

# Analyst Briefing Notes

## Works Committee Review

(November 8, 2005)

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2005 Approved Capital Budget of \$35.987 million was 51% spent as at September 30, 2005. Actual expenditures by year-end are anticipated to be \$28.897 million, or 80% of the Approved Budget, resulting in projected 2005 cash flow under-spending of \$7.090 million, and \$4.429 million being carried forward into 2006. This projected under expenditure is primarily attributed to lengthy tendering, contract negotiation, and design specification processes.
- The 2006 Proposed Capital Budget including previously approved commitments requires new 2006 cash flow of \$20.839 million gross with debt funding of \$13.861 million. This cash flow, combined with 2005 funding to be carried forward into 2006 of \$4.429 million for 2005 projects, brings the total 2006 Proposed Capital Budget to \$25.268 million gross, of which \$18.290 million is funded by debt.
- 24% of the 2006 proposed new cash flow of \$20.839 million is allocated to State-of-Good-Repair projects at \$4.978 million primarily for Transfer Stations Asset Management and Multi-Unit Residential Containers; and 76% to Legislative or contractually required projects at \$15.861 million relating to Diversion Facilities, Perpetual Care of Landfills and Residential Collection.
- The Revised 5-Year Capital Plan, including 1-year carry forward funding for 2006, and totalling \$200.962 million, is consistent with Council's priority of achieving 60% Diversion by 2008 and 100% by the year 2012. It provides for four new projects: Diversion Facilities, Perpetual Care of Landfills, Transfer Stations Asset Management, and Residential Collection.
- The Revised 5-Year Capital Plan provides for the construction of 3 new facilities, however achieving this plan may be a challenge operationally with respect to timelines, site location, and Environmental Assessments.
- The revised cash flow projections of \$63.448 million in 2007, \$57.013 million in 2008, \$21.384 million in 2009 and \$33.849 million in 2010 for Solid Waste Management Services be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.
- There have been a number of policy changes approved by Council, which have had an impact on the Solid Waste Management Services Multi-Year Plan approved in June 2005, therefore the Acting General Manager, Solid Waste Management Services, has been requested to report back with the implications these Council decisions will have on the Program's ability to meet the diversion targets within the time lines assumed.

**Recommendations**

It is recommended that:

1. the 2006-2015 Solid Waste Management Services Capital Program request with a total 10-year project cost of \$253.973 million be received;
2. the 2006 Proposed Capital Budget for Solid Waste Management Services with a total project cost of \$10.361 million and a 2006 cash flow of \$25.268 million and future year commitments of \$36.931 million be approved. The 2006 Proposed Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 13 new and change-in-scope sub-projects with a 2006 total project cost of \$10.361 million that requires cash flow of \$10.361 million in 2006 and no future year commitment; and
    - ii) 13 previously approved sub-projects with a 2006 cash flow of \$10.478 million and a future year commitment of \$33.489 million in 2007;
  - b) 2006 approved cash flow for 7 previously approved sub-projects with carry forward funding from 2005 into 2006 totalling \$4.429 million;
3. new debt service costs of \$0.416 million in 2006 and incremental costs of \$2.343 million in 2007, \$3.102 million in 2008, and \$0.379 million in 2009, resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
4. incremental operating impacts in the Solid Waste Management Services Operating Budget of \$(0.450) million for 2006, \$(0.097) million for 2007, \$(0.172) million in 2008, \$8.092 million in 2009, and \$0.925 million in 2010, emanating from the approval of the 2006 Capital Budget be considered within the overall scope of the 2006 and future years' operating budget submissions;
5. the revised cash flow projections of \$63.448 million in 2007, \$57.013 million in 2008, \$21.384 million in 2009, and \$33.849 million in 2010 for Solid Waste Management Services be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in Spring 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits, and outlining the impact the recommended Capital Plan would have on achieving the 2010 Diversion targets;
6. the Acting General Manager, Solid Waste Management Services report back to the Budget Advisory Committee in the Spring of 2006 with a list of Council decisions since June 2005 impacting Solid Waste Management Services, and an assessment of how these decisions impact the Program's ability to meet the 2008 to 2012 Diversion targets and time lines, as outlined in its Council-approved Business Plan;

7. the Acting General Manager, Solid Waste Management Services report back to the Budget Advisory Committee in the Spring of 2006 on operational challenges related to sites, site locations, and Environmental Assessments, for the construction of new waste management facilities, and how these challenges may impact the Program's ability to meet the diversion targets within the timelines assumed; and
8. the 2006 Proposed cashflow of \$0.562 million associated with the Diversion Facilities Collection Vehicles be approved conditional upon the approval of the Solid Waste Management Services 2006 Operating Budget.

### 2005 Capital Variance Review

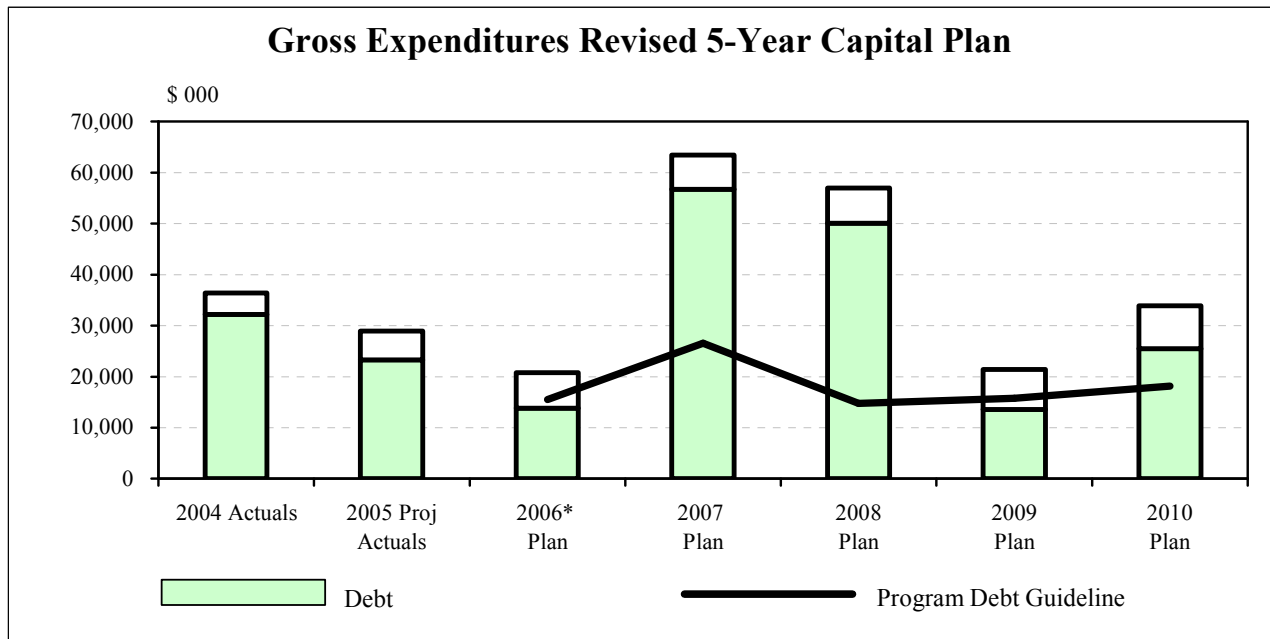
2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
35,987	18,464	51	28,897	80	7,090

#### Comments / Issues:

- Solid Waste Management Services projected the year-end spending rate for 7 approved projects at 80% in its September 30, 2005 Variance Report
- Analysis of actuals to date and commitments in SAP, and the Program's historical spending capacity, indicates that additional 2005 funding to be carried forward into 2006 will likely be required. Further review is required by the Program given actuals, commitments to date and the carry forward being requested.
- The general level of 2005 funding required to be carried forward into 2006 arises from a number of factors which are listed below:
  - Diversion Facilities - \$3.814 million
    - Additional Source Separated Organic Processing Capacity Project (\$1.000 million), deferred to allow for the completion of the Public Facility Planning study, under the direction of the Source Separated Organic sub-committee prior to construction
    - Dufferin Container Line Upgrade of Optical Glass Sorter Project (\$0.850 million) deferred to allow sufficient time for commissioning and to monitor the Facility's operation prior to the upgrade
    - Covered bunker at Commissioners Street (\$0.627 million) and Automated Vehicle Location Technology (\$0.412 million) deferred due to the lengthy tendering and contract negotiation process respectively
    - Reuse Centres Project (\$0.450 million) deferred due to there being no acceptable city location expected to be found in 2005
    - Start-up of the Environmental Assessment for the Residual Waste Management Facilities Project (\$0.350 million) deferred due to ongoing development of public participation model with a sub-committee of Works Committee
  - Multi-Unit Residential Containers (\$0.269 million) delayed due to the management of the lengthy tendering process for the additional purchase of the re-designed containers for multi-unit residential units

- Perpetual Care of Landfills (\$1.267 million) due mainly to the postponement of investigative work and construction work at various old landfills and at the Keele Valley Landfill with respect to its closure due to slower than anticipated investigation, design and approval process.
- Transfer Station Asset Management (\$1.740 million)
  - Repairs to tipping floor at the Commissioners Street Transfer Station (\$1.000 million) due to legal proceedings related to the original design of the floor
  - Relocation of Household Hazardous Waste depot at Bermondsey Transfer Station (\$0.250 million) due to the lengthy design specification process
  - Tipping floor repairs at Bermondsey Transfer Station (\$0.220 million) and staff facilities renovation at Ingram Yard (\$0.170 million) due to re-priorization of projects
  - Additional work pending legal agreement with supplier for Geoware enhancements (\$0.100 million)
- It appears that projects have received approval, but are not ready to proceed in the year of approval. It is therefore recommended that the Program's focus should be on cashflows based on readiness, as well as project and procurement management.

## 5-Year Capital Plan (2006-2010)



	5 Year Plan							2006-2010
	2004	2005	2006	2007	2008	2009	2010	
<b>Gross Expenditures:</b>								
Budget (Excluding 1-Yr. Carry/Fwd)	35,900	28,424	20,839	63,448	57,013	21,384	33,849	196,533
1-Yr Carry/Fwd Gross (Reference only)	17,699	7,563	4,429					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	53,599	35,987	25,268					
Actuals	36,412	28,897						
<b>Financing:</b>								
Debt			13,861	56,718	50,084	13,600	25,500	159,763
Debt Actuals (including 1-Yr Carry/Fwd)	32,193	23,322						
<b>Program Debt Target</b>			<b>15,500</b>	<b>26,535</b>	<b>14,806</b>	<b>15,787</b>	<b>18,102</b>	<b>90,730</b>
Other Financing Sources:								
Reserves/Reserve Funds			6,978	6,730	6,929	7,784	8,349	36,770
Development Charges								0
Federal								0
Provincial								0
Other Revenue								0
<b>By Category:</b>								
Health & Safety								0
Legislative			15,861	58,948	52,471	16,884	29,449	173,613
SOGR			4,978	4,500	4,542	4,500	4,400	22,920
Service Improvement								0
Growth Related								0

Yearly SOGR Backlog Estimate (not addressed by current year projects)

Accumulated Backlog Estimate (end of year)

\*Note: 2006 Proposed Debt excludes 1-year carry forward of \$4.429 million

- The Revised 5-Year Capital Plan, which totals \$200.962 million, including 2005 funding carried forward into 2006, places a primary emphasis on fulfilling legislated requirements and achieving the 2010 Diversion Targets set by Council.
- 88% or \$176.302 million of the Total Projected 5-Year Cash Flow is allocated to Legislated projects for Diversion Facilities, Perpetual Care of Landfills, and Residential Collection, and 12% or \$24.660 million is allocated to State of Good Repair projects relating to Transfer Stations Asset Management, and Residential Collection.
- The Revised 5-Year Capital Plan maximizes the application of reserves and other offsetting funding to reduce the demand on debt where possible. There will continue to be a significant reliance on debt financing in 2006 and beyond.
- The Revised 5-Year Capital Plan reflects annual debt funding requests which in aggregate far exceed the 5-Year debt guidelines in total by \$69.033 million, and is therefore not affordable.
- The significant increases in the amounts requested for 2007 and beyond are not manageable from a funding perspective; therefore it has been recommended that the Deputy City Manager & Chief Financial Officer, in consultation with appropriate staff, review this Program's 5-Year Plan in relation to all other Programs' projects, and report back to the Budget Advisory Committee in the Spring of 2006 with respect to the Program's debt affordability in the context of the City's total debt affordability limits. The major pressures are the following 4 large projects:
  1. Diversion Facilities: This project encompasses the design and construction of Material Recovery Facilities, Mixed Waste Processing Facilities, SSO processing facilities, composting sites, and New and Emerging Technology Facilities. These sites are necessary to replace existing Diversion Facilities and to increase diversion of the municipal/ICI waste stream currently managed by the City of Toronto. The total cost over 5 years is \$137.988 million.
  2. Perpetual Care of Landfills: This project encompasses a variety of subprojects considered necessary for the ongoing maintenance of closed environmentally sound landfill sites after primary operations have ended. These include: monitoring, consulting and possible remedial measures related to surface water, ground water, landfill gas and ambient air; maintenance of leachate and gas control systems; correction of soil erosion/settlement on slopes and the repair of roadways. This project includes the old landfills under the jurisdiction of the former area municipalities (i.e. Metro, Scarborough and other Community Council Areas). The total cost over 5 years is \$34.501 million.
  3. Transfer Stations Asset Management: This project includes miscellaneous operational improvements that are required to meet safety, health, operational and environmental requirements such as the Gas Handling Act and Ministry of Environment (MOE) standards. They include: preservation of infrastructure, additional facilities to enhance services, energy conservation measures, reduction of off-site impacts, and improvements to operating efficiency. The total cost over 5 years is \$22.391 million.
  4. Residential Collection: This project includes several activities which have a total cost of \$5.472 million over 5 years:



- a. Multi-Unit Residential Container Replacement Program and the purchase of containers used for garbage and recycling collection in multi-unit residential buildings. 50% of the containers currently in the field (approximately 750 containers) are over 13 years old and require replacement. An additional 300 containers are required for new development locations.
  - b. Residential Waste Levy Program for the purchase of Bins and Carts
  - c. Townhouse Collection – for single point set outs of waste and recyclables in townhouse developments
  - d. Litter Operations – to purchase pickup trucks and litter containers in Districts 3 and 4.
- The achievement of the Revised 5-Year Capital Plan may be a challenge operationally with respect to timelines, site location, and Environmental Assessments required. The Acting General Manager, Solid Waste Management Services, is being requested to report back on how to address the challenges.
- The policy changes approved by Council since the adoption of the Solid Waste Management Services Multi-Year Plan in June 2005 may have implications on the Revised 5-Year Capital Plan with respect to the Program's ability to meet the diversion targets within the time lines assumed. The Acting General Manager, Solid Waste Management Services, is being requested to report back on how to address the challenges.
- The Program's 5-Year Capital Plan has already been adjusted, however it is still over the Program's debt in every year with the exception of 2009.

## 2006 Capital Budget Submission Summary (\$000)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward		Total 2006 (Incl 2005 C/Fwd)	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Carryforwards:</b>															
Residential Collection Containers (Rental)	3									0	0	269	0	269	0
Transfer Station Asset Management	3									0	0	1,000	1,000	1,000	1,000
Reuse Centers	2									0	0	450	450	450	450
Residual Waste Management Facilities	2									0	0	350	350	350	350
Transfer Station Modifications	2									0	0	627	627	627	627
Dufferin MRF	2									0	0	70	70	70	70
Dufferin MRF - Single Stream	2									0	0	780	780	780	780
SSO Additional Processing Capacity	2									0	0	500	500	500	500
<b>Sub-Total</b>				0	0	0	0	0	0	0	0	4,046	3,777	4,046	3,777
<b>Previously Approved:</b>															
Beare Road - 2006	2					28	0			28	0			28	0
Brock West - 2006	2					511	0			511	0			511	0
Remedial Measures - 2006	2					107	0			107	0			107	0
Old Landfill Remediation - Metro Sites	2					98	0			98	0			98	0
Old Landfill Remediation - Scarborough 2006	2					869	0			869	0			869	0
Old Landfill Survey - Scarborough 2006	2					386	0			386	0			386	0
Old Landfill Remediation - Community 2006	2					947	0			947	0			947	0
Brock West	2					200	0			200	0			200	0
Old Landfill Survey - Scarborough	2					485	0			485	0			485	0
Keele Valley	2					2,093	0			2,093	0			2,093	0
Old Landfill Site Remediation - Scarborough	2					485	0			485	0			485	0
SSO Additional Processing Capacity	2	0	0			4,500	4,500			4,500	4,500	0	0	4,500	4,500
<b>Sub Total</b>		0	0	0	0	10,709	4,500	0	0	10,709	4,500	0	0	10,709	4,500
<b>New and Change in Scope Projects</b>															
Multi-Unit Residential Containers	3	4,000	0					400	0	400	0			400	0
Keele Valley	2	100	0					50	0	50	0			50	0
Beare Road	2	100	0					50	0	50	0			50	0
Collection Vehicles	2	725	725					725	725	725	725			725	725
Townhouse Collection	2	2,413	2,413					2,413	2,413	2,413	2,413			2,413	2,413
Litter Operations	2	170	170					170	170	170	170			170	170
Clean and Beautiful City	2	540	540					540	540	540	540			540	540
Transfer Station Modifications	2	700	700					700	700	700	700			700	700
Multi-Unit Bins and Carts	2	690	690					280	280	280	280			280	280
Transfer Station Asset Management	3	40,651	40,651					4,309	4,309	4,309	4,309			4,309	4,309
Residual Waste Management Facilities	2	66,400	66,400					400	400	400	400			400	400
Mechanical - Biological Treatment Facility	2	40,000	40,000					5,000	5,000	5,000	5,000			5,000	5,000
Reuse Centres	2	3,000	3,000												
Perpetual Care of Landfills	2	70,448	0												
SSO Additional Processing Capacity	2	24,036	24,036												
<b>Sub Total</b>		253,973	179,325	0	0	0	0	15,037	14,537	15,037	14,537	0	0	15,037	14,537
<b>Total Submission 2006</b>		<b>253,973</b>	<b>179,325</b>	<b>0</b>	<b>0</b>	<b>10,709</b>	<b>4,500</b>	<b>15,037</b>	<b>14,537</b>	<b>25,746</b>	<b>19,037</b>	<b>4,046</b>	<b>3,777</b>	<b>29,792</b>	<b>22,814</b>

## Proposed 2006 Capital Budget Changes (\$000)

		2006 Requested Cash Flow		Proposed Changes			2006 Proposed Cash Flow	
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
<b>2005 Carryforwards</b>								
Residential Collection Containers (Rental)	3	269	0	(269)	0		0	0
Transfer Station Asset Management	3	1,000	1,000	740	740	Revised workplan	1,740	1,740
Reuse Centers	2	450	450				450	450
Residual Waste Management Facilities	2	350	350				350	350
Transfer Station Modifications	2	627	627				627	627
Dufferin MRF	2	70	70				70	70
Dufferin MRF - Single Stream	2	780	780				780	780
SSO Additional Processing Capacity	2	500	500	(500)	(500)	Deferred to meet debt target.	0	0
Automated Vehicle Location	2			412	412	Revised workplan	412	412
<b>Sub Total</b>		<b>4,046</b>	<b>3,777</b>	<b>383</b>	<b>652</b>		<b>4,429</b>	<b>4,429</b>
<b>2004 Carryforwards</b>							0	0
<b>Sub Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>2006 Previously Approved Commitments</b>								
Beare Road - 2006	2	28	0				28	0
Brock West - 2006	2	511	0				511	0
Remedial Measures - 2006	2	107	0				107	0
Old Landfill Remediation - Metro Sites	2	98	0				98	0
Old Landfill Remediation - Scarborough 2006	2	869	0				869	0
Old Landfill Survey - Scarborough 2006	2	386	0				386	0
Old Landfill Remediation - Community 2006	2	947	0				947	0
Brock West	2	200	0				200	0
Old Landfill Survey - Scarborough	2	485	0				485	0
Keele Valley	2	2,093	0				2,093	0
Old Landfill Site Remediation - Scarborough	2	485	0				485	0
SSO Additional Processing Capacity	2	4,500	4,500	(500)	(500)	Deferred to meet debt target.	4,000	4,000
Residential Collection Containers (Rental)	3			269			269	0
<b>Sub Total</b>		<b>10,709</b>	<b>4,500</b>	<b>(231)</b>	<b>(500)</b>		<b>10,478</b>	<b>4,000</b>
<b>New Projects</b>								
Multi-Unit Residential Containers	3	400	0				400	0
Keele Valley	2	50	0				50	0
Beare Road	2	50	0				50	0
Collection Vehicles	2	725	725	(163)	(163)	Deferred to meet debt target.	562	562
Townhouse Collection	2	2,413	2,413	(2,413)	(2,413)	Deferred to meet debt target.	0	0
Litter Operations	2	170	170	(70)	(70)	Deferred to meet debt target.	100	100
Clean and Beautiful City	2	540	540	70	70	Revised workplan	610	610
Transfer Station Modifications	2	700	700				700	700
Multi-Unit Bins and Carts	2	280	280				280	280
Transfer Station Asset Management	3	4,309	4,309				4,309	4,309
Residual Waste Management Facilities	2	400	400				400	400
Mechanical - Biological Treatment Facility	2	5,000	5,000	(3,000)	(3,000)	Deferred to meet debt target.	2,000	2,000
Reuse Centres	2	0	0	900	900	Revised workplan	900	900
<b>Sub Total New Projects</b>		<b>15,037</b>	<b>14,537</b>	<b>(4,676)</b>	<b>(4,676)</b>		<b>10,361</b>	<b>9,861</b>
<b>Total 2006 Proposed (Incl. 2005 C/Fwd)</b>		<b>29,792</b>	<b>22,814</b>	<b>(4,524)</b>	<b>(4,524)</b>		<b>25,268</b>	<b>18,290</b>
Less 2005 Carry Forwards		(4,046)	(3,777)	(383)	(652)		(4,429)	(4,429)
<b>Total 2006 Proposed (Excl. 2005 C/Fwd)</b>		<b>25,746</b>	<b>19,037</b>	<b>(4,907)</b>	<b>(5,176)</b>		<b>20,839</b>	<b>13,861</b>

**Total 2006 Proposed Cash Flow & Future Year Commitments**  
**(\$000s)**

	2004 & Prior Year Carry Forward	2006 Previous Commitments	2006 New Proposed	2006 Total Cash Flow Proposed	2006 Guidelines	2005 Carry Forward	Total 2006 Cash Flow (Incl 2005 C/Fwd)	2007	2008	2009	2010	2011- 2015	Total Cost
<b>Expenditures</b>													
Previously Approved		10,478		10,478		4,429	14,907	33,489	3,442				51,838
Change in Scope			562	562			562						562
New			1,410	1,410			1,410						1,410
New w/Future Year		0	8,389	8,389			8,389						8,389
<b>Total Expenditure</b>	<b>0</b>	<b>10,478</b>	<b>10,361</b>	<b>20,839</b>	<b>0</b>	<b>4,429</b>	<b>25,268</b>	<b>33,489</b>	<b>3,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,199</b>
<b>Financing</b>													
Debt		4,000	9,861	13,861	15,500	4,429	18,290	27,259	3,442				48,991
Subsidy (SCPI)				0			0						0
Prov. Subsidy/Grant				0			0						0
Development Charges				0			0						0
Other				0			0						0
Federal Grants				0			0						0
Reserves/Res Funds		6,478	500	6,978			6,978	6,230					13,208
<b>Total Financing</b>	<b>0</b>	<b>10,478</b>	<b>10,361</b>	<b>20,839</b>		<b>4,429</b>	<b>25,268</b>	<b>33,489</b>	<b>3,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,199</b>

**Comments / Issues:**

- The 2006 Proposed Capital Budget is \$25.268 million gross, including \$10.478 million in funding for previously approved commitments primarily for the SSO Additional Processing Capacity, and Perpetual Care of Landfills (Keele Valley) projects; \$10.361 million for new/change in scope projects primarily for the Transfer Stations Asset Management, and Mechanical-Biological Treatment Facility projects; and \$4.429 million for projects such as Transfer Stations Asset Management, and Material Recovery Facilities, carried forward from 2005 into 2006.
- Approval of the 2006 Proposed Capital Budget will result in future year commitments of \$33.489 million in 2007 and \$3.442 million in 2008 for the following two previous approved projects:
  - Diversion Facilities (2007 - \$27.259 million and 2008 - \$3.442 million)
  - Perpetual Care of Landfills (2007 - \$6.230 million)
- There are no new commitments resulting from the approval of the 2006 Proposed Capital Budget.

## Operating Budget Impact

### Incremental Operating Budget Summary

Incremental Operating Budget Impact	2006	2007	2008	2009	2010
Program Costs (net) (\$000s)	(450)	(97)	(172)	8,092	925
Debt Service Charges (\$000s)	415.8	2,342.5	3,101.8	378.6	0.0
Approved Positions		4	11	8	

### Program Incremental Operating Costs

The 2006 Proposed Capital Budget will result in incremental impacts on the Operating Budget in 2006 and future years, as a result of the following capital projects/subprojects:

2006 Capital Projects/Sub-Projects	2006 (\$000s)	2006 approved position change	2007 (\$000s)	2007 approved position change
DIVERSION FACILITIES Dufferin Material Recovery Facility-Single Stream	(562)		(562)	
DIVERSION FACILITIES Reuse Centres			465	4
DIVERSION FACILITIES Collection Vehicles	112			
<b>TOTAL</b>	<b>(450)</b>	<b>0</b>	<b>(97)</b>	<b>4</b>

The incremental operating costs outlined above include the following:

- Diversion Facilities – Dufferin Material Recovery Facility – Single Stream: The net Program savings of \$0.562 million in 2006 is mainly due to disposal savings from installing the optical sorting equipment.
- Diversion Facilities – Reuse Centres: 4 additional positions and \$0.465 million in 2007 for the annual net operating costs of operating one reuse centre starting in 2007.
- Diversion Facilities – Collection Vehicles: \$0.112 million in 2006 for fuel and fleet contribution of 10 pick-up trucks for Multi-unit Waste Reduction Levy by-law enforcement program, and 4 trucks for enforcement of mandatory waste diversion by-law for single-unit residences.

Any 2006 Proposed cashflow of \$0.562 million associated with Diversion Facilities Collection Vehicles be approved conditional upon the approval of the Solid Waste Management Services 2006 Operating Budget.

**Debt Service Cost**

The 2006 Proposed Capital Budget will result in new debt service costs of \$0.416 million in 2006 and incremental costs of \$2.343 million in 2007; \$3.102 million in 2008; and \$0.379 million in 2009.

*Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years*

## **2006-2015 Capital Program Solid Waste Management Services**

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### **PART II: ISSUES FOR DISCUSSION**

#### **2006 Issues**

##### **2006 Proposed Capital Budget versus Guideline**

The 2006 Proposed Capital Budget of \$20.839 million reflects a debt funding level of \$13.861 million, which achieves the 2006 debt affordability guideline for Solid Waste Management Services of \$15.500 million. The 2006 Proposed Capital budget has a debt funding level of \$13.861 million, of which 71% is allocated to New/Change of Scope at \$9.861 million; and 29% to previously approved commitments at \$4.000 million.

##### **Revised 5 Year Capital Plan Overview**

As reflected in the following table, the Solid Waste Management Services' future year budget trend is driven primarily by the City's Diversion Initiative. To reach the Diversion Target of 60% by 2008, the majority of costs in the Diversion Facility project are for SSO Additional Processing Capacity and Mechanical-Biological Treatment Facility, which results in debt funding requests significantly higher than its debt guidelines for each year from 2006 to 2010. In total, the Revised 5-Year Capital Plan exceeds the debt target by \$69.033 million.

It is therefore recommended that the revised cash flow projections for Solid Waste Management Services be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in Spring 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

The Revised 2006-2010 Capital Plan totals \$196.533 million, excluding carry forward of 2005 funding into 2006, and is comprised of 4 major projects:

1. Diversion Facilities (\$135.299 million), with the majority of costs to be incurred in 2007 and 2008
2. Perpetual Care of Landfills (\$34.501 million)
3. Transfer Stations Asset Management (\$20.651 million)
4. Residential Collection (\$5.472 million)

The Revised 5-Year Capital Plan may face pressures operationally due to tight timelines assumed, and the potential issues presented by site location, and Environmental Assessments. The Revised 5-Year Capital Plan needs to be evaluated to determine whether all projects are ready to proceed, and whether they meet all needs requirements.

**2006-2010 Capital Plan**  
**(Excludes Carry Forward Funding)**  
**(\$ 000s)**

	2006	2007	2008	2009	2010	Total 2006-2010
Perpetual Care of Landfills	6,309	6,330	6,529	7,384	7,949	34,501
Residential Collection	1,049	3,223	400	400	400	5,472
Transfer Stations Asset Management	4,309	4,100	4,142	4,100	4,000	20,651
Diversion Facilities	8,562	49,795	45,942	9,500	21,500	135,299
Clean & Beautiful City	610					610
<b>Total Expenditure</b>	<b>20,839</b>	<b>63,448</b>	<b>57,013</b>	<b>21,384</b>	<b>33,849</b>	<b>196,533</b>

Over the next 5 years, the vast majority of projects are to be financed almost exclusively by debt.

Given the substantial resources and capacity required to achieve the 2010 Diversion Targets, as well as the City's affordability for debt funding, the Program faces a significant challenge in future years. Any reduction in funding for the Program's initiatives may negatively impact the achievement of its Council-directed diversion targets. It has therefore been recommended that the Acting General Manager, Solid Waste Management Services report back to the Budget Advisory Committee in Spring 2006 with a list of Council decisions since June 2005 impacting Solid Waste Management Services, and an assessment of how these decisions impact the Program's ability to meet the 2008 to 2012 Diversion targets and time lines, as outlined in its Council-approved Business Plan.



## Revised 5-Year Capital Plan Proposed Changes (\$000)

Project / Sub-Project Name	Cat	2006		2007		2008		2009		2010		TOTAL 2011-2015	
		Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12
<b>PROGRAM REQUEST</b>		<b>25,746</b>	<b>19,037</b>	<b>66,035</b>	<b>59,305</b>	<b>55,513</b>	<b>48,584</b>	<b>33,384</b>	<b>25,600</b>	<b>33,849</b>	<b>25,500</b>	<b>85,586</b>	<b>35,000</b>
<b>Proposed 2006 Changes</b>		(4,907)	(5,176)										
<b>PROPOSED CHANGES:</b>													
<b>Previously Approved:</b>													
Beare Road - 2006	2												
Brock West - 2006	2												
Remedial Measures - 2006	2												
Old Landfill Remediation - Metro Sites	2												
Old Landfill Remediation - Scarborough 2006	2												
Old Landfill Survey - Scarborough 2006	2												
Old Landfill Remediation - Community 2006	2												
Brock West	2												
Old Landfill Survey - Scarborough	2												
Keele Valley	2												
Old Landfill Site Remediation - Scarborough	2												
SSO Additional Processing Capacity	2					1,500	1,500						
Residential Collection Containers (Rental)	3												
<b>New:</b>													
Multi-Unit Residential Containers	3												
Keele Valley	2												
Beare Road	2												
Collection Vehicles	2												
Townhouse Collection	2			2,413	2,413								
Litter Operations	2												
Clean and Beautiful City	2												
Transfer Station Modifications	2												
Multi-Unit Bins and Carts	2												
Transfer Station Asset Management	3												
Residual Waste Management Facilities	2					(5,000)	(5,000)	(15,000)	(15,000)			20,000	20,000
Mechanical - Biological Treatment Facility	2			(5,000)	(5,000)	5,000	5,000	3,000	3,000				
Resuse Centres	2												
Perpetual Care of Landfills	2												
Sub-Total Proposed Changes		(4,907)	(5,176)	(2,587)	(2,587)	1,500	1,500	(12,000)	(12,000)	0	0	20,000	20,000
<b>Proposed 5-Yr. Cash Flow</b>		<b>20,839</b>	<b>13,861</b>	<b>63,448</b>	<b>56,718</b>	<b>57,013</b>	<b>50,084</b>	<b>21,384</b>	<b>13,600</b>	<b>33,849</b>	<b>25,500</b>	<b>105,586</b>	<b>55,000</b>
<b>Debt Guideline</b>			<b>15,500</b>		<b>26,535</b>		<b>14,806</b>		<b>15,787</b>		<b>18,102</b>		
<b>Variance To Debt Guideline</b>			(1,639)		30,183		35,278		(2,187)		7,398		

**Capacity**

The spending rate for 2005 indicates that the Program has been able to improve over prior year spending rates and has attempted to ensure that project delays are kept to a minimum, especially when funded by debt. The request for 1 year carry forward of unspent 2005 funds to 2006 has decreased from \$7.563 million in 2005 to \$4.429 million in 2006.

There is, however, concern in the spending rate in the 2005 Capital Budget to date: only 51% of the 2005 Approved Budget of \$35.987 million has been spent up to September 30, 2005. Deferrals and delays are generally attributable to managing the procurement process, lengthy and complicated contract negotiation processes, and lengthy design specification processes. These issues limit the Program's ability to spend the 2005 approved budget. The Program however, is projecting a spending rate for year end of 80%, or an additional \$10.433 million of spending in 4<sup>th</sup> Quarter 2005. It is expected that \$4.600 million of 2005 funding will be carried forward into 2006.

The 2006 Proposed Capital Budget for Solid Waste Management Services will face significant capacity issues given the magnitude of the cash flow projected for future years. The Revised 5-Year Capital Plan project expenditure level more than doubles from \$20.839 million in 2006, to \$63.448 million and \$57.013 million in 2007 and 2008, respectively.

From a readiness standpoint, the need to procure suitable sites and the requirement for Environmental Assessments on those proposed sites present some major challenges. Based on this, it is likely that the projects may not proceed as scheduled. It is recommended that the Program improve project management and procurement planning.

**Backlog of Projects – Unmet Needs**

There is no significant backlog of State-of-Good-Repair (SOGR) projects in the Solid Waste Management Capital Program. The planned use of the 2006 Capital Budget is to address current SOGR needs, and the Revised 5-Year Capital Plan addresses the Program's needs regarding SOGR.

**Strategic Direction****Solid Waste Management Services Multi-Year Business Plan**

In addition to its strategic plan, the *Solid Waste Management Services Multi-Year Business Plan* was approved by Council and the Works Committee in June 2005, with amendments. The plan provides a long-term overview of the actions and decisions that will be required to meet Toronto's waste diversion goals and to secure dependable long-term management of residual solid waste over the next decade.

Since June 2005, there have been a number of policy changes adopted by Council such as the removal of the residential \$1.00 per bag tag fee for each bag over the proposed four-bag limit, and changing the bag limit to five from four, which have impacted the approved Solid Waste Management Services Multi-Year Business Plan's Diversion targets, and specifically impacted Solid Waste Management Services' Operating and Capital to implement these diversion targets. It is therefore recommended that Solid Waste Management report back in the spring of 2006 on a 5-year capital plan with respect to the impact of these amendments on the Solid Waste Management Services Multi-Year Business Plan.

**Issues Referred to 2006 Capital Budget**

There are no issues referred to 2006 Capital Budget.

**Outstanding Issues from Prior Years**

There are no outstanding issues from prior years.

**Appendix 1**  
**Proposed 2006 Capital Budget**  
**and 2007 to Revised Program**

**Appendix 2**  
**Proposed 2006 Capital Budget**  
**& Future Years Commitments**

**Appendix 3**  
**Proposed 2006 Capital Project**  
**with Financing Details**

## **Appendix 4**

### **Reserve / Reserve Fund Review**

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Balance as of Sept 30	Proposed Withdrawals			
			2006	2007	2008	2009 & Beyond
XQ1014 Solid Waste Capital Equipment Replacement Reserve	SOL906580 Residential Collection	\$21,979	\$669			
XR1013 Solid Waste Management - Perpetual Care Reserve Fund	SOL000011 Perpetual Care of Landfills	\$18,519	\$6,309	\$6,230		
Total Reserve / Reserve Fund		<b>\$40,498</b>	<b>\$6,978</b>	<b>\$6,230</b>	<b>\$0</b>	<b>\$0</b>