

P.02599 – Capital Project Renaming and Request for Internal Borrowing for Black Carts

ISSUE

The garbage utility will be implemented in 2024 with a variable rate based on black cart size. This report seeks approval for internal borrowing to fund the initial cart procurement and deployment of the smaller cart sizes through Capital Project P.02599. Administration is also seeking approval to rename Capital Project P.02599 to more accurately reflect the work completed in this project.

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities, and Corporate Services recommend to City Council:

1. That Capital Project P.02599 – Curbside Organics Program be renamed as P.02599 – Waste Utility Program Development; and
2. That Capital Project P.02599 be increased by \$3,500,000 funded through internal borrowing, subject to public notice and an intent to borrow report, to fund the supply and deployment of small and medium sized carts in conjunction with the launch of the variable garbage utility in 2024.

BACKGROUND

At its October 25, 2021, meeting, City Council resolved:

“That the City of Saskatoon proceed with Option 2: A fixed monthly rate for the curbside organics utility with a January 2023 implementation, and a variable rate for black cart garbage utility with implementation in 2024.”

At its September 26, 2022, meeting, City Council resolved:

“That the City of Saskatoon proceed with Option 1: A variable cart utility including three cart options for the black cart garbage utility, with implementation funded through borrowing against the future utility.”

DISCUSSION/ANALYSIS

Capital Project Name Change

The curbside organics utility and the variable curbside garbage utility were developed concurrently, sharing several resources. Funding for program development has historically been applied to Project P.02599 – Curbside Organics Program. As this project has now evolved to include both organics and variable garbage utility, Administration is seeking City Council approval to change the project name to P.02599 – Waste Utility Program Development.

Internal Loan for Initial Cart Procurement

A variable rate black cart garbage utility will be implemented in 2024. Under the approved three cart model, residents will have the choice to down-size to a small (120 L or 135 L) or medium (240 L) cart or retain their existing large (360 L) cart. The smallest black cart size will be finalized during procurement with the selected vendor (standard cart sizes differ across cart manufacturers). A request-based approach to cart size changes will be utilized which centers on the assumption that existing black carts will be kept in the field unless residents request a different size.

Funding will be required to purchase and support the exchange of small and medium carts in alignment with the program launch. The level of funding required is dependent on the percentage of residents that will request to move to smaller sized carts, and the expected costs of the smaller cart sizes. Smaller sized cart costs were estimated by reviewing the pricing from organics cart procurement, as well as preliminary discussions with existing cart vendors.

To estimate the number of residents that would move to a smaller cart size, Administration reviewed information from multiple sources and other municipalities. The City of Saskatoon (City) engaged Skumatz Economic Research Associates, Inc. (SERA) in 2018 to conduct a study which incorporated data from programs with waste utilities from over 10,000 North American communities. The SERA estimates indicated that up to 60% of residents typically choose to decrease their cart size.

Administration also reviewed cart distribution information from nine Canadian cities that currently have a waste utility or are planning for one in the near future. The municipalities reviewed included Vancouver, Burnaby, Coquitlam, Surrey, Lethbridge, Edmonton, Regina, and Toronto. The municipal review found that cart uptake in the small cart category ranged from 5% to 76%, while uptake in the medium cart category ranged from 5% to 89%. Factors that impact cart distribution include rate differentials between cart sizes, program maturity, default cart size, collection frequency, and population density. Cities such as Toronto and Vancouver, which have larger rate differentials and higher population density, tend to have a higher volume of residents using smaller cart sizes. Whereas cities with smaller rate differentials and lower population density tend to have fewer residents using smaller cart sizes. A key consideration when reviewing data from other municipalities is existing cart size. Several of the municipalities with a higher percentage of residents using smaller carts implemented a cart-based system with a default smaller size, whereas all Saskatoon residents currently use the largest size, and may be more hesitant to switch to a smaller size.

Based on the information collected from SERA and other municipalities, and factoring in Saskatoon's low population density, existing large cart size and the moderate rate differential planned for 2024, Administration estimates that between 25%-40% of residents will switch to a small or medium sized cart in 2024. To fund the initial purchase and deployment of the smaller carts, capital funding of \$3,500,000 is required.

This amount would be funded through an internal loan with a term of ten years, with repayments being made through the future garbage utility rates.

FINANCIAL IMPLICATIONS

Should the internal loan be approved, the capital budget of Project P.02599 will be increased by \$3,500,000, and repayments of debt will be included in the garbage utility rate which increases the amount charged to residents with a curbside black cart.

In accordance with Council Policy C03-027, interest will be charged on an annual basis at the City’s equivalent borrowing rate at the time of debt issuance. Based on current interest rate estimates, the annual repayments of principal and interest will amount to \$419,300. The impacts of debt repayments on the garbage utility rates will range from \$0.19 and \$0.53 per month. These costs will be included in the garbage utility rates when they are brought forward in fall 2023.

OTHER IMPLICATIONS

There is no privacy, legal, or social implications identified.

NEXT STEPS

If the recommendations in this report are approved by City Council, a Public Notice Report will be completed in September 2023 for internal borrowing of \$3,500,000. Further details on the waste utility rates and implementation timelines will be brought forward in fall 2023.

Report Approval

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