

Multi-Unit Residential Recycling Agreement - Corporate Recycling Services

ISSUE

Lower value recycling markets and rising contamination rates have led to higher processing costs for material collected from the four City-operated recycling depots. To ensure financial sustainability, Cosmopolitan Industries (Cosmo) has brought forward a request to negotiate an amendment to Schedule 9 (Corporate Recycling Services) of the Multi-Unit Residential Recycling (MURR) Agreement.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council that the Administration be directed to proceed with negotiations with Cosmo to amend Schedule 9 of the MURR Agreement.

BACKGROUND

City Council, at its meeting held on August 21, 2014, resolved:

That the City of Saskatoon (City) enter into the following Agreements negotiated with Cosmopolitan Industries Ltd. (Cosmo):

- a) the Winding Down Agreement;
- b) the Agreement for Sale; and
- c) the Multi Unit Residential Recycling (MURR) Agreement.

Prior to the launch of the MURR Program in late 2014, the City collected paper and cardboard from 55 depots across the community and delivered the material to Cosmo's Material Recovery Facility (MRF) through an agreement. Following the launch of the curbside recycling program for single family households, the City embarked on a strategy for multi-unit households with the City and Cosmo entering into these three new agreements. Through the Winding Down Agreement, the terms of the previous agreement came to an end in 2014. The Agreement for Sale addresses the transfer of building ownership from the City to Cosmo. The MURR Agreement was finalized in 2015, and addressed the recycling depots transitioning from accepting paper and cardboard to accepting single-stream recycling like the Curbside and MURR Program, as well as all aspects of collection and processing of recyclables from multi-unit dwellings.

The MURR Agreement is a nine-year agreement that expires on December 31, 2023. The Agreement includes an extension option for Cosmo to renew for a further term of six years should both parties come to mutually agreeable terms. Schedule 9 (Corporate Recycling Services) of the MURR Agreement includes details on the four City-operated recycling depots and recycling programs operated at civic facilities.

DISCUSSION/ANALYSIS

The terms of Schedule 9 are based on the previous agreement that was in place with Cosmo. The City is responsible for collecting recycling material from the recycling depots and the civic facilities listed in Schedule 9, and delivering it to the Cosmo MRF. Cosmo is responsible for processing and marketing the material that is delivered and is required to pay service prices to the City based on 50% of the net revenue from each kilogram of recyclable material delivered. Since the beginning of the MURR Program, the net revenue has been less than \$0, and therefore there has been no opportunity for Cosmo to pay service prices to the City, as profits from the recyclable material collected have been less than the cost to process and market the material.

Global recycling markets have continued on a downward trend for the last several years. This has resulted in lower revenues from recyclable materials and higher processing costs. Materials such as low-grade plastics, for example, are now marketed at a negative value. The contamination rate for MURR and Recycling Depot material has risen from 16% in 2016, to 20% in 2019, which has led to higher landfilling costs for Cosmo. These factors have resulted in a net financial loss for the depot program. Additional information on tonnage and contamination is included in Appendix 1.

The MURR Agreement includes a general amendment clause which states: "Both parties acknowledge and agree that should unforeseen circumstances, including changes in Applicable Law, arise during the Term of this Agreement, the affected party will notify the other party, and the parties will negotiate in good faith a mutually agreeable resolution. Cosmo acknowledges and agrees that any amendment to this Agreement shall be subject to the approval of City Council". Given the increase in contamination rates and changes to recycling markets, Cosmo is requesting an amendment to Schedule 9 to ensure they are adequately funded to process material that comes in from the recycling depots and civic facilities. The request from Cosmo deals only with the recycling depots and civic recycling portions of the agreement. As such, the multi-unit residential recycling and processing program is not expected to be affected in any way.

FINANCIAL IMPLICATIONS

The financial implications are not known at this time but will be known once discussions and negotiations have been undertaken. A future report from Administration will detail options and provide the financial impacts.

OTHER IMPLICATIONS

There may be legal issues regarding the negotiation of the contract with Cosmo. The Office of the City Solicitor has prepared a separate response on this topic (Appendix 2).

There are no privacy, social, or environmental implications identified.

NEXT STEPS

If the recommendation is approved, Administration will enter into negotiations with Cosmo and report back with options and a recommended amendment to the agreement.

APPENDICES

1. Corporate Recycling Information
2. Confidential Solicitor/Client Privilege

Report Approval

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