



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA
Director, Financial Services/Treasurer

Date: Wednesday, June 05, 2024

Subject: Regional Food and Organics Waste Program Funding Model Discussion

Report #: 2024-0605-FIN-R11-MR

Purpose

The purpose of this report is to provide County Council with an analysis of the various funding models for the Regional Food and Organics Waste Management Program (Green Bin Program), including the option of funding the program through the County of Essex property tax levy.

Background

At the County Council meeting on May 15, 2024, a notice of motion was filed requesting County Council support to fund the Green Bin program via the County of Essex property tax levy. Additionally, the motion called for County Administration to prepare an administrative report detailing and assessing the ramifications of this decision.

For clarity, the discussion and analysis contained within this report relates solely to regional organics collection and processing. While elements of this analysis may be familiar to Council given previous presentations to local municipal councils on funding methodologies available to address the proposed transfer of waste collection services from the local to upper tier level, this report does not include analysis of funding options for waste collection or any service, other than the Green Bin Program, provided by the Essex Windsor Solid Waste Authority (the EWSWA) on behalf of County municipalities.

Revenue-Raising Powers of Municipalities

As creatures of the Province, municipalities are limited in their revenue-raising powers to a handful of different collection models: property taxes, user fees, licence fees and regulatory charges. Choosing a model is often based on answering the following questions:

- 1) Is the service accessible/available to all property owners?
- 2) Is there an identifiable link between the cost of the service and the fee?
- 3) Is there a reasonable connection between the cost of the service and the amount to be charged?

In general, the more widely accessible a service is to **all** property owners and the less connection there is between the cost of the service and the fee, the higher the support for a **general levy** funding model.

A general levy funding model collects revenue based on the property wealth of an owner with no regard to the level of use of the service.

Conversely, the more restrictive a service is to **fewer** property owners and the higher the connection there is between the cost of the service and the fee, the higher the support for a **user fee** funding model.

A user fee funding model collects revenue based on the participation level of a user in the service (either actual use and/or access to use).

Discussion

Currently, Essex County local municipalities charge residents differently for waste services. The Town of Essex, Municipality of Lakeshore and Municipality of Leamington have a separate special area rate, charged only to properties receiving waste services, that includes EWSWA specific costs as well as other waste costs. The Town of Amherstburg, Town of Kingsville, Town of LaSalle and Town of Tecumseh charge all classes of property for EWSWA waste services through their general levy.

EWSWA Administration's intention is to collect for the Green Bin Program using the same user fee model that is currently used for all other non-hazardous solid waste management programs administered by the Authority.

The current EWSWA funding model is comprised of both a fixed cost fee and a tipping fee. The per tonne tipping fees assessed for the disposal of traditional refuse and leaf and yard waste are a function of the amount of material received for disposal. Each municipality is invoiced only for the

material generated in their municipality. The Total Waste Management Fee, which includes a portion of the costs related to the Regional Landfill debenture and cell development costs, Town of Essex host compensation and administrative costs, is assessed to the City of Windsor and local municipalities based on population.

This funding model charges fees directly to the municipality based on its municipal wide usage, incentivizing waste reduction and ensuring that costs are borne by those who generate the waste. The shift to a County levy model for the Green Bin Program, as proposed, represents a significant change in the established funding strategy.

It should be noted that Section 5(g) of the agreement between the County of Essex and the City of Windsor pertaining to the creation of the Essex-Windsor Solid Waste Authority “the Authority”) states the following:

The operations of the Authority will be funded by a means to be recommended from time to time by the Authority, based upon an operational plan and accompanying budget which has received approval from both City and County Councils.

Although the County is considering changing the funding model for the Authority, the Authority retains the primary role in recommending the most effective funding methods to ensure operational success. These recommendations, based on a detailed operational plan and budget, must then be reviewed and approved by both City and County Councils before implementation, either through the Budget process or a Council Resolution.

Should County Council vote to change the funding model for the Green Bin Program, the EWSWA Administration has directed that County Council will need to pass a resolution identifying their preferred funding model and rationale and forward it to the EWSWA Board for their consideration.

In response to the Town of Kingsville’s Notice of Motion, Administration has prepared three options for Council’s consideration for funding the Green Bin Program:

1. A user fee-based funding model.
2. A County levy-based funding model using weighted assessment.
3. A hybrid model that combines the County levy-based funding model with a user fee methodology.

Attached as **Appendix A** is a summary of the proportionate financial impact to each local municipality under these various options. Please note, for simplicity, the weighted assessment models assume all residential households (both urban and rural) will participate in the Green Bin Program.

If only urban settlement areas will participate, the assessment base would be reduced to eliminate properties in the rural area.

Following is a list of the general benefits and challenges of each funding model.

User Fee Funding Model

Benefits

- **Incentive:** By charging fees based on the volume of organic waste generated, municipalities and residents are encouraged to minimize their waste, promoting more environmentally responsible behaviour.
- **Equity:** Costs are charged based on the use of the service rather than the assessed value of property. Assessment values have little to no correlation to waste volumes.
- **Scalability:** This model can provide a steady and predictable source of funding that will increase as use and associated costs of the program increase.
- **Consistency:** Adopting a user fee model would align with the established billing method employed for all other ESWA provided services.
- **Transparency:** Under regulation, local municipalities with organic diversion targets are responsible for the results of the organic program in their municipality. A user fee model provides regular billing data to the municipality that can be used to inform decision making about other waste practices in the control of the municipality.

Challenges

- **Complexity:** Collecting and managing user fees can be administratively burdensome, requiring strong billing systems and enforcement mechanisms, however, ESWA is already required to track extensive data to meet Ministry reporting requirements and will now have to report organic diversion targets on behalf of 4 of the 7 local municipalities.
- **Compliance:** Some users may attempt to avoid fees by improper disposal methods which can create additional environmental and enforcement challenges.

County Levy Funding Model

Benefits

- **Simplicity:** Adding the cost of regional organics to the County Budget is relatively simple. The costs would be incorporated into the total levy requirement and a single tax rate established for all locals.

- **Broad Cost Distribution:** Costs would be spread across all property owners, resulting in a lower per capita cost for residential users of the system.
- **Stability:** The levy provides a stable and predictable source of funding, ensuring that the program can be reliably maintained.

Challenges

- **Lack of Direct Incentives:** Without direct user fees, residents may have less incentive to properly separate their waste using curbside programming, potentially undermining waste reduction goals and impacting waste diversion targets. Similarly, local municipalities will have less incentive to structure their waste collection programs to optimize organics diversion.
- **Perceived Inequity:** There is little to no correlation between the property value of a home and the amount of organic waste its occupants may or may not generate. Additionally, when provincial reassessment occurs to update assessment values from their current Jan 1, 2016 values, significant tax shifts may occur within the residential class resulting in shifts in the burden of who is paying for the Green Bin Program.
- **Complexity of Funding Model for Initial Term:** Municipalities will be onboarded into the Green Bin Program after January 1, 2025 or upon the expiration of waste collection contracts in place at the time of the original motion, whichever is later. This onboarding model results in municipalities receiving organics service at different times. A general levy funding model would apply costs to all local municipalities beginning with the onboarding of the first municipality. A municipality onboarded later in the initial term would be paying for services it is not yet receiving. To mitigate this issue, Authority Administration could proactively negotiate with the collection contractor and local municipalities to rollout the Green Bin Program to all municipalities at the same time in 2025. A resolution would be required from County Council to amend previous direction.
- **Broad Cost Distribution:** The general levy would charge all County properties for the collection of organics. Properties who will not receive organics services (i.e. multi-residential and non-residential) will be subsidizing residential properties.

Hybrid Funding Model

Benefits

- **Targeted Cost Allocation:** Incorporating user fees allows for more precise allocation of costs based on actual usage per municipality.

- **Incentivizes Waste Reduction:** Similar to a pure user fee model, this approach encourages municipalities and residents to minimize waste, promoting environmentally responsible behaviour.
- **Transparency:** Creating a special area rate on the tax bill will raise the awareness of the cost of the program for taxpayers. For municipalities that already separate the cost of waste programs on their tax bill, this will be a seamless transition. For municipalities that currently do not show waste costs separately, a special area rate for organics will improve transparency of the cost of managing waste.

Challenges

- **Administrative Complexity:** Managing a hybrid model will require special area rating tax calculations and adjustments to the Corporation's tax levy bylaw. The initial set up may require temporary additional administrative resources and/or the engagement of an external tax consultant.
- **Potential Confusion:** Identifying the cost of organics separately on the tax bill may be confusing for residents who are not used to seeing waste charges separately on their tax bill. Education and communication campaigns will be needed at rollout.
- **Scope of Special Area Rate:** A decision will need to be made to identify which properties the special area rate will apply to: only properties receiving the service or all properties.

Link to Strategic Goals

The EWSWA was formed to be the region's champion for economical and environmentally conscious integrated waste management. The County of Essex's Strategic Plan also commits to being leaders in public service excellence. A key component of public service excellence and accountability is environmental stewardship.

Funding models often have the ability to influence participant behaviour. Any funding model chosen for the Green Bin Program should be selected with the environmental goals of the region in mind and with a preference for models that help to integrate improved diversion behavior across all diversion programs.

COE Administrative Recommendation

Administration recommends the Green Bin Program be incorporated into the EWSWA Budget and revenue collected using the user fee model already established by the Authority. However, should County Council not prefer that method, Administration recommends adopting the Hybrid Model and creating a special area rate to be charged only to properties receiving the service.

The Hybrid Model retains the benefits of the user fee method and, applying the special area rate to only the properties receiving the service, will avoid charging County properties who cannot participate.

Financial Implications

While the change in funding model will affect each local municipality differently, the total overall cost will remain unchanged. Whether the costs are billed directly to local municipalities by the ESWWA or through a general or hybrid levy model by the County of Essex, Essex County property owners will be charged for the cost of the Green Bin Program.

The comparative shift from a user fee-based funding model to a levy-funded approach for the regional organic waste collection and processing program will have varying impacts on the local municipalities within Essex County as shown in the attached **Appendix A**.

The MPAC weighted assessment values used in the analysis are as of May 2024. As municipalities grow and assessment values change, the proportionate share of the Green Bin Program under a weighted assessment model will also change. If total weighted assessment is used to distribute Green Bin Program costs, either under a weighted assessment or hybrid model, a municipality experiencing large non-residential development will experience a tax shift onto its municipality and pay a higher proportion of Green Bin Program costs. A weighted assessment and/or hybrid model that collects from only residential properties will eliminate tax shifts onto the non-residential class.

Consultations

Michelle Bishop, General Manager, ESWWA

Recommendation

That Essex County Council receive the Regional Food and Organics Waste Program Funding Model Discussion report for information;

That Essex County Council advise County Administration of their preferred funding model and rationale for the expenses associated with the Regional Food and Organics Waste (Green Bin) Program; and

That Essex County Council direct Administration to prepare a report that identifies their preferred funding model with the rationale and forward it to the ESWWA Board for their consideration.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	Funding Model Financial Implications