Technical Memo 7

Financial Review

Niagara Region // December, 2023

Executive Summary

This technical memorandum provides an overview of the current revenue strategy to fund the Regional Municipality of Niagara's (Niagara Region) Waste Management Services Division (the Division) and various revenue strategies used by peer municipalities. It includes an assessment of the Division's ten-year financial forecast and provides recommendations for consideration to ensure the long-term sustainability of Niagara Region's waste management programs.

Key Take Aways

Waste management system costs vary considerably from year to year and continue to escalate rapidly. Increasingly, municipalities are moving towards blended property tax and user pay based models to ensure financial sustainability. Reliance on property tax levies to support new waste management programs and capital investments has been found to be problematic because of competing budgetary pressures. Municipalities who are reliant on property taxes increasingly report having difficulty responding to the rapid changes in the cost of waste management services being observed recently. User pay based fees are expected to gain traction as municipalities move to cart based systems because of the standardized level of service.

Targeted user fees such as garbage tags or variable service rates at public drop offs and landfills are becoming increasingly common and are considered to be a better practice to ensure full cost recovery. Fixed and variable fees also allow municipalities to be more responsive to changes in system costs, tailor cost structures to support waste diversion initiatives and desired behavioural change and to fund related reserves.

Establishment of dedicated waste management reserves are also becoming increasingly common as a means of buffering dramatic cost shifts and to sustainably fund associated capital infrastructure and new regulatory obligations.

Birett & Associates

December 31, 2023

Disclaimer

This report has been prepared for the exclusive use and benefit of the Regional Municipality of Niagara (Niagara Region) to inform decision making related to the particulars discussed herein. It is not intended to be, and should not be, used by any other person or entity other than Niagara Region. Any use of this report, or any reliance on it or decisions made based on it, by any person or entity other than Niagara Region are the responsibilities of such person or entity. Birett and Associates assumes no responsibility or liability for losses incurred by Niagara Region or any other party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this Disclaimer.

In preparing this report, Birett and Associates has relied upon information and material provided by Niagara Region and other parties. Birett and Associates has not audited any of the information or material nor independently verified that is accurate, reliable, complete, or current. While all reasonable care consistent with that exercised by members of the environmental profession has been taken in the preparation of this report, its content and conclusions are, in part, based on estimations and forecasts about future conditions that are subject to changes in the underlying macroeconomic factors, legislative changes and other events. Consequently, Birett and Associates makes no representations or warranties as to the accuracy, reasonableness or completeness of the information or conclusions set forth in this report.

Table of Contents

1 Overview of Niagara Region's Current Funding Model

Niagara Region, like many of its peer municipalities, uses a combination of direct user fees and tax levies to finance its annual operating costs and long-term capital needs. Niagara Region also receives limited funding and services fees through participation in various producer responsibility waste diversion programs (as described in greater detail in Technical Memo 1: Legal Review). Reserve funds are appropriately used to balance out the impacts of forecasted and unanticipated capital and operating expenditures.

2 Landfill Tipping Fees

Niagara Region uses landfill-tipping fees primarily to offset the cost of the waste management operations (e.g., landfill, public drop off depots, composting systems). Landfill tipping fee rates vary by material type with drop off of residential recyclables being free of charge whereas garbage and construction and demolition materials are currently charged at $122.50 per tonne and will increase to $125 per tonne in 2024. Niagara Region generated approximately $3.6 million in landfill tipping fees in 2022.

Tipping fee rates are reviewed each year by staff and adjusted accordingly to achieve full cost recovery, where possible. Consideration is also given to ensuring rates remain price competitive with local private sector landfills. This process is consistent with the approach used by most other jurisdictions in Ontario and continued ongoing review by Niagara Region is a best practice. Consideration should also be given to monitoring activity based costs by program to better inform discussions with producer groups about full cost recovery particularly as it relates to managing their materials at Niagara Region's public drop off depots.

3 Garbage Tag Fees

Niagara Region's current policies permit single family homes and apartments with six units or fewer to set out two bags or containers of garbage, on an every other week basis, without requiring a garbage tag. Residents may purchase garbage tags for their additional bags of garbage from designated retailers or online.

As a result of the increased costs associated with Niagara Region's current waste collection contract, and subsequent increased disposal costs, garbage tag fees have increased from $2.00 each in 2020 to the current rate of $2.85 each. Niagara Region generated approximately $900,000 in revenue from the sale of garbage tags in 2022.

The use of bag tags in conjunction with bag or set out limits is an important policy tool broadly used by municipalities in Ontario to support waste diversion activities (as further described in Technical Memo 8: Best Practices). Their continued use by Niagara Region is considered a best practice. Review of this practice may be warranted should Niagara Region make changes to its collection system, such as a move to cart based collection at a future date.

Niagara Region's garbage tag fee is reviewed each year by staff and adjusted as required to ensure full cost recovery. This process is consistent with the approach used by most other jurisdictions utilizing garbage tag systems and it is recommended that it continue.

4 Local Area Municipality Tax Levy

Each year, the net portion of Niagara Region's waste management costs are charged back to the Local Area Municipalities (LAMs) as part of the municipal special tax levy. Niagara Region allocates these costs based on each LAMs percentage share of the total residential units across Niagara Region. The Region sets a special levy tax rate for each municipality except one. The one that does not use the special levy tax rate uses a flat rate fee.

Niagara Region may wish to consider amending the way in which it allocates costs to the LAMs. Niagara Region provides waste collection services to both residents and certain local businesses but allocates the net portion of waste management costs based on residential units. Consideration should be given to including stop counts for businesses in each community in Niagara Region's cost allocation for the LAMs.

5 Longer Term Considerations

Niagara Region's financial forecast model was reviewed to assess whether sufficient funds would be available to meet previously identified operating needs as well as any potential outcomes of the Waste Management Strategic Plan (WMSP).

Niagara Region maintains three capital reserves, including the:

- Waste Management Capital Reserve;
- Waste Management Landfill Liability Reserve; and
- Waste Management Stabilization Reserve

5.1 Waste Management Capital Reserve

Niagara Region's Waste Management Capital Reserve is used to fund capital projects associated with its operating assets at its open landfill sites and, until recently, its recycling centre. Niagara Region's Waste Management Services Division (Division) makes regular contributions through its annual base operating budget to this reserve of $1,779,000.

Review of Niagara Region's ten-year forecast (2023 to 2033) suggests the Waste Management Capital Reserve is sufficiently funded at this time. The recent sale of Niagara Region's recycling centre resulted in net proceeds totaling $12.8 million and this was transferred into this reserve. Despite this transfer, projected transfers required to fund future capital budget requirements are expected to reduce this reserve's fund balance from $24.7 million in 2023 to $6.6 million in 2033 which does fall within the Asset Management Plan target range of $5.0 million to $10.6 million. As a result, this reserve fund may not be adequate to meet future capital project needs beyond this planning period if additional funding is not provided since the target range above does not address backlog.

5.2 Waste Management Landfill Liability Reserve

Niagara Region's Waste Management Landfill Liability Reserve is used primarily to fund capital projects related to closed landfill sites. The 2023 full landfill liability cost (PSAB 3280) related to all closed landfill sites is projected to be $129.7 million based on costs projected in the financial model at year-end 2022. Between the years 2023 to 2033, the full landfill liability cost is projected to increase to $155.4 million.

Niagara Region's Waste Management Services Division makes regular contributions through its annual base operating budget to this reserve of $2,356,500. The Division has a Council approved funding target, per the Reserve and Reserve Funds Policy (C-F-013), of 40 per cent to 100 per cent of the landfill closure and post closure liability (unfunded) costs as reported in the Consolidated Financial Statements.

Upon review of Niagara Region's ten-year forecast (2023 to 2033), the Waste Management Landfill Liability Reserve is underfunded and is also at risk of being unable to meeting the future needs of anticipated capital projects. The reserve fund has a projected balance of $5.5 million in 2023 increasing to a projected balance of $18.1 million by 2033. This falls significantly short of the projected landfill liability cost as identified in the ten year forecast as well as remaining significantly below the Council approved funding targets (under PSAB 3270) of $31.7 million to $77.7 million based on 2022 Consolidated Public Sector Financial Statements. Of particular concern is a forecasted capital expenditure of $8.8 million required in 2027/2028. This project is required to ensure Niagara Region complies with Environment and Climate Change Canada's methane gas regulations at one of its closed sites and will put heavy pressure on the reserve. While the reserve fund balance is forecasting in a positive direction, additional contributions will be necessary to meet future projected needs.

5.3 Waste Management Stabilization Reserve

Niagara Region's Waste Management Stabilization Reserve is used primarily to fund unanticipated operating deficits and one-time extraordinary costs. This reserve is also impacted by year end surpluses or deficits as they would flow through this reserve.

Niagara Region's funding targets for stabilization reserves are 10 percent to 15 percent of annual operating expenditures not including debt repayments per the Council approved Reserve and Reserve Funds Policy (C-F-013).

Niagara Region's new waste collection contract commenced in 2020. The new contract proved to be substantially more expensive than the previous contract due to a number of reasons. To reduce the impact of the increase on the tax levy, a decision was made to draw funds from this reserve. On January 1, 2024, Niagara Region will transition out of provision of residential Blue Box recycling services in accordance with O.Reg. 391/21 (as further described in Technical Memo 1: Legal Review). Removal of the residential Blue Box collection costs from the Division's annual operating budget is expected to generate some savings that can potentially be used to replenish this reserve but this has not been included within the ten-year forecast (2023-2033) since repayment of base annual capital and landfill liability reserves utilized in previous years to mitigate costs will be replenished first, and the balance of this reserve will fall within Council approved funding targets as noted below.

In preparation of the 2023-2025 multi-year budget, stabilization reserve funds were used to support the Division's 2023 operating budget to mitigate cost pressures. The 2024 and 2025 budgets do not forecast making contributions to the reserve. Based on the forecast balance at the end of 2023 of $5.6 million, the reserve balance will be deemed to be adequately funded based on the operating expenditures in 2024 as the reserve balance is forecasted to be at 12.2% which is within Council approved funding targets. The reserve fund balance is projected to increase to $6.6 million by 2033. This level, if maintained, can reasonably be expected to meet known future needs over the ten-year forecast period.

6 Revenue Strategy Models

This section provides an overview of various financing systems commonly used by municipalities across Canada and supporting examples.

6.1 Historical Context

Municipalities in Canada are known as "creatures of the province". This concept implies that they are only allowed to exercise the powers that are delegated to them by provincial governments which have jurisdiction over municipalities.[1] Municipal funding options are, therefore, constitutionally restricted by the provinces and typically limited to the use of property taxes and user levies.

In Ontario, waste management services are generally funded through a variety of levy, user fee and variable rate based systems or combinations thereof. Historically, waste diversion and disposal operations were largely funded through landfill fees. Since the 1990's, several trends have made this approach increasingly challenging for municipalities. In the mid-1990s, the bulk of the commercial waste generated in Ontario began being, and continues to be, exported out of province for disposal. Waste disposal operations tend to be capital intensive and become increasingly more expensive as the quantity of waste declines. Consequently, the loss of local commercial waste combined with the success of residential waste diversion programs continues to drive up disposal operations for many municipalities.

The increasing complexity and diversity of waste diversion programs and growing regulatory costs associated with disposal also continues to put pressure on municipal waste management budgets. This trend is expected to continue in response to ongoing public pressure to address waste generation in support of climate change goals (see Technical Memo 1: Legal Review). Many municipalities, therefore, have shifted towards levy based financing of waste management operations in order to ensure sustainable operations. This approach is, however, not without its own challenges as described in the subsequent sections.

6.2 Levy Based Systems

Levy based tax systems are commonly used by municipalities to financially support a broad range of services. They are typically set by the municipality as a percentage rate of the assessed value of residential and commercial property within the

[1] Lindsay M. Tedds, "Who Pays for Municipal Governments? Pursuing the User Pay Model" (https://papers.lindsaytedds.ca/Tedds%20chap%20copy%20edit.pdf)

municipality.

They differ from alternatives such as development charges, which are discussed in detail in Section 6.7, and are frequently used to finance projects of benefit to distinct portions of the community.

Levy based systems are typically applied to services that are offered to the majority of, if not all, residential and commercial properties. This approach is an effective means of distributing service costs over a large tax base and has been the historical approach used by municipalities to finance some or all aspects of their waste collection services. Rebates are commonly offered in single tier municipalities to property owners who are not eligible to receive funded collection services. Rebate programs also create an additional administrative burden that could be complex to manage in a two-tier system. Niagara Region does not currently offer a collection rebate.

Levy based systems provide a degree of budgetary certainty for the associated service. They work best for services with predictable year over year costs. Levy systems can be problematic when dealing with variable or unanticipated costs as is often the case with waste management services. During the Covid-19 pandemic, for example, some municipalities incurred unprecedented cost increases for waste management collection services which, in turn, had significant negative impacts on levy based municipal budgets. As a consequence, levy based waste management program operators frequently report having difficulties securing funds in a timely manner for capital replacements and new programs.[2]

Levy based systems can also be perceived as being unfair to residents who either do not need the associated service or have limited access to it. Many municipalities, for example, have limits on the amount of waste that can be set out at the curb. In these circumstances, a larger property owner would pay a higher fee for the same service as a neighbouring smaller property. Use of levies combined with dedicated reserves, as is currently used by Niagara Region, is therefore the preferred and better practice.

6.3 User Pay Based Systems

Rate based or user pay systems typically involve the application of standardized fees on a usage basis. Hydro and water/wastewater services are commonly financed using rate based fees. Rate based systems tie service provision costs to usage and are ideally suited for circumstances where residents have a degree of control over their

[2] 2023/2024 Municipal Budget Cycle Trends, Birett and Associates, Aug 25, 2023

consumption of the associated service.

Niagara Region currently operates its municipal garbage collection program, on a partial user pay basis. Residents who generate over their free two garbage bag or can limit on an every other week basis, are required to purchase garbage tags to dispose of these additional bags. The balance of waste collection services are, as noted above, paid for through the tax levy.

This approach is commonly used throughout Ontario by municipalities to finance their waste collection systems. While full user pay and utility model systems have been considered over the years by a number of Ontario municipalities, they have not been widely adopted in the Province. The notable exception is the City of Toronto which is profiled in Section 7.2.

By comparison, full user pay and utility based systems are commonplace in the United States where the public is socialized to, and familiar with, utility based or pay as you go systems. It is important to recognize that American utility based systems are typically predicated on provision of standard waste containers to residents to ensure uniformity of billing.

Full user pay systems can be implemented using garbage tags but are less common. The City of Toronto used a yellow bag program for many years to differentiate and fund collection from its local businesses. It has since replaced this with a standard garbage tag program to reduce administrative costs. With the transition of Ontario's residential Blue Box Program to a producer responsibility model, a number of municipalities are exploring adoption of a similar model to pay for continued provision of recycling services for their local businesses.

The advantages of a full user pay programs include:

- Greater flexibility to raise funds and provide economic incentives to support waste diversion activities;
- Greater transparency for residents to see the costs of the waste management services they use and potentially take action to reduce or control those costs; and
- Removal of associated costs from the municipal tax levy.

The disadvantages of a full user pay program include:

- Potential capital costs incurred in waste collection containers to residents;

- Significant administrative overhead required in billing individual households;
- Significant startup costs;
- Potential for significant opposition from residents and concerns about impacts on disadvantaged households; and
- Required amendment of municipal by-laws to enable financing of waste management services.

Niagara Region's garbage tag program is consistent with similar programs across the province and its continued use is recommended until circumstances warrant a change. Niagara Region should continue to ensure the tag fee is based on a full cost recovery model.

Such services can, however, be challenging to sustainably finance if usage or the cost of service delivery are variable. This issue is often mitigated through the use of dedicated reserves. In years where collected fees exceed operating costs, excess funds are put aside to cover years where the reverse might occur.

Rate based systems can also be seen to place undue hardship on portions of the populace that might, due to circumstance, require disproportionate levels of a given service. A large family might, for instance, generate more waste and would incur a higher household cost if required to pay for waste collection services on a fee for service basis. As a result, many municipalities have opted for blended levy and rate based services and their use is considered a best practice where standardized services are in use within a community (i.e., common set out limits). This approach would not be applicable to Niagara Region unless adopted by its LAMs as noted above.

6.4 Utility Models

Utility models are commonly used to finance a range of services such as school boards, police and emergency response services, hydro and water/wastewater services. Utility models are typically set up as standalone services from a budgetary perspective and can have fixed or variable components and be property tax or user based. Utility models can offer a higher degree of fiscal transparency, independent of operation decision making and accountability than other service models. While they have been explored by municipalities across Ontario as a means of achieving sustainable waste management services, they have not been broadly adopted to date because of the cost of implementation and limited benefit. In light of Niagara Region's two-tier government, adoption of a utility based model for its waste management system is not warranted unless there is broad support amongst its LAMs.

6.5 Producer Program Fees and Funding

For several decades, companies (known as producers) manufacturing and/or importing designated materials into Ontario have been obligated to pay a portion of the costs of municipally operated waste diversion programs. The most significant of these programs was the Ontario Blue Box Program.

In 2016, the province began transitioning (as further described in Technical Memo 1: Legal Review) the existing co-funded programs for Blue Box materials, tires, waste electrical and electronic equipment and household special waste to a new individual producer responsibility model. Under this new model, producers become fully responsible for operations and financing of these programs. Instead of receiving funding, participating municipalities operate as service providers and are paid on a fee for service basis.

Niagara Region currently receives fees from these various programs which aid in offsetting a portion of the costs associated with provision of the associated services. As noted above, Niagara Region will no longer be responsible for provision of residential Blue Box recycling services as of January 2024. As a result, Niagara Region will no longer receive funding payments but will also no longer incur the costs associated with this program resulting in a net savings. It should be noted that Niagara Region may still opt to provide a Blue Box recycling program for ineligible sources (e.g., local businesses) and would need to finance these services directly or on a fee recovery basis.

Service fees provided by producer responsibility programs are often found to be insufficient to cover typical municipal operating and long term capital costs associated with provision of the related services. The provincial tire producers, for example, provide zero compensation to municipalities collecting scrap tires on their behalf. Funding levels for these programs is often adjusted by producers making them unreliable sources of compensation. Participating municipalities are strongly encouraged to regularly review the cost implications of continued involvement in these programs and, where practical, to opt out of involvement.

6.6 Development Charges

The Province of Ontario’s Development Charges Act, 1997, allows the use of development charges to fund certain types of municipal activities including waste diversion services, with the exception of landfill and incineration related projects. Development charges, special levies and local improvement charges are frequently used to finance projects of benefit to distinct portions of the community. Local improvement charges usually require support in the form of a petition signed by two thirds of the owners having at least fifty percent of the assessment of the properties that would be charged for the work. The municipality can also order the charge, but it can be challenged at the Ontario Municipal Board.[33] Development charges can be applied to specific projects provided they meet the requirements of the Act. Typical examples of such projects might be the construction of an arena or park in a neighbourhood or expansion of a sewer main to a group of homes. The use of development charges is beneficial because of the project specific transparency they offer where residents are seeking expanded services.

To date, Niagara Region has made appropriate use of development charges to finance aspects of its collection program. Further consideration of the use of development charges, where permitted, to fund future waste diversion programs such as the potential conversion to automated cart based collection and/or development of new waste diversion infrastructure is supported as a better practice.

7 Peer Municipal Funding Models

This section provides an overview of the revenue strategy models of a sampling of peer municipalities from across Canada.

7.1 The City of North Vancouver

The City of North Vancouver (CNV), as outlined in Table 1, uses a combination of flat and variable rates within its utility models for water, sewerage & drainage and solid waste services. These models are supplemented through the use of reserves and property tax levies for certain utilities.

Metro Vancouver is responsible for waste disposal operations and passes these costs on to CNV on a proportional basis. CNV's solid waste budget, therefore, consists entirely of operational expenses related to collection and disposal of residential waste, Green Can service (i.e., yard and food waste), litter management and community waste reduction initiatives.

In 2011, CNV implemented an Eco-Levy to provide sustainable funding for its litter program and additional waste diversion initiatives, such as the provision of public space recycling and dog waste collection. The levy is based on property assessment values and paid by both residential and non-residential sectors. The balance of revenues come from flat rate fees charged by property type (i.e., single family, multi-unit) and reserve transfers as required. Multi-unit properties in CNV are, however,

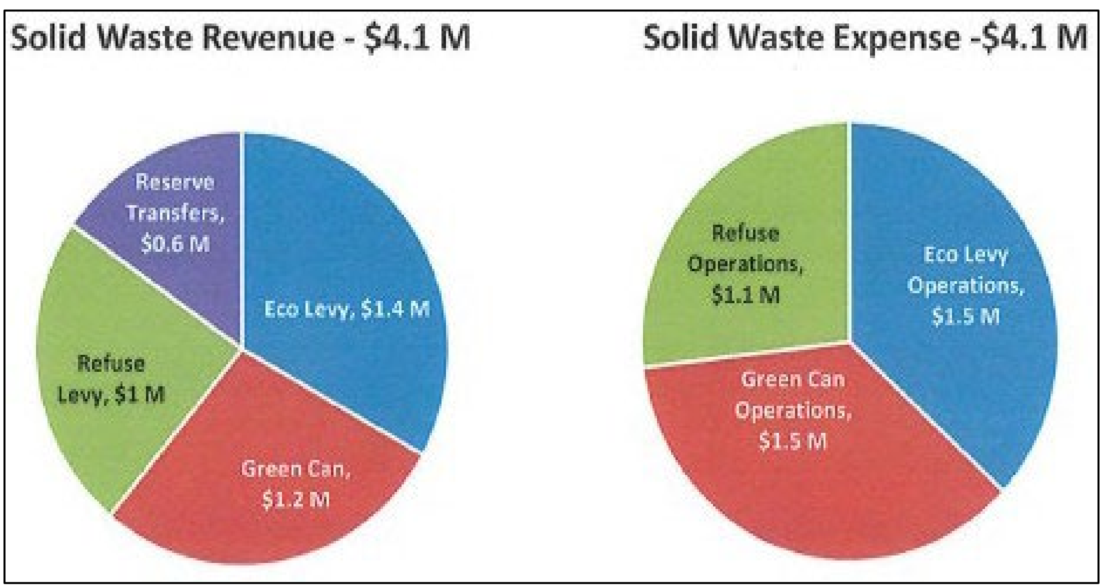
[3] 2023/2024 Municipal Budget Cycle Trends, Birett and Associates, Aug 25, 2023

usually responsible for their own garbage and organics disposal costs. These properties, consequently, only pay the Eco-Levy. Table 2 summarizes the application of these funding sources against its solid waste budget for 2023.

Table 1: City of North Vancouver 2023 Single Family Rates and Levies[4]

SINGLE UNIT DWELLING				
Flat Rate Water	$ 800.00	$ 804.80	$ 545.00	$ 584.00
Single Unit Net Water	800.00	804.80	545.00	584.00
Flat Rate Sanitary Sewer	839.00	781.80	496.00	$ 549.00
Single Unit Net Sewer	839.00	781.80	496.00	549.00
Storm Drainage Levy (estimate)	500.00	-	102.35	108.49 *
Total Single Unit Water/Sanitary/Storm	$ 2,139.00	$ 1,586.60	$ 1,143.35	$ 1,241.49
Other Rates				
Refuse	$ 220.73	$ 303.00	$ 127.00	$ 135.00
Green Can			150.00	$ 162.00
Recycling - Single Unit	-	24.50	-	$ -
Eco Levy (estimate)	53.82		51.90	$ 53.72 *
Total Single Unit Solid Waste	$ 274.55	$ 327.50	$ 328.90	$ 350.72
TOTAL SINGLE UNIT ALL LEVIES	$ 2,413.55	$ 1,914.10	$ 1,472.25	$ 1,592.21

Table 2: City of North Vancouver 2023 Solid Waste Budget



4 The City of North Vancouver Finance & EPE Departments Report, 2023 Utility Rates, Nov 2023, Doc # 2240055 V1

7.2 The City of Toronto

In 2007, the Province amended O. Reg. 594/06, under the City of Toronto Act, 2006, to enable the City of Toronto (the City) to finance its solid waste management services (SWMS) as a rate based utility. The new financial model was implemented in 2008.

Part of the rationale for the change was the recognition that a utility model offered greater flexibility to raise funds and provide economic incentives to support waste diversion activities. Utility models also provide greater transparency allowing customers to see the costs of the waste management services they use and potentially take action to reduce or control those costs.

Toronto's SWMS utility generates revenue through a combination of volume based rates, user fee revenue, reserve funds, sale of recyclables and external funding sources. Volume based user fees represent the primary revenue source (i.e., approximately 76%) of the City's SWMS. Rate based tip fees represent the second largest source (i.e., approximately 12%).[5] Reserve funds are used primarily to finance long term capital investments and to stabilize user rates. Toronto also offers a rebate to account for SWMSs that continue to be included in assessed property tax charges in order to comply with Provincial legislative requirements.

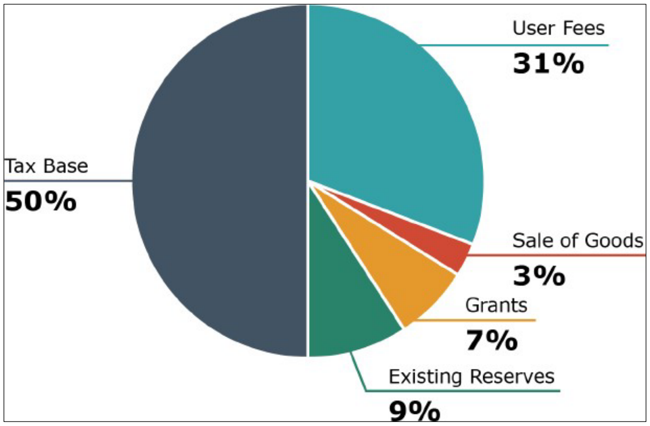
7.3 The City of Guelph

The City of Guelph (Guelph), as shown in Table 3, relies on its property tax base to fund 50% of its waste management system costs. Guelph uses user fees to promote desired waste diversion behaviours such as:

- separation of recyclable materials from refuse at its public drop off; and
- to encourage use of its more efficient curbside services rather than its labour intensive public drop-off facility.[6]

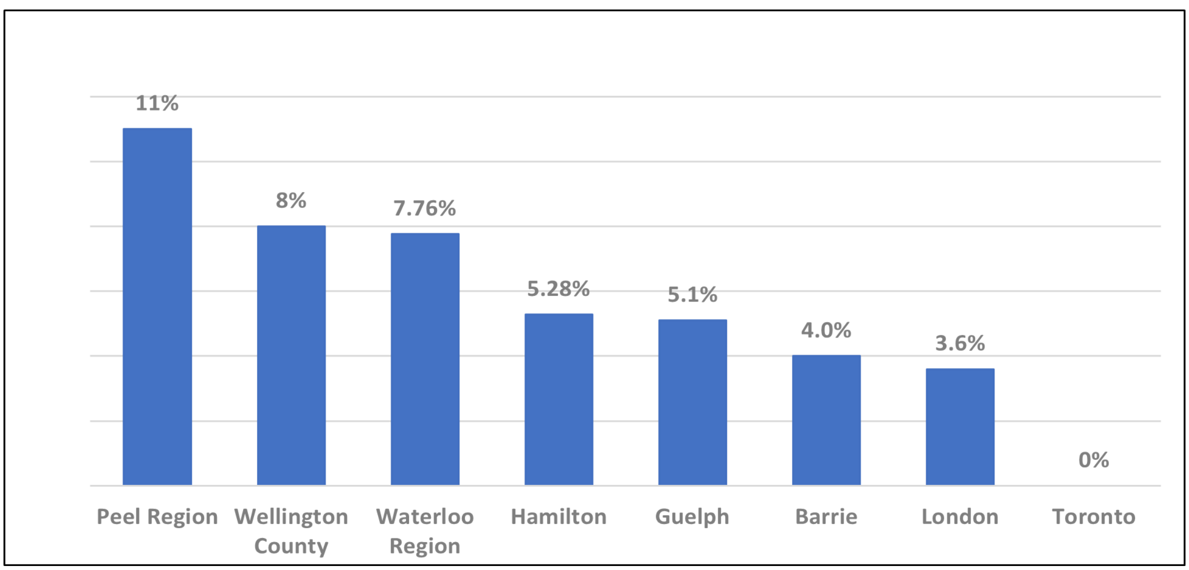
[5] City of Toronto, Technical Memorandum No.1 Current System Summary Aug 25, 2015 HDR
[6] City of Guelph, Solid Waste Master Plan, Nov 2021, Dillon Consulting

Table 3: City of Guelph Solid Waste Funding Model[7]



This approach, as illustrated in Table 4, is consistent with many municipalities in Ontario and highlights the recognized benefit of using a combination of property tax levies and user fees to manage the various operational and capital costs associated with waste management systems. The City of Toronto is the notable exception to this trend, as previously identified.

Table 4: Proportion on Property Tax Bill Related to Solid Waste by Municipality[8]



Source: Watson & Associates Economists Ltd.

[7] Ibid.
[8] Ibid.

7.4 The City of Ottawa

In the City of Ottawa, waste diversion services such as recycling and Green Bin collection and processing, household special waste and soil management are funded through the general tax levy. As in many municipalities, all property classes contribute towards funding of these services, regardless of whether or not the services are provided to the property. By comparison, garbage collection and disposal, landfill operations, long term planning, capital replacement costs, some administrative overhead, as well as a contribution to the landfill closure/post closure liability reserve, is funded by a flat rate applied to each residential unit based on the collection service provided by the City.[9] Tip fees at the City of Ottawa's landfill and revenue from participation in producer run programs also contributes to funding of its waste management system.

More recently, the City of Ottawa is considering moving to a garbage tag user rate system to encourage greater diversion. Under the proposed program, residents will receive 55 garbage tags at no charge, and be eligible to purchase additional tags to meet any overflow requirements.[10]

8 Conclusions

The majority of municipalities in Ontario use a blend of property taxes and user rates to finance their waste management services. Levies based on property assessment are more commonly used to fund waste collection services with user rates (e.g. tip fees) being used to support site based operations and infrastructure. Dedicated reserves are becoming increasingly necessary as a means of buffering cost uncertainty and ensure sustainable financing of capital investments. The use of garbage tags is a common and best practice to support diversion policy.

Niagara Region's current approach of combining levies, garbage tags, tip fees and reserves exhibits a good mix of strategies for financing its waste management programs and should be maintained. Niagara Region should consider including the number of businesses receiving waste collection in its allocation of net program costs across its LAMs given that some have more businesses receiving collection services than others. Consideration should, however, be given to the level of effort involved is

[9] City of Ottawa, Long-Term Waste Management Needs, Jun 2021 HDR

[10] 'Pay as you throw' garbage collection likely coming to Ottawa (https://www.cbc.ca/news/canada/ottawa/bag-tag-system-ottawa-proposed-2024-1.6832152)

this additional calculation to ensure it is materially significant.

The use of rate based assessment rather than property assessment is considered a better practice where households are receiving standard service levels. Further discussions with the LAMs about adopting this model should be considered, particularly if Niagara Region moves to standardized cart based collection.

Waste Management Service Division’s reserves will continue to face pressure during the planning period of the Waste Management Strategic Plan. Service provision costs continue to outpace the Ontario Consumer Price Index and inflation rates. Significant changes, such as an anticipated move by most municipalities across the province to cart based collection, support for climate change action, and new regulatory requirements, as described in the accompanying technical memos are expected to contribute to this pressure. It is unlikely that these cost increases will be able to be supported solely through the tax levy. Further analysis of the potential implications of any significant commitments made through the Waste Management Strategic Plan is recommended.