**SUBJECT:** Waste Management System Financing Options (PW09092) - (City Wide)

**RECOMMENDATION:**

(a) That Report PW09092 be received;

(b) That the item referring to the Status of SWMMP (PW 07-015) be deemed complete and be removed from the Public Works Committee Outstanding Business List.

**EXECUTIVE SUMMARY:**

The purpose of this report is to respond to the direction given by the Public Works Committee in November 2007 for staff to review and to evaluate the potential of a user pay or utility-based system and to report back in 2009 once garbage container limits have been reduced. Options for financing the Waste Management system were researched, presented and discussed with the Solid Waste Management Master Plan (SWMMP) Steering Committee. The Steering Committee would like to continue with Status Quo (Option 1) and not make any changes at this time with respect to alternative financing systems. The Committee recommended ‘staying the course’ with the previously approved waste management programs over making further adjustments to the programs at this time.
With the implementation of the one plus one container limit for waste collection, and the further decrease to only one container in April 2010, residents are adjusting well to new limitations. Compliance with the one container limit is 85% City wide, with only just over 9% of households requiring a second bag. It is recommended that no further changes to the Waste Management system be implemented at this time thus allowing households to become comfortable with the current limits and the April 2010 changes.

There are no budget implications to the Status Quo.

BACKGROUND:
The information in this report has City wide implications.

City of Hamilton Council passed the Solid Waste Management Master Plan (SWMMP) on December 11th, 2001. Recommendation 7 of the plan states that:

“The City of Hamilton will consider the potential need for a user-pay system to encourage waste diversion and fund the waste management activities.”

In 2006, staff presented Report PW06076 concerning a “Pay-As-You-Throw Waste Collection Program”. The report outlined a user pay or Pay-As-You-Throw (PAYT) program as a means of achieving waste diversion. The report provided costs and options, other municipal information, issues for consideration and next steps. In the next steps, staff was to continue to explore the feasibility of a PAYT program in conjunction with the review of container limits. Report PW06076 was received by the Public Works, Infrastructure and Environment Committee on June 19, 2006.

On November 19th, 2007, Report PW05151, entitled “Status of Solid Waste Management Master Plan, Options for Increasing Diversion and Landfill Capacity” was presented to the Public Works Committee. The report explained that a PAYT program was one of the options available to increase diversion and funding in the amount of $835,000 had been proposed for inclusion in the 2008 Capital budget to fund the implementation costs. Through consultation with the SWMMP Steering Committee and the Waste Reduction Task Force, staff had found that PAYT was not supported. The Public Works Committee recommended that the Capital funding allocation be removed from the 2008 Capital budget. Staff was also directed to review and evaluate potential user pay or utility based systems and report back in the fourth quarter of 2009 once the container limits had been reduced.

The purpose of this report is to respond to the direction given by the Public Works Committee on November 19, 2007, for staff to review and evaluate the potential of a user pay or utility based financing system.

ANALYSIS/RATIONALE:
Seven options were considered to finance the Waste Management system. These options ranged from full or partial funding through the current tax base to a utility based billing system and considered partial and full PAYT scenarios. The seven options are summarized in Appendix A discussed in the Alternatives for Consideration section of this report. No changes are being recommended at this time given the consultation with the Solid Waste Management Master Plan (SWMMP) Steering Committee and Waste Reduction Task Force (WRTF).
All options were presented to and discussed with the WRTF and the SWMMP Steering Committee. The WRTF passed a motion at its September 2, 2009 meeting recommending that the “Status Quo” be maintained. The full motion is provided as Appendix B to this report. The WRTF concluded that current and planned Waste Management program changes are sufficient for residents to accept at this time.

The SWMMP Steering Committee further considered the various options and the motion from the WRTF at their September 9, 2009 meeting and also recommended that ‘staying the course’ would be advantageous to allow residents to adjust to the changes already in motion. Given that garbage container limits were reduced to one 135 litre container plus one clear bag (if needed) in April 2009, and that garbage container limits will be reduced to one 135 litre container only in the spring of 2010, further changes were deemed by the SWMMP Steering Committee to be unnecessary at this time.

With regard to offering bag tags to residents so that they may choose their “grace” weeks, SWMMP Steering Committee members stated that they very rarely receive requests to change “grace” weeks to suit individual needs. Consequently, it was determined that residents are coping well with recently implemented changes and that further changes at this time may prove to be overwhelming for some residents.

### Alternatives for Consideration:

With the assistance of a consultant (Kelleher Environmental), a number of options for financing the waste management system were analyzed relative to advantages, disadvantages and cost implications. A summary of the options considered is included in Appendix A to this report. The full report from the consultant can be made available should Councillors wish to review it.

The options that were analyzed include:

1. Status Quo
2. Partial Flat Fee, Partial Property Tax, no Pay-As-You-Throw (PAYT)
3. Flat Fee, no PAYT
4. Variable Fee (for garbage and flat fee for diversion), Full PAYT
5. Variable Fee (based on waste collection container size), Full PAYT
6. Flat Fee, Partial PAYT (Tag System)
7. Property Tax, Full PAYT (Tag System)

The various options explore different ways of recovering the costs for delivering waste management services. Pay-As-You-Throw (PAYT) is based on how much waste is set out for collection by a household.

In the remainder of this section, comments on the option will focus on the logistics of implementation, timing and budget implications of the various options.

1. Status Quo

The Status Quo represents the current funding and approved waste management programs. Funding continues to be based on property assessment and calculated on the property tax bill. Included in this funding is the one container phase-in that will be complete in April 2010 when the limit for garbage is one container. Grace periods will continue during the one week following New Years Day, Victoria Day and Thanksgiving...
Day. Special considerations continue to be available to families with small children, families with medical situations, residential home day cares and agricultural operators. Additional diversion options are presented in a parallel report however for the purpose of this report, the status quo will not change.

Current financing offers minimal financial risk and provides a secure source of revenue. However, this means that the Operations and Waste Management Division must submit its budget requirements as part of the annual budget process and therefore competes with other departments/divisions for its share of the budget. In addition, the current financing structure does not achieve full cost recovery as it continues to be financed by the broad tax base. Residents pay based on their tax assessment, although all households receive the same level of service. There are no budget implications to the Status Quo.

The Status Quo offers one of the better options for achieving waste diversion.

2. Partial Flat Fee, Partial Property Tax, no Pay-As-You-Throw (PAYT)

This option is based on the waste disposal costs being covered by a flat fee (or rate), while the diversion costs remain on the tax bill. The flat fee for waste disposal would be different for curb-side and multi-residential customers. The one container limit, grace periods and special considerations outlined in the Status Quo option would also apply in this option. As such, there would be no program or service level changes.

There is limited risk associated with this option as it provides a stable source of revenue through the fees that are collected from the flat fee that is set. It enables the removal of a portion of the industrial/commercial tax subsidy providing a transitional approach to full cost recovery. There would be administrative costs (additional staffing or through a utility) that would be covered in the fee.

This option provides a step in the provision of fair and equitable cost for the same level of service. Impact on low income households would need to be assessed to determine their ability to pay the flat fee.

This option does not promote additional diversion beyond the Status Quo.

3. Flat Fee, No PAYT

In this option all waste management costs would be a flat fee to those receiving service. Fees would be established for curbside customers, multi-residential properties and industrial/commercial eligible customers. The service delivery around one container, grace periods and special considerations would be the same as the Status Quo.

This option provides a stable source of revenue and achieves full cost recovery as it eliminates the tax subsidy from the industrial/commercial sector. There would be additional administrative costs (to collect fees) that would be recovered through the fee. The waste management costs are either identified separately on the tax bill or recovered as a utility, thereby isolating the costs for delivering waste management services from other programs delivered by the City in the annual budget process.

This option provides a fair and equitable cost for the same level of service to those receiving service. However, it may impact on low income households in that the fee may be higher than they are currently paying in property taxes for the service.
This option does not promote additional diversion beyond the Status Quo.

4. Variable Fee (for garbage and flat fee for diversion), Full PAYT

This option involves a variable fee for garbage and is usually based on a cart system of varying sizes. Residents are given several options: they choose their preferred cart size and pay incrementally more as the cart size increases. Once they choose a cart, the same fee applies and is billed regardless of the amount of garbage in the container, unless or until the resident changes cart sizes. In addition, flat fees are established for diversion programs. There is no need for grace periods or special considerations as residents choose the garbage collection service level that best meets their needs.

In this option the variable fee for the garbage container and the flat rates for diversion programs (recycling, organics and leaf and yard waste) are all itemized on the bill.

It would be difficult for the City to move forward with a cart-based collection system for garbage at this time due to current contractual arrangements with our service provider and the lack of municipal collection equipment that is suited to cart collection. Further consideration can be given to this option in conjunction with the collection review that will result in new collection service for the next contract commencing in 2013. Infrastructure costs for carts and vehicles are significant, but could be recovered through the fees.

This option does not promote waste diversion beyond status quo, in that the fees are constant regardless of the amount of garbage in the cart. Costs can be reduced if a resident chooses to reduce the size of the cart.

5. Variable Fee (based on waste collection container size), Full PAYT

The difference between Options 5 and 6 is strictly around the appearance of fees on the bill. Although the fee is calculated the same way as in Option 4, based on the cart size for garbage and flat fees for diversion programs, the Waste Management cost appears as a single fee on the bill based on the size of cart that is selected.

This option does not promote waste diversion beyond status quo, in that the fees are constant regardless of the amount of garbage in the cart. Costs can be reduced if a resident chooses to reduce the size of the cart.

6. Flat Fee, Partial PAYT (Tag System)

This option is based on a flat fee for all Waste Management services, with some variation on the number of garbage containers that might be included in the fee. This option can be implemented in a variety of ways to reflect flexibility around the goal of reducing garbage to preserve landfill capacity, but typically includes a bag tag system for garbage. Some of the alternatives include:

a) allow residents to set out one container of garbage each week without a tag
   require that additional containers could be set out if tagged, with no limit
   residents would have to buy additional tags, at the cost of $2 to $3 each
   this does not promote waste diversion and is regressive to the Status Quo
   there may be impacts on low income households if they need to buy additional tags
   eliminates the need for grace periods and special considerations
b) • allow residents to set out one container of garbage each week without a tag
  • provide residents with 6 free tags to use as they wish throughout the year
  • this is equal to the additional containers allowed in the current grace weeks, but
    provides flexibility to residents in when they use them, eliminating concerns
    around cultural/religious holidays
  • promotes waste diversion similar to the Status Quo
  • is fair and equitable as everyone has the same service level
  • there is no impact on low income households
  • would still require the need for special considerations

  c) • provide residents with 58 free tags per year - one for each week plus 6 for the 3
    grace periods
  • residents would be encouraged to set out garbage only when necessary and to
    not set out more than one container of garbage per week
  • no additional tags would be available for sale, but residents could give tags
    away if they chose to
  • provides maximum flexibility within the one container limit of the Status Quo
  • promotes diversion at least to the extent of the Status Quo
  • is fair and equitable in that all customers receive the same level of service
  • sets the stage for the possibility of bi-weekly garbage collection in 2013

This option provides a stable source of revenue and would require additional
administrative costs to implement a bag tag system. Depending on the alternative, this
option would not promote waste diversion if tags were available for unlimited purchase.
Waste diversion would be maintained at the same level as status quo if tag distribution
to residents allowed for current limits [alternative b) and c)] only.

  7. Property Tax, Full PAYT (Tag System)

In this option, all Waste Management services except for a portion or all of the garbage
cost are fully funded through the property tax bill. All containers of garbage require pre-
paid tags with the cost of the tags affected by the portion remaining on the property tax
bill. Full payment of garbage costs would require a tag cost of $2 to $4.30 per tag.
Partial payment of garbage costs would require a tag cost of $1 to $2 per tag. Revenue
from the tag system could be used to fully or partially offset garbage costs.

The higher tag cost provides some diversion incentive and may promote additional
waste diversion. This option provides some revenue although the amount is
unpredictable since it depends on human behaviour. There may be some impact on
low income households.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

There are no financial, staffing and / or legal implications based on continuing with
status quo.

**POLICIES AFFECTING PROPOSAL:**

(a) Solid Waste Management Master Plan
The recommendations in this report are guided by the SWMMP and support recommendation # 7: “The City of Hamilton will consider the potential need for a user-pay system to encourage waste diversion and fund the waste management activities.”

(b) Public Works Business Plan

Waste Management services recommended in this report contribute to the Public Works Department’s leadership on “greening” and stewardship providing residents with appropriate services that will continue to increase recycling and organics diversion and decrease garbage through garbage set out limitations.

(c) Corporate Strategic Plan

The proposed changes support the Corporate Strategic Plan desired end result to increase diversion from landfill by maintaining Status Quo and following the already determined garbage limit reductions for curbside pick up.

[RELEVANT CONSULTATION:]

The contents and recommendations of this report were presented to the Solid Waste Management Master Plan Steering Committee and the Committee is in support of the recommendation. Comments are included throughout the evaluation of the options.

The Waste Reduction Task Force scheduled a meeting dedicated to this discussion and their recommendations are included throughout the evaluation of the options. The Task Force passed a motion at their September 2, 2009 meeting that is included in this report as Appendix B.

[CITY STRATEGIC COMMITMENT:]

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Waste is reduced and recycled.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Hamilton's high-quality environmental amenities are maintained and enhanced.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No
## CITY OF HAMILTON WASTE MANAGEMENT SERVICES – SUMMARY OF FINANCING OPTIONS

<table>
<thead>
<tr>
<th>OPTION</th>
<th>DESCRIPTION</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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| 1. Status Quo | • waste management services are fully funded through property tax assessment  
• one container limit effective April 2010  
• three grace periods around higher generation times | • less financially risky as it provides stable source of revenue through taxes  
• does not require changes to existing programs or system  
• promotes waste diversion as City moves to one container limit  
• has Council and community support  
• no additional staffing implications | • does not achieve full cost recovery or removal of industrial/commercial subsidy  
• waste management competes with other departments/divisions for its share of the budget  
• encourages waste diversion by limiting waste collection  
• need to address personal waste generation issues such as medical conditions in conjunction with container limit  
• does not achieve full cost recovery  
• will require more enforcement for one container |
| 2. Partial Flat Fee, Partial Property Tax, no PAYT | • waste disposal costs are placed on a flat fee (or rate)  
• waste diversion costs remain on the tax bill  
• one container limit effective April 2010  
• three grace periods around higher generation times | • provides a stable source of revenue  
• provides a transitional approach to cost recovery  
• enables removal of some of the industrial/commercial subsidy  
• does not require changes to existing programs or system  
• may be able to avoid a property tax increase  
• any additional staffing/administrative costs would be recovered through the flat fee | • slower approach than transition to full flat fee or rate  
• could be perceived as double taxing  
• does not promote waste diversion beyond status quo  
• would not achieve full cost recovery  
• potential impact on low income households, although less than full flat fee  
• may requires additional administrative costs (to collect flat fees) |
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| 3. Flat Fee, no PAYT   | • all waste management services are placed on a flat fee (different fees for curbside and multi-residential)  
• one container limit effective April 2010  
• three grace periods around higher generation times | • provides stable source of revenue  
• achieves full cost recovery and shows full cost of service being provided  
• enables removal of all industrial/commercial subsidy  
• does not require changes to existing programs or system  
• fair and equitable as everyone pays the same fee for the same level of service  
• any new waste management program or service would not be financed through taxation, but through fee  
• any additional staffing/administrative costs would be recovered through the fee | • would achieve full cost recovery  
• does not promote waste diversion beyond status quo  
• flat fee doesn’t show breakdown of service costs  
• potential impacts on low income households  
• may require additional administrative costs (to collect fees) |
| 4. Variable Fees (for garbage and flat fee for diversion), Full PAYT | • waste management fees for different services shown on bill  
• fee for garbage collection and disposal varies by quantity limit (usually various sized carts)  
• flat fee for diversion costs | • achieves full cost recovery  
• enables removal of industrial/commercial subsidy  
• households provided with choice of garbage service level and pay according to the level of service chosen  
• any new waste management program or service would not be financed through taxation  
• residents see different costs for different services  
• additional staffing/administrative costs would be recovered in the fees | • not necessarily a stable source of revenue (varies based on users)  
• requires major changes to existing program and associated capital for infrastructure  
• requires new billing software and associated capital  
• more complex to implement, maintain and manage  
• potential administrative burden in managing choices of cart size  
• conflicts with City’s approved one container limit  
• would require changes to current garbage collection contract |
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<tbody>
<tr>
<td>5.</td>
<td>Variable Fee (based on waste collection container size), Full PAYT&lt;br&gt;• single fee for waste management based on cart size (service level) selected&lt;br&gt;• bill does not itemize costs&lt;br&gt;• diversion calculated as a flat fee but recovered in the single fee for diversion costs</td>
<td>• achieves full cost recovery&lt;br&gt;• enables removal of industrial/commercial subsidy&lt;br&gt;• households provided with choice of garbage service level and pay according to the level of service chosen&lt;br&gt;• any new waste management program or service would not be financed through taxation&lt;br&gt;• additional staffing/administrative costs would be recovered in the fees</td>
<td>• would not promote waste diversion beyond status quo option&lt;br&gt;• additional staffing requirements to collect fees/administer program&lt;br&gt;• not necessarily a stable source of revenue, although may be easier to predict&lt;br&gt;• requires major changes to existing program and associated capital for infrastructure&lt;br&gt;• requires new billing software and associated capital&lt;br&gt;• more complex to implement, maintain and manage&lt;br&gt;• potential administrative burden in managing choices of cart size&lt;br&gt;• conflicts with City’s approved one container limit&lt;br&gt;• would require changes to current garbage collection contract&lt;br&gt;• would not promote waste diversion beyond status quo&lt;br&gt;• single fee doesn’t show breakdown of costs by service</td>
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| 6.     | Flat Fee, Partial PAYT (Tag System)<br>• flat fee for all waste management services<br>• includes collection and disposal for one container of garbage<br>• PAYT for containers beyond one, tag based system (variations on service level) | • achieves full cost recovery<br>• stable source of revenue<br>• allows for revenue to be placed in reserve<br>• enables removal of industrial/commercial subsidy<br>• complements one container direction | • gives perception that residents can opt out of diversion<br>• flat fee doesn’t show breakdown of costs by service<br>• a single flat fee covering all waste management services will appear to be high<br>• requires new infrastructure (billing and collection)
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<td>how this could be implemented)</td>
<td>• provides flexibility to residents • addresses cultural and personal issues such as holidays, medical conditions, families with children • easier for collection staff • can be adapted to multi-residential • may reduce potential illegal dumping • supports future option of bi-weekly garbage collection • additional staffing/administrative costs would be recovered in the fees • tag cost would complement Community Recycling Centre fees (minimum fee of $8 is about 4 bags of garbage) and excludes collection costs</td>
<td></td>
<td>distribution systems and tag production) • requires capital start up costs • additional administrative costs (to sell tags/recover costs)</td>
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<td>7. Property Tax, Full PAYT (Tag System)</td>
<td>• waste diversion costs remain on the tax bill • all garbage containers are paid for on a bag tag</td>
<td>• less financially risky as it provides a level of stable revenue • no changes in service • provides flexibility to residents • promotes waste diversion • no impact on infrastructure • additional staffing costs would be recovered through the fee</td>
<td>• represents a change from the approved one container limit (i.e. no limits on waste set-out if tagged) - is really a program change • could be perceived as double taxation • increased administration costs and distribution system for tags • does not achieve full cost recovery • does not remove subsidy from industrial/commercial sector • tag cost would have to complement Community Recycling Centre fees</td>
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Waste Reduction Task Force Motion on Pay-As-You-Throw (PAYT) Systems

The WRTF met on September 2, 2009 and passed the following motion:

*Whereas the one container limit will be implemented effective April 2010 and enforced excluding the provision for special considerations and the current "grace periods", and whereas all waste management costs are included on the tax bill, the WRTF is resolved that Council be requested to not implement a PAYT system now. The recommendation to implement a PAYT system will be reviewed again within a timeframe to be determined by staff.*

That said, the WRTF is resolved that a PAYT system should include the following:

1. Expanded educational communications with the focus on encouraging residents to set out garbage only when necessary, and less than once per week if possible in preparation for potential implementation of bi-weekly garbage collection in 2013;
2. Any and all changes to the collection services be assigned with goal/review dates to ensure diversion targets & budget considerations are being achieved;
3. Create a bonus/reward system recognizing residents who set out less than the minimum number of allowable containers (similar to the existing “Gold Box Program”);
4. Review current enforcement measures and by-laws, with the intent to increase fines, and/or penalties for non-compliance;
5. Increase fees at the CRCs with the intent of discouraging users opting for disposal versus diversion options; and,
6. That any PAYT options contain measures in place to protect those who are financially challenged.

Members agreed that they would like to pursue Option 1. Status Quo without offering six tags; therefore, staying the course. The distribution of the six tags (which would give residents the option to use them at any time) was discussed and determined not to be in high demand from residents. Consequently, it was determined that the reasoning behind the enhanced service and the associated cost to provide such service is not justified.

**Motion by Councillor Collins, Seconded by Councillor Powers:**

*That the presentation be received.*

CARRIED