



Administrative Report

To: Warden MacDonald and Members of Essex County Council

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

Date: Wednesday, March 4, 2026

Subject: Financial Implications Related to Funding Green Bin User Fees from Reserves

Report #: 2026-0304-FIN-R08-MR

Purpose

To respond to County Council's February 18, 2026, resolution that postponed the adoption of the 2026 User Fee Bylaw to allow Administration to analyze subsidizing the Green Bin User Fee from reserves.

This report outlines the financial implications of various levels of subsidy options, evaluates the impact on the County's reserves, particularly the Rate Stabilization Reserve and provides Administration's financial recommendation.

Background

The Green Bin Program is a user fee organic diversion program designed to serve all qualifying residential households in Essex County by the fall of 2026. Phase 1 municipalities began service in the fall of 2025 and Phase 2 municipalities will begin receiving service in the fall of 2026.

Annual fees were structured to fully recover program costs, including:

- EWSWA approved budget and contractual obligations
- Collection and processing contracts
- Projected tonnage
- CPI-based escalations
- Annual reconciliation adjustments

There are currently no County reserves dedicated to supporting the Green Bin Program.

In August 2024, County Council adopted the Reserve Management Policy (Policy 2024-020) to establish consistent principles and targets for the establishment, maintenance, and use of reserves and reserve funds. The policy confirms that reserves are intended to support long-term financial sustainability, asset management planning, tax rate stabilization, and the absorption of non-recurring or unforeseen costs.

The Rate Stabilization Reserve is specifically intended to:

- Stabilize the County levy during operating cycles with significant, non-budgeted fluctuations.
- Fund non-recurring expenditures that do not represent permanent adjustments to service levels.

The approved target range for the Rate Stabilization Reserve is 10%–15% of the levy, with 10% representing the minimum acceptable balance.

On February 18, 2026, at its Regular Meeting, County Council passed the following resolution:

Moved: Councillor Bailey

Seconded: Councillor Bondy

That consideration of the Fees and Charges report and associated by-law be postponed until such time that a report from Administration is provided outlining options to subsidize from reserve funds the User Fee associated with the Green Bin program; and that said administrative report be brought forward for the March 4, 2026, meeting of Council.

A Notice of Motion was also tabled at the February 18, 2026 Regular Meeting of County Council. While not yet debated or approved by County Council, this report illustrates the financial implications of implementing the proposed subsidy plan described in the Notice of Motion. The proposed subsidy plan seeks to provide a 100% subsidy for each local municipality in the first year of their billing, a 50% subsidy for each local municipality in the second year of their billing and a see a transition to the County's general levy for all local municipalities by 2029.

Discussion

To analyze the feasibility of utilizing reserves to temporarily subsidize the Green Bin Program fees, we must first look at the balance and sufficiency of the County's reserves.

Please refer to **Appendix A** for the projected County reserve balances to December 31, 2026, compared to the minimum and target thresholds established under the Reserve Management Policy. The figures presented reflect the estimates provided to Council during the 2026 Budget deliberations and do not incorporate final audited 2025 year-end results, which may result in adjustments to the projected balances.

It is also important to note that the projected balances do not account for the financial risks that are inherent in the 2026 Budget, namely:

- The impact of collective bargaining negotiations that would require a draw from the Rate Stabilization Reserve for amounts in excess of budget estimates. (NOTE: Negotiations with six (6) bargaining units are scheduled for 2026.)
- The impact of an above average winter control season requiring a draw from the Rate Stabilization Reserve for amounts in excess of the rolling five-year average.
- Declining investment rates resulting in a reduction in budgeted interest income.
- Increases in shared services costs out of the control of the County (E.g. Social Services/Ontario Works case increases)
- Persistent global and domestic inflation and tariff impacts.

The projected balance of the Rate Stabilization Reserve as at December 31, 2026 is approximately \$15,117,881, which represents approximately 10% of the corporate levy and is \$603,386 above the **minimum** policy threshold.

This places the reserve at the lower end of the approved policy range and provides limited flexibility above the minimum requirement.

Even a nominal draw from the reserve would reduce the balance below the 10% policy threshold, which was developed from best practice in Ontario municipalities, and would require future replenishment through operating surpluses, growth-related revenues, or levy-supported contributions.

Other reserves are not appropriate sources to fund a Green Bin fee reduction. Capital reserves, which should not be used to offset ongoing operating costs, remain below long-term asset replacement targets and are required to address infrastructure lifecycle funding pressures. Departmental reserves are restricted for specific program purposes. As noted previously, there is no dedicated Green Bin reserve and establishing one would require levy funding.

Appendix B illustrates the impact on the Rate Stabilization Reserve should the Notice of Motion subsidy model be approved. In 2026, the Rate Stabilization Reserve would fall below the minimum 10% levy threshold by

\$7,492,223. By the end of 2027, the Rate Stabilization Reserve would be completely depleted and be in a deficit position of \$2,061,329. By the end of 2028, the Rate Stabilization Reserve would be in a deficit of \$4,941,536.

A draw of this magnitude would significantly diminish the County's financial flexibility and weaken its ability to respond to unforeseen operating pressures, economic volatility, or revenue shortfalls. It would also reduce available working capital, potentially increasing reliance on short-term borrowing to manage cash flow requirements.

Reserves are not surplus funds. Reserves are accumulated to provide financial stability and mitigate risk. Reducing the Rate Stabilization Reserve below policy thresholds would be inconsistent with the intent and principles of the Reserve Management Policy adopted by Council in 2024.

Administration does not consider full reserve funding for 2026 and/or partial reserve funding in 2027 to be financially prudent or sustainable.

Administration also does not recommend drawing the Rate Stabilization Reserve below the 10% levy minimum.

Alternative Subsidy Sources

Given the insufficiency of the Rate Stabilization Reserve, consideration was given to any other potential sources of funding for a subsidy program.

Debt to fund an ongoing operating program is inappropriate. Debt is appropriate for capital projects that benefit future years where the cost of the debt can be matched with the future benefit of the capital works.

A review of the operating budget did not reveal a viable source of funding for a temporary subsidy program.

A review of the capital budget was undertaken. Only projects funded by taxation would be appropriate sources for a subsidy program of an ongoing operating program. Administration does not recommend postponing capital works given the persistent inflationary environment affecting procurement.

Transition to Levy Funding in 2029

The Notice of Motion recommends transitioning the Green Bin Program to the general municipal levy beginning in 2029. While Administration does not recommend using reserves to bridge the program in the interim, moving Green Bin Program costs to the general levy in 2029 has merit.

By 2028, all seven municipalities will be fully participating in the program, and the service will be delivered consistently across the County. At that point, there would be stronger rationale to support general levy funding.

Moving to the levy would distribute costs across the broader tax base rather than charging households through a separate annual fee.

While a general levy funding model would tax all property classes for the cost of the Green Bin Program, even those with no access to the program, a levy model would recognize that efforts made by residential households to divert organic waste from the landfill benefits all property classes. The higher the diversion effort, the longer the existing landfill will last for everyone in the region.

That said, shifting to levy funding does not eliminate the cost of the program, it simply reallocates it. Annual increases would continue and would be reflected within the tax rate. A full shift in a single year would create a noticeable tax impact. The projected annual cost of the Green Bin Program in 2029 (assuming 2% contract inflation adjustments) is \$13,025,532. Using today's weighted assessment as a reference, the residential tax rate would need to increase by approximately 9% to absorb the cost of the program.

Should Council wish to explore moving from a user fee to general levy funding, Administration would recommend a phased-in approach. A gradual transition would allow Administration to smooth the financial impact over multiple budget cycles and avoid a significant one-year spike in the tax rate. Any such change should be considered as part of a comprehensive budget discussion to ensure alignment with the County's long-term financial plan, reserve strategy, and affordability objectives.

One-Time Reduction Option (If Directed by Council)

While Administration does not recommend the use of reserves to offset the Green Bin User Fee, should Council determine that some level of short-term relief is necessary, Administration has modeled a limited, one-time option for consideration.

10% Reduction in First Year Household Fee (Appendix C)

Under this approach, the first-year Green Bin household fee would be reduced by 10%, with the offset funded through a one-time transfer from the Rate Stabilization Reserve. The total draw from the Rate Stabilization Reserve would be a total of \$1,374,308 (\$809,561 in 2026 and \$564,747 in 2027).

Based on current projections presented during the 2026 Budget process, this option would allow the Rate Stabilization Reserve to remain marginally just below the 10% minimum threshold (-\$206,175) established in the Reserve Management Policy at the end of 2026. Assuming no additional unforeseen financial pressures, the projected 2027 balance would be expected to remain below the threshold as well (-\$770,922) as per **Appendix C**.

This option would provide modest, short-term relief while limiting the degree of reserve depletion. It would be essential that any reduction be clearly communicated as one-time in nature and not reflective of a permanent change in the funding model.

Administration Recommendation

Administration appreciates Council's intent to provide relief during a period of economic uncertainty. However, funding the program through reserves as contemplated is not financially sustainable and would materially weaken the County's fiscal position.

Reserves are established to protect the County against financial risk, revenue volatility, and unforeseen pressures. They are not intended to support ongoing operating programs on a recurring basis.

If Council wishes to provide limited, short-term relief, a one-time reduction of up to 10% of the household fee in the first year of implementation for each municipality represents the only prudent option that would allow the County to remain at or near the minimum reserve threshold established in policy.

Further, if Council intends to transition the program to levy funding in future years, direction at this time would be beneficial. Advance notice would allow Administration to incorporate a phased financial strategy within upcoming budget cycles, including setting aside incremental amounts in reserve to help mitigate the full tax rate impact in any single year. A structured and forward-looking approach would provide greater stability for both the County and its residents.

Financial Implications

The financial implications of this report have been described in previous sections of this report.

Consultations

N/A

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<ul style="list-style-type: none"> <input type="checkbox"/> Scaling Sustainable Services through Innovation <input checked="" type="checkbox"/> Focusing “Team Essex County” for Results <input type="checkbox"/> Advocating for Essex County’s Fair Share 	<ul style="list-style-type: none"> <input type="checkbox"/> Being an Employer with Impact <input type="checkbox"/> A Government Working for the People <input checked="" type="checkbox"/> Promoting Transparency and Awareness 	<ul style="list-style-type: none"> <input type="checkbox"/> Providing Reliable Infrastructure for Partners <input type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2026-0304-FIN-R08-MR, Financial Implications Related to Funding the Green Bin Program from Reserves as information, and further:

Option 1

That Essex County Council direct administration to charge the updated deposits and fees from the date of approval of the By-law.

Option 2

That Essex County Council direct administration to charge the updated deposits and fees from the date of approval of the By-law; and,

That Essex County Council approve providing a subsidy for the Green Bin User Fee of 10% of the total cost of the Green Bin User Fee for Phase 1 municipalities for the 2026 budget year to be paid from the Rate Stabilization Reserve Fund; and,

That Essex County Council approve providing a subsidy for the Green Bin User Fee of 10% of the total cost of the Green Bin User Fee for Phase 2 municipalities for the 2027 budget year to be paid from the Rate Stabilization Reserve Fund.

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	Projected Reserve Balances
B	Notice of Motion Subsidy Model Analysis
C	One-Time Subsidy Model Analysis