



**London**  
CANADA



**Implementation of a Sustainable Financing System For Solid  
Waste Management in Ontario**

**Discussion Paper #2**

**Financing and Governance**

**February 2009**

**E&E Fund Project #160**

**Prepared For**

**Stewardship**  
ONTARIO

 **Kelleher**  
Environmental

 **ROBINS**  
Environmental

## **Acknowledgements**

*This Project has been delivered with the assistance of Stewardship Ontario's Effectiveness and Efficiency Fund, a Fund financed by Ontario municipalities and stewards of blue box waste in Ontario. Notwithstanding this support, the views expressed are the views of the author(s), and the Association of Municipalities of Ontario and Stewardship Ontario accept no responsibility for these views.*

*The City of London and the City of Ottawa provided financial and other support to the project.*

## Table of Contents

Section	Title	Page
1.	Governance Structure	1
2.	Structures for Waste Management Service Providers Outside Ontario	5
3.	Budgets and Billing Arrangements	7
4.	Dealing With Surpluses and Shortfalls	10
5.	Borrowing	11
6.	Establishing Reserve Funds	12

## 1. Governance Structure

Only a handful of municipalities have jointly formed entities which operate as separate municipal solid waste systems which are sustainably financed and have sustainable financing structures. These include:

- Essex-Windsor Solid Waste Authority (EWSWA);
- Bluewater Recycling Association;
- Bruce Area Solid Waste Recycling;
- Quinte Waste Solutions;
- Ottawa Valley Waste Recovery Centre (OVWRC);
- R.A.R.E (North Glengary);
- Almaquin Recycling Initiative;
- Hawksbury Joint Recycling;
- Cochrane-Timiskaming Waste Management Board;
- Tri-Neighbours Recycling and
- NORA - (Northwestern Ontario Recycling Association) which was dissolved in 2002.

The operating structure of four of these is discussed in this paper, three of which operate at Joint Boards of Management (Essex-Windsor Solid Waste Authority, Quinte Waste Solutions and Ottawa Valley Waste Recovery Centre) and one operates as a non-profit corporation (Bluewater Recycling Association).

Project research did not identify any municipalities that operated their waste services as a Municipal Service Board or Joint Municipal Service Board.

Section 202 of the amended Municipal Act, 2001 allows two or more municipalities to establish a Joint Municipal Service Board (JMSB).

### **Section 202.**

*(1) Two or more municipalities may enter into agreements to establish a joint municipal service board and to provide for those matters which, in the opinion of the participating municipalities, are necessary or desirable to facilitate the establishment and operation of the joint municipal service board. 2001, c. 25, s. 202 (1).*

*Same*

*(2) Different participating municipalities may give control and management of different municipal services to the same joint municipal service board and may give control and management of different aspects of the same municipal service to the same joint municipal service board. 2001, c. 25, s. 202 (2).*

*Powers, etc.*

The Ontario government specifically identifies those entities that automatically become Municipal Service Boards under the amended *Municipal Act*, 2001, "The following bodies existing at the end of December 2002, became municipal service boards on January 1, 2003 with the same powers and membership as they had at the end of 2002:

- Public utility commissions under the *Public Utilities Act*;
- Boards of park management under the *Public Parks Act*, and
- Parking authorities under paragraph 57 of section 207 of the former *Municipal Act*.<sup>1</sup>

These entities do not include Joint Boards of Management.

<sup>1</sup> Ontario Government, Municipal Service Boards (Sections 194 to 202) at [http://www.mah.gov.on.ca/userfiles/HTML/nts\\_1\\_7912\\_1.html](http://www.mah.gov.on.ca/userfiles/HTML/nts_1_7912_1.html)

With regards to the operations of a Municipal Service Board, the Ontario Government states:

*"Subject to restrictions in the Act, it is up to the municipality to decide which of its services it wants a municipal service board to operate and manage, and under what limits and conditions the service board will deliver the delegated services. The municipality should keep in mind that the services it delegates must fall within one of the five spheres of jurisdiction mentioned above. In deciding what powers to delegate to a municipal service board, a municipality should recognize that a municipal service board is a corporate body and an agent of the municipality that created it. A municipality can, therefore, delegate the powers necessary to enable the service board to control and manage a municipal service, such as establishing a separate bank account, hiring staff, entering into contracts, purchasing materials and services needed for administrative activities and regular maintenance of facilities and setting rates."*<sup>2</sup>

### **Essex Windsor Solid Waste Authority, Ontario**

The Essex Windsor Solid Waste Authority (EWSWA) was created by the City of Windsor and County of Essex in 1994. The Board consists of nine members, four from Windsor and four from the County of Essex with the ninth member alternating between the City and County every year. The EWSWA was formed based on an agreement between Windsor and Essex that established the powers of the Authority.

The Agreement states:

**AGREEMENT**  
*Between*  
*The County of Essex and the City of Windsor*  
*Pertaining to the Creation of the Essex-Windsor Solid Waste Authority*

*The authority is to consist of nine members as follows:*

- (i) Three members of City Council appointed by City Council for the terms of Council;*
- (ii) Three members of County Council appointed by the County Council for the terms of Council;*
- (iii) The Mayor and Warden, ex officio;*
- (iv) One additional member of either City or County Council, on a one-year term basis, appointed by the appropriate Council to take the place of the City or County member elected as Chairperson of the Authority for that year.*

The two parent municipalities remain financially responsible for EWSWA and have to consolidate EWSWA's annual financial statements on their financial statements for reporting to the Ministry of Municipal Affairs and Housing (MMAH).

EWSWA provides garbage disposal services (each municipality is responsible for providing garbage collection) and manage all waste diversion programs including Blue Box collection and processing and promotion and education.

### **Quinte Waste Solutions, Ontario**

Quinte Waste Solutions operates as a Joint Board of Management. In order to become a member of Quinte Waste Solutions each municipality must adopt an Agreement prepared by the Board and pass it into a by-law. The agreement and by-law clearly state the establishment and obligations of the Joint Board of Management.

<sup>2</sup> Ontario Government, Municipal Service Boards (Sections 194 to 202) at [http://www.mah.gov.on.ca/userfiles/HTML/nts\\_1\\_7912\\_1.html](http://www.mah.gov.on.ca/userfiles/HTML/nts_1_7912_1.html)

*The Corporation of the City of Belleville  
By-law Number 2004-175 –  
A by-law to approve and authorize the execution of the  
Centre and South Hastings Waste Services Board*

*The said Municipal Act, Section 207, paragraph 5 provides inter alia that by-laws may be passed by Councils of all municipalities for entering into agreement with one or more municipalities to provide for the joint management and operation of garbage collection and disposal systems and for the establishment of joint boards of management thereof;*

*The parties hereto wish to address their waste management needs on a collective and an area wide basis and to form one joint board of management to administer, operate and manage various municipal waste services from time to time on behalf of the parties hereto*

Quinte Waste Solutions provides waste diversion services to municipalities that have joined the Board through a board agreement. The Board is referred to as the Centre and South Hastings Waste Services Board but acts as a Joint Board of Management. The Board consists of one member for the elected council of each member municipality, of which there are nine. Voting, however, is not based on a one-vote approach but rather a weighted vote approach as follows:

- Belleville – 7 votes,
- Quinte West – 7 votes,
- Centre Hastings – 2 votes,
- Marmora and Lake – 2 votes,
- Tweed – 2 votes,
- Tyendinaga- 2 votes,
- Prince Edward – 2 votes,
- Sitrling/Rawdon – 2 votes,
- Madoc – 2 votes.

To join the board there is a buy-in process whereby the municipality must pay a one time “entrance” or initiation fee, which is a variable fee based on MHSW services by population and recycling services by households. The entrance fee is placed into the Capital Reserve Fund.

The Board permits Quinte Waste Solutions to provide services to non-member municipalities (although not specified in the Agreement). It is required to post the rates for contract municipalities which are higher than what is levied to member municipalities. A contract municipality can pick and choose among the services provided but must pay a higher rate and does not receive all programs that member municipalities receive. This approach works as an incentive to encourage municipalities to join. Member municipalities can ask for additional services not in the Board agreement which would be charged at the contract price – e.g. centralized composting (SSO collection and processing) is an example of an additional service.

### **Ottawa Valley Waste Recovery Centre, Ontario**

The Ottawa Valley Waste Recovery Centre (OVWRC) near Pembroke, Ontario serves the waste management needs of a population of nearly 40,000 comprising of five municipalities. The Ottawa Valley Waste Recovery Centre operates as a Joint Board of Management formed under the old *Municipal Act*. Although it is providing a utility function/service, it does not operate as a utility. Waste management is a function only. The Centre operates a Material Recovery Facility (MRF), a Centralized Composting Facility, an Outdoor Composting Area, a Construction and Demolition Waste Recycling area, a permanent Household Hazardous Waste Depot, a waste oil transfer station and a Landfill.

The Ottawa Valley Waste Management Board (OVWMB) is comprised of a chosen official from each of the member municipalities. Member municipalities include the Town of Petawawa, the City of Pembroke, the Township of Laurentian Valley, the Township of North Algona Wilberforce and the Sebastopol Ward of Bonnechere Valley. Before becoming a member each municipality must adopt the OVWMB's

agreement which is then passed as a by-law. In addition, each new member must pay a front-end fee. Voting is based on a weighted vote approach as follows:

- Laurentian Valley - 4 votes,
- City of Pembroke - 4 votes,
- Town of Petawawa - 4 votes,
- North Algona Wilberforce – 1 vote, and
- Township of Bonnechere Valley - 1 vote.

### **Bluewater Recycling Association, Ontario**

The Bluewater Recycling Association is a rural based non-profit organization providing integrated waste reduction and environmental services to 22 municipalities in four Counties representing approximately 150,000 people in 63,000 households. Bluewater Recycling Association (BRA) is the only solid waste service provider in Ontario that is incorporated as a non-profit corporation. At the time BRA was created in 1987, a municipality was not allowed to own a corporation; its only option was to establish a Board of Management. Assets were reported under the largest municipality, therefore small municipalities did not feel like equal partners. Since BRA wanted to ensure a one-vote-one-voice system, it chose to form a non-profit corporation.

Bluewater operates as a non-profit corporation formed under the Business Corporations Act, 1970 and is incorporated by letter patent under the Act. A non-profit corporation is described as:

*A not-for-profit corporation, under the Corporations Act (Ontario), is similar to a for-profit or business corporation as it is considered a legal person with an independent existence separate and distinct from its members. The main difference between a for-profit and not-for-profit corporation is the ability to distribute profits. In a not-for-profit corporation any profit must be retained within the corporation and cannot be distributed to the members. Ontario not-for-profit Corporations have the right to carry on business anywhere within the Province of Ontario under the registered corporate name.<sup>3</sup>*

Under the non-profit corporation arrangement, BRA has a Board of Directors consisting of eight municipal elected officials. At the end of each municipal election, a Councillor is chosen from each of the 22 member municipalities to become a BRA representative. These 22 representatives meet in January following the municipal election to elect or appoint eight municipal members to sit on the Board of Directors for a three year period. BRA has established a voluntary requirement that the Board comprises of two seats from each of the four counties it serves. The Chairperson has authority to issue a second vote in a tie breaking situation.

*Bluewater Recycling Association  
By-law No. 1*

*PROTECTION OF DIRECTORS, OFFICERS AND OTHERS*

*8.01 Limitation of Liability. - No director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss, damage or misfortune whatever which shall happen in the execution by his own willfully neglect or default, provided that nothing herein shall relieve any director or officer of any liability imposed upon him by the Act.*

<sup>3</sup> Source: Virtual Law Office of Eric P. Cohen at <http://www.newbusinessnow.com/LAW/ontarionfp.htm>

As a non-profit corporation, BRA has 100% autonomy over finances and decisions. Any surplus at the end of the year is put back into the company. If it were to have any financial difficulty it could claim bankruptcy. The member municipalities would have no financial or legal liability since BRA maintains no legal link with municipalities. To reinforce this, BRA's by-law protects directors, officers and others from liability.



## 2. Structures for Waste Management Service Providers Outside Ontario

Even though municipalities outside of Ontario operate under different legislation, there are lessons to be learned regarding how they manage different issues. Governance structures used by two Canadian examples (the City of Vancouver, British Columbia and City of Airdrie, Alberta) and one US example (Seattle, Washington) are described for information.

### City of Vancouver, British Columbia

The City of Vancouver derives its power to enact by-laws from the province under the Vancouver Charter, a unique regulation that empowers and regulates the City with how it governs, provides services and holds elections. With the enactment of the Charter, the City was able to implement a separate Solid Waste Utility to manage its solid waste services.

Vancouver established a Solid Waste Utility in January 1998 after seven years of effort. Although called a Solid Waste Utility, this entity operates as a utility in function only; it is not a legal utility. Vancouver's Solid Waste Utility is responsible for all solid waste operations and accounts with the exception of street cleaning, litter collection and abandoned garbage collection.

All Solid Waste Utility costs have been removed from the property taxes and instead show up as separate line items on the property tax bill. Residents and users pay directly for the service levels to which they subscribe. By removing the costs of solid waste collection and disposal out of the general levy, residential property taxes were reduced by 5.7% in the year the utility was implemented.

Vancouver's Solid Waste Utility is governed in the same manner as other programs and services provided by the City of Vancouver, with roles and responsibilities defined and allocated as set out under the Vancouver Charter.

### City of Airdrie, Alberta

The City of Airdrie operates its Environmental Services Department as a separate business unit within the City. The department oversees three separate units— water, sewer and waste. Within the waste unit there are three separate functions - residential garbage, recycling, and transfer station. Although the services are called utilities, they function only as separate cost centres and not as a legal utility.

While the Environmental Department operates as a separate cost centre, it is not financially independent of the City. The City's 15/92 Waste By-law and Amendments authorizes the City Manager (CAO) to administer, control, care for and manage the waste of the City as delegated by the Municipal Council of the City of Airdrie.

*City of Airdrie  
15 92 Waste Bylaw and Amendments*

*52. The City manager shall have the administration, control, care and management of the waste of the City of Airdrie, and of all the property used in connection with the said system, and the business carried on in respect thereof, and shall have the right to enter into contracts for service by and on behalf of the said City, under and in accordance with the provisions of this Bylaw, and shall be charged with the proper conduct of the said business and enforcement of this Bylaw.*

However, the City Council is still involved in approving annual budgets or changes in service levels and changes in fee schedules.

### **City of Seattle, Washington**

Washington State law assigns primary responsibility for all aspects of solid waste management, such as waste reduction, recycling collection, transfer, and disposal to local governments like Seattle.

Before 1997, the City of Seattle operated a Solid Waste Utility (part of the Seattle Engineering Department) as a separate unit that was responsible for all solid waste planning and management. In January 1997 solid waste staff were incorporated into the new Seattle Public Utilities (SPU), which brought together under one administrative umbrella the water, solid waste, and drainage and wastewater functions of the City as well as certain engineering functions.

The Solid Waste Fund operates as a public utility enterprise fund of the City of Seattle and was established to account for the solid waste activities of Seattle Public Utilities (SPU). The fund supports collection and disposal of residential and commercial garbage, recycling, and yard waste, operation of the City's two transfer stations and two household hazardous waste facilities, and management of the post-closure maintenance and environmental monitoring of the City's two closed landfills. The City provides collection and disposal for garbage, recyclables and organics to single family and multi family residences.

SPU receives certain services from other departments and agencies of the City, including some that are normally considered to be general and administrative. The Fund is charged a share of these costs and additionally pays a business and occupation tax to the City's General Fund.

### 3. Budgets and Billing Arrangements

The key feature of a sustainably financed solid waste management system is that it operates as a separate cost-centre, with its budget kept separate from other departments. Furthermore, the sustainably financed system charges separate fees to households rather than using revenues collected through property taxes. While the entities surveyed maintain themselves as separate cost centres most do not collect separate fees directly from households but remain at arms length from the household billing process.

#### **Essex Windsor Solid Waste Authority, Ontario**

The Essex Windsor Solid Waste Authority is a self-funding entity. The net cost of the integrated waste management system, after recycling revenue, IC&I tipping fees, compost sales, scrap metal sales, Stewardship Ontario funding, and other revenue sources is charged to the eight local municipalities on each tonne of municipally collected residential waste that must be disposed of within EWSWA's integrated waste management system. In seven of the eight municipalities served by EWSWA the amount invoiced by EWSWA is recovered through the general levy and recovered from all assessed properties. In one on the eight municipalities served by EWSWA the cost of waste management is shown as a separate one-time per household fee on the tax bill, with a higher cost for the urban area of the municipality and a lower cost in the rural area of the municipality as the rural area does not receive weekly yard waste collection.

#### **Quinte Waste Solutions, Ontario**

Each year, Quinte Waste Solutions must prepare for approval an annual budget which is presented to the Board for approval and then to the Councils of each member municipality for approval. The process is described in the Agreement,

*The budget as approved by the Board shall be submitted to the Clerk of each of the parties hereto on or before the 15<sup>th</sup> day of March in each and every year. The Councils of each of the parties hereto shall have until the 30<sup>th</sup> day of April next following to ratify and approve the budget approved by the Board. The parties hereto agree that notwithstanding anything in this Agreement to the contrary, the said budget shall be deemed to have been approved and ratified and shall be binding on all parties hereto provided that the Councils of at least 75% of the parties hereto ratify and approve of the said budget. The parties hereto acknowledge and agree that in the event that 75% of the parties do not ratify and approve of the said budget, then the budget shall not be approved and shall be re-submitted to the Board for revision and resubmission to the parties hereto for approval .*

The annual budget (\$4 million) takes into consideration expected expenses and expected revenues. The shortfall remainder (\$2 million per year) is levied to municipalities based on tonnage of recyclables generated by each member municipality based on the previous year. The levy is divided among the member municipalities based on the proportion of recycling tonnages processed for each member municipality compared to the total processed. This approach produces a win-win situation for municipalities since the more garbage diverted the more they save on their own municipal budget knowing that waste diversion is cheaper than disposal). The levy is sent to the municipality in advance on a semi annual basis. The municipalities, in turn, charge back to residents through the property taxes.<sup>4</sup>

<sup>4</sup> The Municipality of Quinte West has reached the point where its full user pay system (@ \$2.50 per bag) is financing garbage collection and landfill costs therefore there are no charges through its property taxes.

### **Ottawa Valley Waste Recovery Centre, Ontario**

The Board has decided that any revenue shortfall will be paid by member municipalities based on population and property value). The OVWMB has been striving to operate a zero (balanced) budget. Any surplus at the end of the year is given back to the member municipalities, rather than being placed in a reserve fund.

In 2004, the Centre had a net surplus of \$190,000. This is a result of higher than anticipated tipping fees from wastes received (primarily at the landfill as contaminated soil), WDO Funding, GST Rebates, increased market pricing for recyclable products and unspent dollars from 2004 projects. The Board approved the allocation of the surplus to be included in the 2005 Budget which reduced their municipalities' contributions to \$0.00.

Currently, OVWRC does not operate as a self-contained cost centre. Laurentian Valley has assumed the debenture of \$10 million for construction of the OVWMC facility, which is being paid for over 20 years. Laurentian Valley charges back to each member municipality which is charged back to the residents as part of their property taxes (with the exception of City of Pembroke, which charges \$180/hh/yr for the debenture as a line item on the property tax bill). This debenture cost is above any annual budget shortfall cost paid by the member municipalities.

### **Bluewater Recycling Association, Ontario**

Bluewater charges member municipalities who are responsible for collecting fees from their residents. Garbage services are charged separately from recycling and waste diversion programs. All member municipalities collect waste diversion program charges through the property taxes. Most member municipalities charge for garbage services through their full user pay program tag fees, whereby all costs for garbage collection and disposal are covered in the tag fee. In the past, one member municipality, Strathroy-Caradoc, charged garbage collection services to each resident as a waste management line item on the property tax bill. Since 2005, it has implemented a full user pay system, charging \$1.50 for every bag of garbage and has removed the line item fee from the property tax bill.

Bluewater is evaluating single stream recyclables collection which may result in the introduction of an automated variable container subscription program. Under this program Bluewater Recycling Association will assume responsibility for billing all residents directly. If the proposal proceeds, Bluewater will implement the variable container subscription program using a phased approach over a five year period.

### **City of Vancouver, British Columbia**

The Solid Waste Utility (SWU) captures all revenues and operating and capital costs associated with garbage, yard trimmings and recyclable materials collection and disposal. Solid Waste Utility fees are set annually by the City Council based on a revenue neutral, net zero budget. The individual SWU fees are presented as separate line items on property tax notices.

In the second half of 2005, the City implemented automated waste collection with new SWU rates for the services provided. The new rates started in 2006. Automated yard trimmings collection was established in spring 2006 with the rates established in 2007.

The 2006 rates for waste collection are based on variable container sizes following a user pay pricing structure. This fee is divided into a fixed "service fee" and a variable cost per litre "cart fee". The service fee captures the costs of supplying and maintaining carts, program education, and overhead. The unit cost cart fee captures collection costs including labour, equipment, and materials and disposal costs. See Discussion Paper # 3 for further detail.

Prior to 2006, Vancouver set a flat fee for each municipal waste management and diversion service provided to its residents based on a two can limit. Similar to the current variable container fee structure, the flat fee for garbage services was divided into two components, a fixed Service Fee (also called Stop Fee) to cover the cost of overhead, billing, etc. and a unit cost per can of garbage service. The old system was user pay for those that set out two full cans or more as they paid for each can. Those properties that regularly set out less than two full

cans did not see any savings as they paid the same as those that use two full cans. Bag stickers are sold to residents that set out extra bags of garbage.

The policy of using two components for garbage fees was established in October of 2001. The pricing policy is based on balancing the goal of minimizing overall service costs with the added service of user pay pricing.

The Solid Waste Utility is jointly administered by two City departments. Engineering Services maintains the customer database and Corporate Services (accounting department) takes the information in the customer databases and incorporates it into the property tax bill.

### **City of Airdrie, Alberta**

The recycling and transfer business units are combined in the Department's budget and must be cost neutral (net to zero dollars in each fiscal year). The residential garbage unit has a separate budget which must also be cost neutral; however, it is allowed to direct some funds into its reserve fund each year.

All waste management costs are funded through residential user fees. There is no property tax support provided, nor IC&I funding support. Residents that receive curbside garbage collection services are billed a waste management levy of \$8.23 bimonthly. This waste management levy is augmented by a partial user pay program whereby residents are permitted to place two bags of garbage at the curb without requiring a tag. Additional garbage requires the resident to purchase a \$1 tag. The City does not provide curbside recycling; it has a staffed recycling depot. Consequently, the Environmental Services Department collects fees from all residents for recycling (everyone has access to depot) including multi-family and condo units even though they do not receive garbage collection. All residents are billed an Environmental Services Fee of \$6.99 bimonthly which covers the costs for recycling, composting, HHW and spring clean up.

### **City of Seattle, Washington**

The State of Washington gives cities like Seattle exclusive authority (RCW 35.21) to provide and set rates for solid waste services by using municipal workers, competitively bidding contracts to private companies, or developing interlocal agreements with a county or city to provide services. The City of Seattle has chosen to maintain its own services which it has defined in the City's Solid Waste Code.

Solid waste collection and disposal services provided to other City departments and agencies are billed at rates prescribed by City ordinances (by-law). A variable rate system is applied to the collection of single family and multi-family residences and commercial establishments. Residents are billed directly by the Seattle Public Utility.

Since 1990, the City has offered the Utility Discount Program to lower income, seniors and disabled residents. The Mayor's Office for Senior Citizens administers the Utility Discount Program and is responsible for determining the eligibility of all applicants. Customers can save up to 50% of their Seattle Public Utilities water, sewer, garbage and drainage bill if they fall under one of the following categories:

- Household income is at or below 200% of federal poverty level OR
- A senior citizen over age 65
- A disabled person who receives certain disability payments
- Blind
- On life support
- AND their income is at or below 70% of the state median income

In addition, the City of Seattle has a mandatory garbage charge for all occupied and unoccupied dwelling units, whether or not the services are being used; however, customers may apply for an exception to this mandatory charge, if a property will not be occupied or used as a residence for a minimum of 60 consecutive days. Garbage and recycling must not be set out for collection during this time.

## 4. Dealing with Surpluses and Shortfalls

One of the important reasons for establishing a sustainable financing entity is to ensure that the entity maintains control of all flows of money, both expenditures and revenues. This includes surpluses which are put back into the waste management system. Most of surveyed entities have implemented measures to protect their surpluses but in the case of the Ontario entities, these arrangements are based more upon trust and could be changed by member municipalities at any time.

### **Essex Windsor Solid Waste Authority, Ontario**

Just like any municipality the EWSWA is required to approve a net zero budget for each year. The EWSWA has a Rate Stabilization Reserve Fund that can be drawn upon for any budget deficit. Any actual budget surplus at the end of the year is contributed to the Rate Stabilization Reserve. The Authority also maintains a number of other reserves, each with separate bank accounts, for Equipment Replacement, Debenture Payment Stabilization, Working Capital, Future Landfill Capital, and Perpetual Care.

### **Quinte Waste Solutions, Ontario**

Quinte Waste Solutions tries to “build in a bit of cushion on the expense side” but has a price fluctuation reserve which allow for a slight surplus in the budget. Member municipalities are financially accountable for any financial losses. When Quinte Waste Solutions experiences a surplus at the end of year, it has at times used the surplus to reduce the next year’s budget levy but often the Board stipulates that the surplus be placed in the Capital Reserve Fund.

### **Bluewater Recycling Association, Ontario**

As a non-profit corporation, BRA has 100% autonomy over finances and decisions. If it were to have any financial difficulty it could claim bankruptcy. The member municipalities would have no financial or legal liability since BRA maintains no legal link with municipalities.

Any surplus at the end of the year can be given as rebates on fees to municipalities but it tends to be re-invested into the corporation for future capital expenditures and program improvements. At the end of year any surplus is reallocated to one of several reserve funds. If the company experiences any financial shortfall at the end of the year, it comes out of Capital Replacement Fund.

### **City of Vancouver, British Columbia**

The Solid Waste Utility is self financing with rates based on cost recovery. Any surpluses, including surpluses generated from commercial tipping fees are transferred to the Solid Waste Capital Reserve Fund. This fund stabilizes the SWU rates due to annual deficits or surpluses.

### **City of Seattle, Washington**

The Seattle Public Utility operates the Solid Waste Fund as an independent fund for waste management operations. All waste management related expenditures and revenues (including surpluses) flow through this one fund. The largest portion of the Fund’s net assets (\$4.3 million or 60.0%) represents resources that are not subject to external restrictions on how they may be used. These net assets are used to meet the Fund’s obligations to creditors. An additional portion of the Fund’s net assets (\$2.1 million or 29.2%) is used for capital investments such as land, buildings, and equipment. The Fund uses a bond anticipation note (line of credit) to finance various capital investments. The cost of current repairs and maintenance is charged to expense, while the cost of improvements is capitalized.

The Fund is charged a business and occupation tax by the City at a rate of 10% of Fund revenues, net of certain credits. The Fund also is charged two taxes by the City based on solid waste tonnage collected and transferred in the City for disposal.

Revenues are collected through customer’s billings. Amounts billed but not collected at year-end are recorded as unearned revenues. Additionally, the Fund collects other revenues related to tonnage fees.



## 5. Borrowing

Borrowing does not appear to be an issue with most surveyed entities, which have established a line of credit with local banks. In the case of the joint boards of management, member municipalities must approve this action and provide themselves as authorized signatories with the lending agency.

### **Essex Windsor Solid Waste Authority, Ontario**

The Authority has established its own line of credit with its bank (CIBC) under an agreement for “Unincorporated Associations”.<sup>5</sup> The General Manager and Manager of Administration & Finance for the Authority are the authorized signatories for all ESWWA financial transactions.

### **Quinte Waste Solutions, Ontario**

Quinte Waste Solutions can borrow directly from the bank with board approval and in the past it has financed building construction through mortgages and a baler through a bank loan. The bank classifies it as “Near Government” (similar to conservation authority, school boards, hydro boards, library boards). It has a \$1 million line of credit.

### **Bluewater Recycling Association, Ontario**

BRA borrows money from banks as a corporation. It does not require or involve member municipalities in providing signing authority.

*Bluewater Recycling Association  
By-law No. 1*

**BORROWING AND SECURITIES**

*3.01 Borrowing Power. - The board may from time to time, in such amounts and on such terms as it deems expedient:*

- (a) borrow money on the credit of the Corporation;*
- (b) issue, sell or pledge debt obligations (including bonds, debentures, notes or other similar obligations, secured or unsecured) of the Corporation;*
- (c) charge, mortgage, hypothecate or pledge all or any of the currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation.*

### **City of Vancouver, British Columbia**

The City has established a sufficient buffer in its Solid Waste Capital Reserve (current balance is approximately \$60 million) to use it as a lending source, instead of borrowing outside the Solid Waste Utility.

### **City of Seattle, Washington**

Periodically, the Seattle Public Utilities (SPU) issues long term debt through competitive or negotiated bond sales. Bonds are issued for future expenditures. The proceeds from these bonds are used primarily to help finance capital improvement programs. Revenues generated by the SPU service debt on bonds. All aspects of bond issuance, management and sale of bonds for solid waste financing purposes are governed by a specific ordinance, shown below.

<sup>5</sup> This financial arrangement is considered highly unusual and would not be permitted under most MBS arrangements.

## 6. Establishing Reserve Funds

A common characteristic of the surveyed entities (with the exception of the City of Seattle) is that they have established multiple operational and reserve funds, dedicated to specific activities and purposes.

### **Essex Windsor Solid Waste Authority, Ontario**

The Authority operates seven separate funds (with separate banking accounts) including:

- Rate Stabilization Reserve Fund;
- Equipment Replacement Reserve;
- Perpetual Care Fund for landfill 2 and landfill 3 (This fund charges back to specific municipalities that used the landfills);
- Regional Landfill Perpetual Care Reserve Fund (this will result in not having to charge for perpetual after it closes);
- Regional Landfill Reserve Fund (compensation policy for residents around the landfill for land acquisition);
- Regional Landfill Debt Retirement Reserve Fund (payment for debt to build regional landfill) and
- Operational Fund.

### **Quinte Waste Solutions, Ontario**

Quinte Waste Solutions operates five separate funds including:

- Price Fluctuation Reserve Fund;
- Hazardous Waste Collection Truck Reserve Fund;
- Roll-Over Reserve Fund (committed funds reserve);
- General Capital Reserve (largest fund), and
- Operation Fund (reserve funds within the operation fund).

### **Ottawa Valley Waste Recovery Centre, Ontario**

The Ottawa Valley Waste Recovery Centre operates four funds:

- Contingency Fund (the “what if” fund – 10% of operating costs);
- Operating Reserve Fund (vehicle and rolling stock – largest account);
- Project Reserve Account (i.e. leachate system and land acquisition system), and
- Cash-on-Hand Account (cover one or two months of day to day operation).

### **Bluewater Recycling Association, Ontario**

Bluewater operates three funds, including:

- Capital Fund (comprises members’ equity of the company);
- Reserve for Capital Replacement Fund (fund for buying capital equipment); and
- Current Surplus Fund (regular daily expenses come out of the surplus fund)

### **City of Vancouver, British Columbia**

The Solid Waste Utility operates only one reserve fund – the Solid Waste Capital Reserve Fund (i.e. established to fund landfill closure and post closure expenses for the Vancouver Landfill)



### **City of Airdrie, Alberta**

The Environmental Services Department operates a General Utility Operating Fund which pays for the day to day operations of the department including waste management, water and sewer. The waste management component is kept separate from the water and sewer operations and subdivided into three components corresponding with the three functions – garbage, recycling and transfer station. The Environmental Services Department also has a separate Waste Management Reserve Fund which functions as a reserve fund for future uses (i.e. capital expenses, rate changes leveling off, revenue leveling off). The Department staff build up the reserve fund by forecasting what is coming up in the next three to five years and estimate the capital outlay that will be needed. As a general rule of thumb, the department sets aside \$25,000 in its annual budget for the reserve fund (however in the 2005 budget, the transfer to reserve was \$71,000 - based on planned projects).

### **City of Seattle, Washington**

The SPU does not operate a reserve fund. All expenditures and revenues flow through one fund - the Solid Waste Fund. The SPU does not necessarily zero out every year. The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances (by-laws) passed by the City Council.