



## STAFF REPORT ACTION REQUIRED

### Voluntary Contributions of Plastic Bag Fee Proceeds

<b>Date:</b>	April 26, 2012
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

---

As per direction from the Executive Committee, the purpose of this report is to address the potential for businesses to donate a portion of the net proceeds from the five cent plastic bag fee toward the protection of the City's tree canopy.

Staff recommend that major retailers and issuers of bags be requested to make voluntary contributions towards protection of the City's tree canopy as part of the City's donation program managed by the Toronto Office of Partnerships.

#### RECOMMENDATIONS

---

##### **The City Manager recommends that:**

The Toronto Office of Partnerships, in consultation with Strategic Communications and Parks, Forestry and Recreation, prepare a communications strategy requesting major retailers in the City of Toronto to consider donating a portion of their bag fee profits to the City of Toronto's tree canopy program.

##### **Financial Impact**

The donations received through this initiative would be nominal compared to the forecasted expenditures for the emerald ash borer and broader tree canopy initiatives. Communications costs for soliciting donations would be funded from within existing budgets in Solid Waste Management and the Toronto Office of Partnerships.

The request is based on the assumption that major retailers represent half the net bag sale proceeds in the City, and the City succeeds in attracting 10% of their net revenues

through its donation requests, the annual fundraising would be about \$270,000 at current estimated bag usage.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

Executive Committee at its meeting of February 13, 2012 adopted the following item with amendments in regards to redirecting bag fees back into City programs:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX16.12>

City Council at its December 1-3, 2008 meeting made the following decisions with regards to the implementation of a 5 cent plastic bag fee:

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-12-01-cc27-dd.pdf>

City Council at its meeting of November 29, 2011 made the following decisions with regards to the implementation of a voluntary contributions option on property tax bills:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM9.2>

## **ISSUE BACKGROUND**

Beginning in June 2009, a by-law went into effect requiring all retailers in the City of Toronto to charge customers five cents per plastic retail shopping bag. In light of the City's fiscal challenges, the Executive Committee recently directed the City Manager to report back on incentives, including the issuance of tax receipts, and a recognition option, for businesses donating their bag fee proceed toward the City's extensive tree canopy project costs. The projected annual Emerald Ash Borer Tree Replacement project expenditures alone are projected to average about \$10 million per year over the next 6 years.

## **COMMENTS**

The introduction of the 5 cent bag fee has been highly successful on a number of fronts:

- Bag usage has declined by an estimated 53%
- A culture of renewable bag usage has been widely adopted
- A culture of donating some of the bag fee net proceeds appears to have been adopted by the major retailers

Original estimates in 2008 were that 457 million plastic bags were used every year in Toronto. With the introduction of the five cent bag fee, single-family waste composition audits conducted by the Solid Waste Management Division suggest that annual plastic

bag usage has been reduced by 53%, corresponding to an estimated bag generation of about 215 million annually. After costs, it is estimated that the 5 cent bag fee generates about \$5.4 million in net revenue annually across the City, assuming 100% of bags attract fees.

Council asked that staff consider the means and potential incentives that City can use to attract donations from this revenue, particularly to offset tree canopy expenditures. The City already has a corporate donation policy in place. Under this policy, invitations are sent out to select groups seeking contributions to listed programs, and donors are eligible for receipts for tax purposes.

Therefore, it is proposed that staff develop a communication plan encouraging major City retailers to donate bag sale proceeds to the City's tree canopy program, and identifying other donations options that the City promotes. Through its communications strategy, the City can point to the benefit of investing the proceeds locally and of course the importance of the urban forest to City residents and businesses. In addition to tax receipts, the strategy may also include some recognition of the City's appreciation to donors, such as signage for store locations, and notification of the City's progress toward its tree canopy goals.

Major retailers such as department, big box and especially grocery stores would be the target of the campaign because they are thought to be responsible for the largest portion of remaining bag use and resulting revenues, and are easiest to reach. Smaller volume retailers are not only less likely to have corporate donation policies, but also are harder to reach due to their numbers and dispersal throughout the community.

However, most major retailers have already identified environmental and community beneficiaries for their donations related to their bag fee proceeds, such as the World Wildlife Fund and Princess Margaret Hospital. In some cases these donations are determined as part of a nation-wide charitable program. Requests from the City for donations to the tree canopy program will be in direct competition with these worthwhile charitable commitments.

Consequently, the City, if successful, can expect to attract only a portion of the donated proceeds. For example, if major retailers represent half the net bag sale proceeds in the City, and the City succeeds in attracting 10% of their net revenues through its donation requests, the annual fundraising would be about \$270,000 at current estimated bag usage.

## **CONTACT**

Len Brittain  
Director, Corporate Finance  
Tel: (416) 392-5380  
E-Mail: [lbrittai@toronto.ca](mailto:lbrittai@toronto.ca)

Vincent Sferrazza  
Acting General Manager, Solid Waste Mgt  
Tel: (416) 392-4715  
vsferra@toronto.ca

## **SIGNATURE**

---

Joseph P. Pennachetti  
City Manager