

Additional Information on Financial Implications

Development of a sustainable financial model for waste services is a complex process with a variety of variables and decisions including:

- What services and programs will be included? Which programs will remain on the property tax and which will be funded via user fees?
- What is the service level that will be delivered?
- What are the customer behaviour assumptions, such as how many will choose a small, medium or large waste cart?
- What are the operational implications in terms of staffing, equipment, service hours, fuel, etc.?

Once the above considerations and assumptions have been finalized, then an apples to apples comparison can be made between the various funding models; this includes:

1. The impact and cost per household of funding via the property tax; and
2. The impact and cost per household of funding via a user pay system.

Waste Management Basket of Services

The most critical question when developing the financial model is which services are included so that comparisons are made between the same basket of services whether funded by the property tax or as a utility.

The Ability to Pay report (concurrently being presented to City Council) speaks to the Public Good and Private Good considerations for funding services. The Administration has utilized these concepts to determine the recommended basket of services that would be considered under a waste utility model, including:

- Curbside Residential Garbage Collection;
- Landfill Operations;
- Curbside Residential Recycling Collections and Processing;
- Curbside Residential Organics Collections and Processing; and
- Compost Depots.

Other waste-related services such as the recycling depots, Household Hazardous Waste programs, and Environmental Protection and Enforcement are recommended to stay on the property tax as these services provide a community benefit, are difficult to identify specific users, and support waste diversion and environmental compliance which are reflective of a Public Good. The compost depots are proposed to remain on the utility at this time until the future state of this program is determined. The compost depots will continue to be funded by landfill revenues. Once Recovery Park is open and more information is known about the demand on the compost depots, the Administration will return with options for City Council. At this time, the Administration does not recommend that it is worth the effort in adjusting the mill rate and ending the compost utility while their future is uncertain.

Recommended Service Level

The Administration recommends the service level identified in Option 1 of the report: a year round, bi-weekly curbside organics and garbage collection service, while continuing with bi-weekly curbside recycling collections.

Current Funding Status

The curbside residential recycling program is fully funded as a utility. Waste Handling Services, including curbside waste collection and landfill operations, are funded via the property tax. Waste Handling services have been underfunded for several years as previously communicated to City Council and as illustrated below:

Waste Handling	2017 Budget	2017 Actuals
Total	\$7,383,400	\$8,079,700

In 2017, the Waste Handling funding shortfall was approximately \$700,000. In addition, \$1.25 million in transfers to the Landfill Replacement Reserve were deferred in 2017 in order to compensate for the deficit within Waste Handling Services. Considering this deferral, the actual deficit in 2017 was closer to \$2.0 million.

In order to fund the current level of service, a 2.0% increase in the mill rate, beyond the indicative rate, is required in order to sustainably fund waste management services.

Future Funding Scenarios

In order to implement a financially sustainable model for the proposed new level of service (Option 1: year round, bi-weekly curbside organics and garbage collection), the Administration has identified the following scenarios:

Scenario 1: Mill Rate Funding	
Continue to support the program via the property tax and phase in additional funding in order to fully fund program requirements.	
PROS	CONS
No change required	Property tax phase ins would be required in order to fully fund the program
Lower cost for most single family households as commercial properties subsidize the program	Commercial properties would continue to subsidize single family garbage services
	More difficult to incentivize waste reduction through tiered pricing
	No equity amongst property owners as assessment dictates the cost for waste services, not the actual services used themselves

Scenario 2: Utility Funding	
Transition to a waste utility model whereby residents pay for waste services based on the size of waste cart they use. User rates would fully support this program.	
PROS	CONS
Equity amongst homeowners as they now pay based on the amount of waste they generate.	Higher cost for most single family households as commercial properties no longer subsidize the program
Commercial industry no longer subsidizes the residential waste service	
Incentive for single family properties to decrease their waste generation in order to have a lower monthly bill	

Scenario 1: Mill Rate Funding

Funding a new service level for curbside residential waste and organics services through the property tax means that the total cost (\$18,370,000) would be subject to distribution under the City’s current assessments and tax policy. This means that both residents and commercial entities would pay for these residential waste services. The share of residential and commercial portions would be as follows based on 2018 assessment information:

Residential Property Tax Portion	\$12,780,600
Commercial Property Tax Portion	\$ 5,589,400
Total Property Tax Funding	\$18,370,000

The average property under each property class would be subject to the following average monthly rate:

\$371,000 Average Residential Property	\$12 / Month
\$500,000 Commercial Property	\$26 / Month
\$1,000,000 Commercial Property	\$52 / Month

Scenario 2: Utility Funding

The second scenario is to transition to a utility model. The biggest difference is that charges would be applied only to users of the service (i.e. curbside residents) and there would be no commercial subsidization for residential waste services. Instead the full costs of residential waste services would be funded by the residential sector.

Under a utility funding model, a full-cost-recovery monthly charge to each household depends on the size of waste cart selected rather than on the assessed value of property. The recommended level of service identifies full-cost-recovery could be achieved with an estimated \$20 monthly charge based on a medium sized waste cart.

As identified in the table above, a utility model will have a higher monthly rate than a mill rate model due to the removal of the commercial subsidization for residential waste services. A utility funding model supports the environmental, social, and financial values approved by City Council through the following means:

- Citizens pay directly for the services they use resulting in increased awareness and responsibility for the quantity and types of waste they are generating.
- Variable fees based on type and quantity of waste give the citizen control of their costs and provides an incentive for reducing or diverting more waste from the landfill.
- Life cycle costs, as well as immediate and long-term costs, are considered when setting rates to ensure financial sustainability now and for future generations.
- Increased financial transparency and certainty for the municipality as funding can be more closely aligned with costs.
- Users pay directly for the services that they benefit from; promotes a 'user equity' perspective.