.11 "Green Bin Organic Waste Processing and Capacity in the Province of Ontario" and directed:

1. City Council renew and extend the authority of the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements necessary to operate, maintain, or undertake capital improvements to continue to process source separated organics at the Disco Road Organics Processing Facility, for terms up to June 30, 2024, with an option to renew for up to an additional five years until June 30, 2029, at the sole discretion of the General Manager, Solid Waste Management Services, based in part on the pricing information for operational costs presented in Confidential Attachment 1 to the report (June 25, 2018) from the General Manager, Solid Waste Management Services, on terms satisfactory to the General Manager, Solid Waste Management Services and the Interim Chief Financial Officer and each in a form satisfactory to the City Solicitor.

4. City Council direct the General Manager, Solid Waste Management Services to review, at an appropriate time and in alignment with the end of the potential contract extension for the operation of the Disco Road Organics Processing Facility, and with a comparison of private and public services the opportunity to operate this facility by City Staff rather than using external contracted services.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PW31.11>

At its meeting of December 5, 6, 7 and 8, 2017 City Council adopted the recommendations in the Executive Committee Report EX29.19 "2018 Rate Supported Budgets – Solid Waste Management Services and Recommended 2018 Solid Waste Rates and Fees" and directed:

12. City Council direct Solid Waste Management Services and Financial Planning to report to the Budget Committee on a multi-year rate strategy for the 2019 Budget Process.

14. City Council direct the General Manager, Solid Waste Management Services, to report to the Budget Committee in Spring 2018 to provide a financial update on trends over the next 10 years for the cost of organics processing per tonne for the City of Toronto, giving consideration to the City's reliance on private processors and organics processing contracts reaching their expiration date, as well as the shortage of organics processing capacity across the Province of Ontario and the proposed Ontario Organics Framework.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.19>

At its meeting of June 7, 8 and 9, 2016 City Council adopted the recommendations in the Public Works and Infrastructure Committee Report PW13.8 "Authority to Enter into Renewable Natural Gas Projects" and directed:

1. City Council authorize the General Manager, Solid Waste Management Services, to enter into Renewable Natural Gas Projects and agreements on such terms that are satisfactory to the General Manager, Solid Waste Management Services, based on the environmental/business case presented in Attachment 1 to the report (April 29, 2016) from the General Manager, Solid Waste Management Services and in a form satisfactory to the City Solicitor, and that the General Manager, Solid Waste Management Services be authorized to execute these projects up until December 31, 2021.
2. City Council authorize the General Manager, Solid Waste Management Services or designate, to administer and manage the Renewable Natural Gas Projects, including the provision of any consents, approvals, notices and notices of termination, provided that the General Manager, Solid Waste Management Services may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
3. City Council direct the General Manager, Solid Waste Management Services to report back to Public Works and Infrastructure Committee on the results of any Renewable Natural Gas Projects.
4. City Council direct the General Manager, Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer to investigate options for funding the cost of the Renewable Natural Gas Projects through green energy funding opportunities.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW13.8>

COMMENTS

2019 Operating Budget

The 2019 Recommended Operating Budget's gross expenditure of \$391.620 million is outlined in detail in the concurrent Solid Waste Management Services 2019 Operating Budget Notes. These expenditures are fully recovered by revenues as outlined in Table 3.

Table 3 - Operating Budget Summary

2019 Solid Waste Management Services Gross Expenditures	\$391.620M
Waste Management Reserve Fund Contribution	\$20.000M
Total Expenditures	\$411.620M
2019 Solid Waste Management Services Revenues	
Residential Volume Based Solid Waste Management Services Rates (Property Tax Support)	\$313.929M
Internal Transfer for City of Toronto waste disposal fees	\$42.097M
Other revenues (sale of recyclable materials, industry stewardship funding, fees, paid commercial waste, and recoveries for waste collection from City agencies and programs)	\$55.594M
Total 2019 Solid Waste Revenues	\$411.620M

This budget allows Solid Waste Management Services to maintain all current service levels and allocate sufficient funds to the reserve to finance and support future capital needs over the 10-Year Capital Plan timeframe. The 2019 Recommended Operating Budget Changes are outlined in Table 4.

Table 4 - 2019 Recommended Operating Budget Changes

	2018 Adjusted Approved Budget	2019 Recommended Budget	\$ Change	% Change
General Operating Expenditures (including internal transfer to Green Lane Landfill)	\$383.442M	\$391.620M	\$8.178M	2.13%
Contribution to Capital	\$21.747M	\$20.000M	-\$1.747M	-8.03%
Total Expenditures	\$405.189M	\$411.620M	\$6.431M	1.59%
General Revenues	\$365.017M	\$369.523	\$4.506M	1.23%
Internal Transfer to Green Lane Landfill	\$40.172M*	\$42.097M	\$1.925M	4.79%
Total Revenues	\$405.189M	\$411.620M	\$6.431M	1.59%

The 2019 Operating Budget includes pressure of \$27.221 million as listed below which is offset by an increase in rate revenues of \$10.555 million, reduced reserve draws of \$6.882 million, service changes & efficiencies of \$4.978 million, increase Stewardship funding of \$1.294 million, increase in other revenues of \$1.503 million and a reduction in the contribution to the Waste Management Reserve fund of \$1.746 million.

1. Loss in recyclable revenues \$9.093 million;
2. Organics collection and processing costs (140K to 166K tonnes) \$8.550 million due to volume and contractual inflation adjustments;
3. Green Lane Landfill operating cost increase by \$1.072 million due to contractual inflation adjustments;
4. Salaries and Benefits (1.5%) \$1.419 million;
5. Increase in Inter-Divisional Charges \$1.198 million;
6. Alternate landfill \$0.899 million due to contractual inflation adjustments;
7. Curbside and Front End Collection Contracts increase \$0.610 million due to contractual inflation adjustments;
8. Processing contract increases \$0.578 million due to contractual inflation adjustments;
9. Other pressures (capital positions and contaminated lifts) of \$1.703 million;
10. Increase in Vehicle Reserve Contribution of \$1.786 million; and
11. Enhanced Litter Collection Services - Downtown East of \$0.313 million.

2019 Capital Budget and 10-Year Plan

The Solid Waste Management Services 2019-2028 Capital Budget and Plan Budget Notes provide additional details on the Solid Waste Management Services' proposed 10-Year Capital Plan. Solid Waste Management Services 2019 assets are valued at \$534.776 million. The maintenance of these assets, as well as the development of new infrastructure, is funded through the Capital Budget.

The 2019 Recommended Capital Budget of \$84.626 million is comprised of \$39.611 million for previously approved and new capital projects and a carry forward of \$45.015 million from 2018. The recommended 2019 budget, including carried forward amounts, includes projects in the following categories: Legislated (\$ 28.196 million), State of Good Repair (\$27.632 million), Service Improvement (\$23.453 million) and Growth Related (\$5.345 million) categories.

The top three 2019 capital budget projects (by dollar value) total \$48.142 million and comprise 57% of the \$84.626 million 2019 Capital Budget are as follows:

1. Green Lane Landfill site - primarily for legislated cell development (\$19.424 in 2019).
2. Transfer Station Asset Management - state of good repair projects at 7 Transfer Stations (\$18.270 million in 2019).

3. Perpetual Care of Closed Landfill - legislated costs to monitor Solid Waste Management Services' 160 closed landfills and maintain regulatory compliance (\$10.448 million in 2019).

The Long Term Waste Management Strategy's recommended 2019 Capital Budget is \$5.880 million which will execute the following four priority actions:

- Reduction and Reuse Initiatives totals \$2.180 million comprised of diversion initiatives for construction waste (\$0.235 million), Commissioners Transfer Station relocation review (\$0.300 million), use of Mobile Drop-off Depots to collect blue bin materials in high density areas and transition to building permanent neighbourhood depots (\$0.245 million), and develop reduce and reuse multi-residential incentives (\$1.400 million).
- Mixed Waste Processing Facility Study, including equipment testing and review (\$1.900 million).
- Development of Promotion & Education Tools (\$1.100 million).
- Circular Economy initiatives \$0.700 million.

The top three projects (by dollar value) total \$389.002 million and comprise 56.7% of the \$686.295 million 10-Year Capital Budget & Plan (2019 to 2028):

1. Green Lane Landfill Cell Development including gas utilization (\$156.347 million).
2. Long Term Waste Management Strategy implementation (\$123.314 million).
3. Transfer Station Asset Management (\$109.341 million).

The 10-Year Capital Plan (including carry-forward) 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 2018 - 2027 10-Year Capital Budget & Plan (\$648.481 million) approved in December 2017, the 2019-2028 10-Year Capital Budget & Plan (\$686.295 million) shows an increase of \$37.814 million.

The main purpose of the Waste Management Reserve Fund is to provide funding for the capital needs of the Division while also serving as potential stabilization for the operating program. The rate model 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. In 2019, Solid Waste Management Services has included a \$20.000 million contribution to the Waste Management Reserve Fund.

Renewable Natural Gas from Green Bin Organics

Solid Waste Management Services Division, in partnership with Enbridge Gas Distribution Inc. (Enbridge), will begin installing new equipment at the Dufferin Solid Waste Management Facility in 2019. The new technology will allow the City and

Enbridge to transform raw biogas – produced from processing Toronto's Green Bin organics – into Renewable Natural Gas and inject that gas into the natural gas distribution network. At present, the facility is expected to be constructed and tested in the fourth quarter of 2019, with commissioning anticipated in early 2020.

Renewable Natural Gas is chemically identical to conventional natural gas (methane); however, unlike conventional natural gas, which is a fossil fuel produced from non-renewable resources, Renewable Natural Gas is a renewable fuel that can be produced from a by-product of waste decomposition. As such, Renewable Natural Gas virtually eliminates all of the upstream greenhouse gas emissions associated with extracting, refining, processing, and transporting the non-renewable resources used to produce conventional natural gas. In fact, Renewable Natural Gas from food waste is not only carbon neutral but instead can be considered carbon negative because the reduction in emissions by not producing and burning fossil fuels, together with the emissions avoided by not sending organic waste to landfill, exceeds the direct emissions associated with producing and using Renewable Natural Gas.

Renewable Natural Gas has the potential to create a new revenue stream – separate from the waste rate – for the City of Toronto to support the rate program and invest in future Greenhouse Gas reduction projects in the Solid Waste Management Services Division. The Federal Clean Fuel Standard currently under development is expected to establish carbon intensity compliance obligations for gaseous fuels by 2023, and allow low-carbon fuel producers to generate credits under the system as early as 2020 through actions that include producing Renewable Natural Gas. This opportunity is reinforced by the Province's new Made-in-Ontario Environment Plan, which identifies the Clean Fuel Standard and Renewable Natural Gas as two key strategies to achieve Ontario's emissions reduction targets. Additional Renewable Natural Gas marketing opportunities already exist in the United States through established clean fuel requirement programs at the federal and state levels; and, elsewhere in Ontario and Canada through the voluntary measures being undertaken by natural gas utilities.

At present, the City of Toronto's Carbon Credit Policy, adopted by Council in 2013, limits the City's ability to generate additional revenue from Renewable Natural Gas initiative by placing restrictions on the potential sale of the environmental attributes (allowances, carbon credits, etc.) resulting from the production and sale of the product. Given that the City of Toronto can benefit if it is able to unlock the full value of Renewable Natural Gas environmental attributes, Solid Waste Management Services is recommending that Council exempt the Renewable Natural Gas initiative from the Carbon Credit Policy. If adopted by Council, this exemption would enable the Solid Waste Management Services Division to pursue a full range of potential revenue opportunities in future years in an effort to optimize the value of the Renewable Natural Gas stream. The Solid Waste Management Services and Environment and Energy Divisions have been assessing the Carbon Credit Policy, and this exemption will not impact the City's ability to meet its TransformTO targets.

In fact, biogas upgrading supports the TransformTO Climate Action Strategy. TransformTO identifies biogas utilization among its leadership actions, and establishes a target to generate and utilize 1.5 million gigajoules of biogas by 2030.

Contamination in the City's Blue Bin Recycling Program

Solid Waste Management Services continues to see a significant amount of contamination (i.e. garbage and other non-recyclable materials) in the Blue Bin Recycling Program. The contamination rate based on audits that took place between January and October of 2018 was approximately 29%.

The current recycling processing contracts are structured with an increasing cost per tonne when the contamination rate reaches 27%. Reaching this contamination rate results in an additional annual processing cost of \$3.5M, and for every additional percentage point beyond 27%, it costs the City an additional \$500,000. For every percentage point reduction in the contamination rate, the City saves approximately \$600,000.

Over the past several years, Solid Waste Management Services has implemented an extensive array of programs, initiatives and services to try and combat this problem, including various advertising campaigns, educational resources and customer engagement sessions.

During 2018, Solid Waste Management Services has also implemented:

- On-site monitoring – staff visually inspecting bins for contamination and tagging bins with obvious contamination issues.
- Bin Rejections – rejecting heavily contaminated bins at multi-residential locations and collecting the bin as garbage at the Council-approved garbage collection rate instead. This process has included direct contact with property management staff informing them of the action and offering support to improve performance.

Next Steps

Existing staff within the Division's complement have been repurposed to assist with the full scale roll out of on-site bin monitoring and no additional costs will be incurred. In total 10 permanent staff, augmented with seasonal workers as appropriate, will be used to operate the Program.

The Program will also specifically place responsibility and costs on those single family households and multi-residential buildings that continue to place contaminants in the Blue Bin, rather than spreading the cost to all ratepayers. Charging customers that directly impact the overall cost of the recycling program is more equitable than charging those that participate in the Blue Bin recycling program properly.

This program represents an important step in educating residents and help the City meet the goals of the Long Term Waste Management Strategy, which includes moving towards a zero waste goal and a circular economy. This initiative is also aligned with the corporate priority of operating a sustainable utility and achieving cost recovery.

The ultimate impact of these initiatives will be to avoid the costs associated with processing recyclable materials that are highly contaminated, resulting in reduced pressure on future year rate increases.

Street Events

Solid Waste Management Services, in partnership with Transportation Services, provides a variety of services for approximately 840 street events each year. In 2016, as part of the 2017 Solid Waste Management Services Budget, Toronto City Council approved the establishment of a new Solid Waste fee for special event clean-up for events held in the City of Toronto. A new fee schedule is recommended to capture the true costs for each established event type as shown in Appendix A. However, the fees will be implemented in 2020, which will allow staff to communicate the approved fee schedule to existing and potential customers.

Revised Rate for Mixed Commercial/Residential Buildings

In 2018, Solid Waste Management Services transferred responsibility for commercial solid waste utility billing accounts from the commercial tenant to the property owner. This change was necessary so that the City of Toronto would have the recourse of transferring delinquent account balances to the property tax.

An unintended side effect of this policy change is that the owners of the commercial buildings often had multiple solid waste utility billing accounts associated with one physical building. The property owners would have individual accounts for each commercial storefront as well as the Residential Units Above Commercial customers located on upper floors of their commercial buildings.

Current Solid Waste policy dictates that commercial and Residential Units Above Commercial customers cannot share bins. With the accounts for each building tenant (either Residential Units Above Commercial or commercial) all in the hands of the same entity (property owner), to provide the property owner with one set of services, one set of bins, one set of rates and one utility billing account for the whole building is more efficient in bin utilization and enhances customer service.

Solid Waste Management Services' competitors in the private sector are able to offer a full-building, single-account service to these mixed commercial/residential property owners. In order to remain competitive from a service efficiency perspective within the small commercial waste collection sector, it is recommended that Solid Waste Management Services restructure its existing curbside commercial and Residential Units Above Commercial collection programs into a single building rate for mixed commercial/residential properties.

In order to approximately match the \$7.8 million annual revenue generated by the Residential Units Above Commercial and commercial customer groups, the following annual rates are recommended for this customer shown in Appendix A.

Residential Rebate Program

The Solid Waste Rebate was introduced when Solid Waste Management Services transitioned from a City service embedded in the property tax to a volume-based utility model, where residents who create more garbage pay higher rates.

At the time, the City of Toronto could have removed the cost of Solid Waste Management Services from the property tax base via legislation. However, other legislation precluded the City from passing on these savings as an equivalent fixed amount (e.g. \$209) to each household. Percentage reductions are the only method of reducing the property tax. That approach would result in properties with higher assessed values getting larger reductions and properties with lower assessed values getting smaller reductions. In order to provide a reduction equivalent to the decrease in property taxes that would have occurred by removing solid waste costs from the property tax base, the Solid Waste Rebate was devised as a credit on each utility bill, funded from the property tax base.

The Single Family Residential Rebate was initially set at \$209 per household, regardless of bin size. Recalculations in 2011 resulted in an adjustment to \$224 per household. The Multi-Residential Rebate was initially set at \$157 per unit, and then adjusted to \$175 per unit in 2010, and one more time to \$185 per unit in 2011.

Beginning in 2015, there were a series of reductions in the Single Family Residential Rebate, differing across different bin sizes. There were reductions in 2016 and 2017 as well. Each reduction in the Solid Waste Rebate represents a savings to the property tax budget. During the above-mentioned time, the Multi-Residential Rebate remained unchanged at \$185 per unit.

The reductions from 2015 to 2017 are summarized in the Table below:

Bin Size	2014	2015			2016			2017		
	Rebate	Rebate Reduction (\$)	Tax Base contribution (000)	New Rebate (\$)	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)
Small	\$224.00	(\$3.01)*	(\$0.34M)	\$227.01	--	--	\$227.01	--	--	\$227.01
Medium	\$224.00	\$24.24	\$4.53M	\$199.76	\$18.00	\$3.44M	\$181.76	\$18.00	\$3.64M	\$163.76
Large	\$224.00	\$79.59	\$9.21M	\$144.41	\$36.00	\$3.99M	\$108.41	\$36.00	\$3.87M	\$72.41
Extra Large	\$224.00	\$113.15	\$4.49M	\$110.85	\$54.00	\$2.09M	\$56.85	\$56.85	\$2.14M	\$0.00
Bag-only	\$224.00	(\$3.01)*	(\$0.02M)	\$227.01	\$12.00	\$0.09M	\$215.01	--	--	\$215.01
Totals			\$17.92M			\$9.62M			\$9.48M	

* The rebate increased for the small and bag-only customers in 2015, from \$224 to \$227.01.

In its 2017 Budget submission, Solid Waste Management Services put forward a 7-year plan to phase out the Solid Waste Rebate by 2023, however, Council did not adopt the 7-year plan. Rather, a single year of reductions was approved for 2017 only.

After a pause in the reductions in 2018, it is recommended to embark upon a four year plan to completely phase out the Solid Waste Rebate (Single Family and Multi-Residential) by 2022. Adopting the new recommended phase-out would bring Solid Waste Management Services close to where the original 7-year phase-out plan proposed in the 2017 Budget submission would have had the division by 2019. It would then have the Solid Waste Rebate phased out more quickly from that point on, eliminating it by 2022 as opposed to 2023 as originally recommended in 2017.

The proposed series of reductions is as follows:

Customer Type	2019			2020			2021			2022		
	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)	Rebate Reduction (\$)	Tax Base Contribution (000)	New Rebate (\$)
Single Family Small Bin	66.97	8,471	160.04	79.45	10,050	80.59	80.59	10,193	0.00	--	--	0.00
Single Family Medium Bin	90.07	17,191	73.69	73.69	14,066	0.00	--	--	0.00	--	--	0.00
Single Family Large Bin	72.41	7,550	0.00	--	--	0.00	--	--	0.00	--	--	0.00
Single Family Extra Large Bin	--	--	0.00	--	--	0.00	--	--	0.00	--	--	0.00
Single Family Bag-only	215.01	1,410	0.00	0.00	0.00	0.00	--	--	0.00	--	--	0.00
Multi-Residential Unit	--	--	185.00	46.25	18,419	138.75	92.50	36,839	46.25	46.25	18,419	0.00
Totals	\$34,622			\$42,535			\$47,032			\$18,419		

Multi-Residential Rebate Considerations

As recommended in the Council approved Long Term Waste Management Strategy, the Division is planning to bring forth a proposed by-law for mid-2019 for City Council's consideration that will mandate waste diversion requirements beginning 2020 / 2021 for all multi-residential buildings, regardless of service provider. A reduction schedule for the multi-residential rebate should be predicated on the implementation of this mandatory diversion by-law, which requires: City Council approval; development of a strong communications and education plan; Municipal Licensing & Standards staff for

monitoring and enforcement; Solid Waste Management Services staff for education; and sufficient processing capacity to manage the additional recycling and organic tonnes.

A multi-residential rebate reduction schedule must align with the roll-out of this by-law, which is planned for 2020 / 2021. Thus, the reduction of the multi-residential rebate by 25% in 2020, 50% in 2021, and 25% in 2022 is recommended, which would also mitigate potential revenue impacts from changes to the Division's customer counts.

Single Family Residential Low Income Relief Program

As part of the City's water rate structure, since January 1, 2008, City Council has approved a "Toronto Water Rebate Program" for low-income seniors and low-income persons with disabilities who meet the eligibility criteria as prescribed in the Municipal Code, Chapter 849.

In order to mitigate the impact of reductions to the Solid Waste Rebate on low income ratepayers, Solid Waste Management Services is recommending to implement a Single Family Residential Low Income Relief Program which will be incorporated into the existing Toronto Water Rebate Program.

Solid Waste Management Services' recommended Single Family Residential Low Income Relief Program will apply to all bin customers that currently receive a rebate which includes only small, medium and large bin customers (extra-large will not be eligible as a rebate no longer exists), and will incorporate other Toronto Water's Rebate Program criteria, such as income levels. However, large bin customers will only be eligible for the aforementioned Relief Program for 2019. This phase out method will encourage single family customers with large bins to switch to either a small or medium size bin, thus generating less waste, enhancing diversion and incurring less costs. Solid Waste staff will initiate an outreach program for residents applying for the Relief Program who have a large bin in order to assist through education the transition to smaller bins sizes for 2020 when the large bin relief will end.

Customers with a small, medium or large bin who are already enrolled in the Water Rebate Program will be automatically enrolled in the Single Family Residential Low Income Relief Program. Current application processes and forms for the Water Rebate Program will be amended to include the Single Family Residential Low Income Relief Program, so that customers who are eligible for both programs need only apply once, through a single, unified process.

Long Term Waste Management Strategy - Financial Implications

City Council approved the Waste Strategy in July 2016, which will guide the Division's decision making for the next 30 to 50 years.

The financial impact associated with the Waste Strategy recommendations and implementation plan for the full planning period (2016-2052) is approximately \$703 million. The 10-Year Impact (2016-2026) is approximately \$144 million, representing

\$114 million in Capital funding and \$30 million in Operating funding. The 10-Year Capital and Operating Budget for the Waste Strategy was approved in December 2016.

If current funding levels are maintained in 2019 and 2020, Solid Waste Management Services will only have limited capacity to implement the Waste Strategy and achieve City Council's direction to divert 70% by 2023. Funding included in the 2019 Operating Budget totals \$5.880 million for the following subprojects as shown in Table 5 below:

Table 5 - 2019 Budget by Sub-Project Level

Sub-Projects	2018	2019
Promotion and Education	\$0.580M	\$1.100M
Reduce & Reuse, Multi-Residential	\$1.536M	\$1.400M
Mixed Waste Processing with Organics Recovery	\$1.370M	\$1.900M
Industrial, Commercial and Institutional / Construction Renovation and Demolition Waste	\$0.180M	\$0.235M
Unit for Research Innovation and a Circular Economy	\$0.370M	\$0.700M
Commissioners Transfer Station	\$0.100M	\$0.300M
Drop-Off Depots	N/A	\$0.245M
Total	\$4.136M	\$5.880M

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ATTACHMENTS

Attachment 1: Appendix A – Recommended 2019 Solid Waste Management Services
Rates and Fees

Attachment 2: Appendix B – 2019 to 2028 Solid Waste Management Services Rates
and Fees Estimates