

# Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections

## ISSUE

On June 21, 2021, the Governance and Priorities Committee requested *“that the Administration report back about implementing Option 2 with an affordability threshold, including triple bottom line analysis, that reflects as many factors as possible to ensure that we achieve the best overall organics collection with price and service”*.

## BACKGROUND

### History

City Council, at its meeting held on October 22, 2018, approved the establishment of a new waste management service level of bi-weekly year-round waste and organics collection for all curbside residential households.

On March 25, 2019, City Council approved that the new waste service level of bi-weekly collections for curbside organics and curbside waste, approved on October 22, 2018, would come into effect when the curbside organics program is implemented in 2023.

In August 2020, a contract was established with Green Prairie Environmental Ltd. for the processing of the collected organics. This contract does not include collection services.

On June 21, 2021, the Governance and Priorities Committee received a decision report presenting three options for the collection of curbside organics. Administration was asked to provide further details on having a third party provide collections services (Option 2) to ensure the best overall organics collection is implemented.

### Current Status

Administration is planning for the implementation of the curbside organics program in the Spring of 2023. Given the amount of time required to develop the citywide curbside program and ensure all equipment and resources are in place, direction from City Council is required for the provision of organics collection services. It is assumed that collection of 75,000 bi-weekly curbside organics carts will be necessary when this program starts.

### Public Engagement

During the timeframe of 2015-2018 leading to the approval of the curbside organics program, Administration conducted extensive public engagement where over 5,000 residences were engaged through online surveys, pop-up events, community workshops and accessible waste collection workshops. The focus of the engagement was to gauge support and obtain input for a city-wide organics program and other waste programs.

## Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections

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### City of Saskatoon's Current Approach

The City of Saskatoon (City) currently conducts weekly waste collections in the summer and bi-weekly waste collections in the winter to over 72,000 single-family households. An average of 900 single-family units requiring collections are added annually.

The City also runs a subscription based green cart program with approximately 12,000 subscribers which collects yard waste and other organics on a bi-weekly frequency from early May to early November. This entire program utilizes the City's own operators, fleet, scheduling and customer service resources.

With the implementation of the citywide curbside organics program, collections will occur weekly throughout the entire year, with the waste (black) cart being tipped one week and the organics (green) cart being tipped the following week. Thus, each cart will be tipped bi-weekly.

The level of service that the City currently provides for collections is:

- Collections occur between 7 AM and 5 PM, Monday to Friday;
- Collection success rate of 99.9% (less than 0.1% of collections are missed);
- Operates a 24/7 customer service system to assist citizens with their inquiries; and
- Provides a collection assistance service.

### Approaches in Other Jurisdictions

Information regarding waste collections services from other municipalities around Canada was collected and reviewed to benchmark the collection options. The Cities of Calgary, Winnipeg, Edmonton, Ottawa, Strathcona County, and the Region of Peel were engaged for input regarding their respective service delivery model. The data was primarily obtained through scheduled interviews and data request questionnaires.

Most municipalities were unable to provide collections-specific cost information on their respective service delivery models. The vast majority of municipalities report that they either tender out both collections and processing to the same contractor or else provide collections in-house. There were no municipalities found where the City owns and is responsible for the carts, and separate contractors provide collections and processing.

Where collections-only costs were available, there was a large variance in costs reported because the scope of work in these municipalities differed (customer service, cart management, weekly vs bi-weekly collections, cart size, existing service model etc.). Administration sorted through the various costs based on the differing scope of services and noted several factors that contribute to the varying costs of collections including size of municipality, competition within the market, and contract scope, making it difficult for direct comparison between municipalities.

One of the municipalities reported that they experienced numerous conflicts with their third-party collection service contractor, which lead to disruption of service collections

## **Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections**

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and legal proceedings. Their subsequent collection service contract, provided by different third parties, had an increase of 36% from \$18.2M to \$24.8M annually.

### **Approach to Tendering**

If directed to tender the work, the Administration recommends a Request for Proposal (RFP) approach based on the expectations of City Council. A report or reports would be brought forward to Council to make sure the Administration is accurately reflecting the items City Council wishes to see evaluated in the RFP, as proponents will be assessed against them to determine the highest value proposal.

The procurement would use a stage-gate approach, with bidders required to meet or exceed certain minimum thresholds before being ranked. Inclusion of an affordability threshold would mean that each submission would first be evaluated for a pass/fail on price. If the proponent passed the affordability threshold review, the assessment would proceed and would consider other typical considerations such as the financial capacity of the bidder to provide assurances that the contractor is in good financial standing.

Once these preliminary matters are passed, each submission would be evaluated against the RFP scoring criteria to ensure that the submission meets the City's service level requirements in each area.

The following list includes example typical scoring criteria, although a future report would flesh these out in more detail should City Council resolve to proceed with an RFP:

- Cost;
- Company experience and qualifications;
- Operational capacity;
- Service verification;
- Customer service, service delivery, and communications;
- Contingency plans;
- Ability to change service levels;
- Health and Safety (Workers and Public); and
- Quality Assurance and Quality Control.

The bid with the highest score would be awarded the collections contract for the term of the contract. The term and details of the contract will still need to be agreed upon. If directed to tender the work, the Administration would pursue a negotiated RFP template that would allow for negotiation of the final details with the successful proponent.

If no proposals met the expectations outlined in the RFP, the City would be the default service provider and would take steps to provide the service with internal resources.

### **Establishing the Affordability Threshold**

Many factors could be considered when setting an affordability threshold. For example, when the original blue-bin recycling program was introduced, there was understandable

## Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections

public concern about the potential overall cost of the program due to the magnitude of the service change. As such, the procurement process included an affordability threshold which made it clear that all proposals over the affordability threshold would not be considered. At that time the process was primarily intended to ensure program cost estimates were not exceeded by the various interested private proponents.

In this case, effectively the total cost of the program was considered during earlier reports, with estimates of total program costs being presented to City Council. At the time City Council made their decision to proceed with the program, the estimated total cost of the curbside organics program was \$8.06M per year or \$9.60 per household per month (in 2018 dollars and assuming 70,000 households).

With the cost of processing now known and a reduced estimate for collections, the new anticipated program cost is \$7.31M per year or \$8.13 per household per month (in 2023 assuming 75,000 households).

As the Administration sees it, proceeding with an RFP including an affordability threshold would effectively be the way the Administration's estimates for in-house collections would be compared with proposals from third-party proponents. City Council would set the affordability threshold and expectations of the service, and the Administration would be responsible for ensuring those expectations are met.

To estimate the costs of a third-party providing collections services including customer service, a time and materials estimate was completed as was analysis of other known contracts for collections services. From a time and materials standpoint, based on the estimated costs of equipment, staffing, fuel, overhead, profit, taxes, etc. the range of costs are shown in Table 1.

Table 1: Estimated costs of third-party collections using time and materials

	<b>Low</b>	<b>Average</b>	<b>High</b>
<b>Annual Cost</b>	\$2,704,282.00	\$3,149,692.00	\$3,340,582.00
<b>Household Cost per Month</b>	\$3.00	\$3.50	\$3.71

As mentioned in Approaches in Other Jurisdictions of this report, due to differing scopes and confidentiality requirements, it is difficult to determine an exact average for the collections costs that other municipalities pay for third party collections services. Based on information collected from other municipalities, the Administration's estimate for third-party collections is between \$2.70M and \$3.34M annually (\$3.00 to \$3.71 per household per month). However, as is always the case with tenders, this number would only be known for certain once the work was tendered based on the exact expectations of the City of Saskatoon, and the tender awarded.

The Administration continues to refine its estimate for providing the collections work internally to establish an affordability threshold. The updated estimated cost that would provide an 'apples to apples' comparison is \$2.65M annually or \$2.94 per household per month. This amount is different than what was presented at the June GPC meeting

## **Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections**

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as the previous number took into account expenses that would be shared with the waste collection program. Should the City not perform organics collections in-house, those shared auxiliary costs would still be borne by the waste collection program and therefore, for comparison purposes with third-party, would not be included in the affordability threshold. For example, shared costs for storing equipment, customer service, as well as expenses such as the requirement to remove trees and branches in back lanes that hinders collections operations. The proposed overall budget for curbside organics considers in-house collections, therefore the auxiliary costs are included and equally shared with waste collection. As such, if City Council wishes to proceed with an RFP process, the Administration would propose these revised values as the affordability threshold based on our understanding of service expectations. If service expectations change, estimates for both internal and external service provision would need to be updated.

### **Inclusion of Triple Bottom Line Criteria**

In order to compare proposals using a Triple Bottom Line (TBL) approach, City Council could establish its expectations clearly in a way that includes Social, Economic, Financial and Governance criteria. For example, both the private sector and internal forces could be given diversity expectations and be required to meet them. Examples of possible criteria in alignment with TBL are listed in Appendix 1.

If a TBL approach were implemented along with a threshold-based RFP approach, the next steps would be for the criteria to be set by City Council, and the Administration then be given the opportunity to adjust its estimate based on the established criteria. The criteria and affordability threshold values would then be included in the RFP process. The Administration's cost estimates to date include the conditions Council considered and resolved to date as well as all current corporate standards and conditions such as rates of pay agreed to through existing collective agreements, corporate Occupational Health and Safety approach, and living our corporate values to name a few.

The RFP scoring criteria would be extensive. The Administration would undertake to develop a weighted scoring system based on Appendix 1 and the criteria listed earlier in this report, and bring that forward to City Council for consideration.

### **Differentiating Factors**

There are inherent risks with either approach. For example, either civic forces or a third-party contractor could fail to meet the service expectations or meet the cost estimates provided. The impacts do change depending on the delivery model. For example, if the Administration fails to meet cost expectations, Council could decide to tender out the work in future years or take other actions. If a third-party fails to meet cost expectations, the typical recourse is they would request a fee increase or would default on the contract. At that time the City could either tender the work again, or proceed to undertake the work in-house.

## Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections

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These risks are present for all work conducted by the City and are not unique to this particular service. City Council and the Administration would make every effort to hold either successful party to their commitments, as is done with all work performed either in-house or through third-party contractors.

The decision to tender work, or undertake work in-house, is a decision that is made in an ongoing way for many civic programs. For example, the City uses a combination of civic forces and contractors for a variety of work. Mowing, winter road grading and snow removal, line painting, road and sidewalk repair, and building maintenance – all of these services are provided with both in-house and third-party resources. Other work is completed either exclusively in-house or by a third-party. For example, land development construction is provided by a third-party, while transit is provided in-house.

When the Administration made its recommendation to provide this work in-house, it was done in consideration of a number of factors. The research conducted showed that the City could be extremely cost-competitive with the private sector, if not the least cost due to economies of scale with the black bin program. However, as with all similar scenarios, this cannot be determined unless the work were actually tendered. The Administration felt that in-house collection would be a natural progression operationally, as the majority of equipment is already in place due to the current practice of weekly summer black bin collection and current subscription organics program. Summer seasonal positions could effectively be extended to year-round postings, so trained operators are largely already in place.

One factor considered was that the Administration anticipated that the curbside organics program will evolve over time. For example, if City Council wished to pilot or implement varying bin sizes or schedule variations, it is typically easier to make such changes with in-house resources. With third-party resources, if substantive changes are not included in the original contract, it is very difficult for the City to implement changes mid-contract. Substantive changes are best dealt with at the end of a contract term, when establishing the new contract.

Currently, collections programs including black bin, green bin and blue bin are provided primarily in-house (approximately 60%) with the remainder provided by a third-party (40%). More specifically, summer weekly and winter bi-weekly black bin collection is provided in-house, as is the subscription seasonal organics program, while the year-round blue-bin collection program is provided by a third-party.

If curbside organics collection is performed in-house, this ratio would change to approximately 66.6% of collections performed in-house (year-round weekly collection of green bins one week and black bins the next) with third-party contractors collecting 33.3% (bi-weekly year-round collection of blue bins).

If curbside organics collection is performed by a third-party, this ratio would be reversed, with approximately 33.3% of collections performed in-house (year-round bi-weekly

## **Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections**

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collection of black bins) with third-party contractors collecting 66.6% (year-round bi-weekly collection of green and blue bins).

Overall, the Administration's perspective is that performing the curbside organics collections in-house would be a progression from the current organics subscription program and black bin program resulting in a relatively smooth transition meeting targeted timelines, and costs would be competitive with third-party services.

### **FINANCIAL IMPLICATIONS**

Based on the estimated third-party costs and affordability threshold, the expected costs between options are relatively similar with the in-house costs expected to be slightly more affordable.

### **ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

The City currently has the in-house capabilities to complete the curbside organics collections as the equipment, personnel, customer service and knowledge are already being used to deliver waste collection services and subscription based green cart program. The collection of organic material is different than the collection of waste or recyclables and can be more problematic to equipment. The City has the knowledge and experience with operating the subscription green bin program to know how to maintain organics collections equipment. The City would need to extend nine permanent seasonal employees to full-time to deliver collection services for the curbside organics program. Existing equipment would be used more frequently over the winter season than it is currently, eliminating the need to purchase additional equipment.

Contracting out this work would result in nine existing permanent, seasonal collections employees involved in the current subscription green bin program would need to be reallocated to other positions, ultimately resulting in fewer civic employees. The City strives to add fewer FTE's annually than services actually increase, as indicated by the annual comparison of FTE growth being less than population growth by 1%. This objective helps drive efficiency as well as provides a balance of in-house and third-party services.

Tendering out the collections service could result in three separate service providers for the curbside organics program, resulting in the need for three different entities to coordinate and manage the relationships with the City as the owner of the carts, a third-party organics collections contractor, and a third-party organics processor. If contractual or operational issues are encountered, particularly between the two third-party contractors, there is a high likelihood of prolonged negative service impacts.

Considering all factors, the Administration's recommendation to deliver the curbside organics collections in-house remains as it can be implemented with little risk and evaluated over time. Because of the reduced black-bin collection in the summer season, in-house collections is effectively akin to the City extending the summer resources to year-round. Annual reporting could be conducted to monitor costs and service levels. At any time, if the Administration or Council feels that in-house

## **Curbside Organics Collection: Affordability Threshold and Triple Bottom Line Approach to Tendering Collections**

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collections cost is not competitive or service levels are not being met, the decision for in-house collections can be re-evaluated, as there is little upfront cost.

There is a significant amount of time required for both the procurement process and for the third-party contractor to secure the necessary resources for curbside organics collections. A decision on collection method is required to ensure that either the third-party or City are prepared for the curbside organics program starting in spring of 2023.

### **COMMUNICATION ACTIVITIES**

The curbside organics education materials are planned to be developed in 2022. Public communication will occur in the months preceding the rollout of the organics program.

### **NEXT STEPS**

Next steps would be determined based on direction from City Council for collection of curbside organics.

### **APPENDICES**

1. Triple Bottom Line Review – Curbside Organics Program Collection Options

#### Report Approval

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