
2010 BUDGET BRIEFING NOTE

Implications of a 2.0% Solid Waste Rate Increase vs. The Original Proposed Annual Increase of 3.5%

Issue/Background:

- At the October 21st Budget Committee meeting, Councillor Mihevc requested a briefing note on the implications of applying a 2% increase to the Solid Waste volume based rate as opposed to the 3.5% annual rate increase which was originally proposed in the 2007 Target 70 report. Specifically, the briefing note should address:
 - ◆ the implications in the 2010 Operating year, and,
 - ◆ the implications in the long term (10 years)

Key Points:

3.5% vs 2.0% Rate Increase Background

- Net base pressures in 2010, total \$12.7M which, without further action, would require a 5.3% rate increase. SWMS brought forward \$4.4M of operational efficiencies which would reduce this required rate increase to 3.5% - consistent with the original annual increase proposed in the 2007 Target 70 report. As a result of fiscal constraints, staff also presented, and recommended, an option which extended the timeline for the implementation of two diversion programs:
 - Green bin rollout in multi-residential homes; and,
 - Durable goods curbside collection reuse/recycle.

Collectively, the slowdown of the implementation of these two initiatives results in an additional 2010 operating saving of \$3.5M, thereby reducing the required rate increase to 2.0%.

Short Term 2010 Operating Year Implications of the Recommended 2.0% Rate Increase

- The timeline for the completion of the rollout of Green Bin in multi-residential homes is extended by approximately one year (from end of 2010 to end of 2011.) By the end of 2010, it is expected that the rollout will be about 40% complete. This will impact the projected multi-residential diversion rate by approximately 3% in 2010 (from 25% to 22%.) At the

October 20th meeting of Budget Committee, the Greater Toronto Apartment Association deputed and expressed concern with respect to the proposed slowdown and its impact on their members.

Under the recommended 2.0% rate increase, the timeline for the completion of the rollout of the curbside durable goods collection program for reuse and recycling was also extended by one year to early 2011. Under this modified timeline existing pilots would continue and residents would receive curbside electronic collection for reuse/recycling in 2010, but other durable goods (mattresses, furniture, toilets) would be collected; but would continue to go to disposal, except in the existing pilot areas. This modified approach would have a 1-2% impact on the overall 2010 diversion rate.

These diversion impacts are summarized in the Table below:

<u>2010 Diversion Projections</u>		
	<u>Based on 3.5% Rate Increase</u>	<u>Based on 2% Rate Increase</u>
Single-Unit Homes	67%	65%
Multi-Unit Residences	25%	22%
City Facilities/Public Space	45%	45%
Overall	52%	50%

Long Term 10 Year Implications

- The extension of the timeline to complete the two diversion initiatives discussed above does not impact the ability of the City to achieve the 70% diversion target in the long term. In both cases, the initiatives will ultimately be fully implemented and will thereby contribute to the overall diversion goal in the long term. The impacts on the diversion rate are short term only by reducing overall diversion achieved in 2010 by 2% and the overall impact on the life expectancy of landfill capacity is not materially impacted.
- As noted above, 2.0% rate increase is based on saving and, therefore, not collecting approximately \$3.5M of rate based revenue in 2010. This results in 2010 single family rates which are \$3 to \$6 per household lower for 2010 than they would be under a 3.5% rate increase. See table below:

2010 Rates: 2.0% vs 3.5% Increase

	2009 Rates	2010 Rate @ 2%	2010 Rate @ 3.5%
Small	\$199	\$203	\$206
Medium	\$248	\$255	\$257
Large	\$342	\$349	\$354
X-Large	\$399	\$407	\$413

When compounded over a 10 year period, the impact of the incremental difference between a 3.5% rate increase and a 2.0% rate increase is a \$42M reduction in the projected 2020 Solid Waste reserve balance. This is in addition to a similar \$90M impact resulting from no rate increase in 2009. This will result in a longer time frame to eliminate the dependence on debt financing for the Solid Waste Management Services Capital program.

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Further information: (Same as above)

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