

2024 Curbside Garbage Utility Implementation and Proposed Rates

ISSUE

Preparations continue for the launch of the curbside garbage utility in 2024. This report provides information for the implementation of the Black Cart Program changes including variable cart details, implementation timelines, and financial modeling.

RECOMMENDATION

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

1. That the implementation plan, as outlined below, be approved; and
2. That Administration include the proposed garbage utility fees in the 2024/2025 Preliminary Business Plan and Budget meetings, which include a flat fee for the first six months of 2024 and a variable fee thereafter.

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.”

At its November 21, 2022, meeting, City Council resolved:

“That the Administration implement Option 4 as a fixed bridging subsidy (\$100.00) starting in fiscal year 2024, and simultaneously work toward implementing Option 5, the Universal Low Income Subsidy program for fiscal year 2027.

That Administration report back no later than Quarter 3 of 2023, with further information on scope and timelines for the implementation of Option 4, including detailed administration and implementation costs.”

At its August 8, 2023, meeting, the Standing Policy Committee on Environment, Utilities and Corporate Services recommended to City Council:

“That Capital Project P.02599 – Curbside Organics Program be renamed as P.02599 – Waste Utility Program Development; and

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.”

As of the writing of this report, City Council had not yet considered the above matter.

DISCUSSION/ANALYSIS

Current Status

Since the launch of the Green Cart Program in May 2023, curbside garbage tonnages have decreased by 30% from the same time last year. In the months of May through June, 13,530 tonnes of garbage have been landfilled and 8,540 tonnes of organics were sent for processing.

Timelines

Administration recommends initial deployment of variable cart sizes in late Spring 2024, which will provide residents approximately one year to determine their household's waste needs with all three waste streams (black cart, blue cart and green cart). Drawing lessons from the Green Cart Program, deploying carts during spring weather is recommended to minimize disruptions. This also allows more time to finalize deployment plans, complete development work within the City of Saskatoon's (City) billing systems, and to address complexities in the program such as secondary suites and townhouse properties.

To manage the volume of cart exchanges effectively, the cart vendor will be responsible for completing the initial black cart exchanges in 2024. Deployment crews will be coordinated with the garbage collection schedule to ensure existing carts are available and emptied before the carts are exchanged. A second deployment period in 2024 will occur in the fall. Specific dates will be negotiated with the cart vendor during procurement.

Cart Size and Testing

Administration is recommending the smallest black cart size be either a 120L or 135L black cart, which will be finalized during procurement with the selected vendor, as standard small cart sizes differ across manufacturers. Three different cart sizes would be available to residents on request, including the current large (360 L), medium (240 L) and a small (120L or 135L) black cart.

Administration, with the support of Fleet and Collections, has conducted testing with various cart sizes to determine the extent of retrofits required to the collection trucks' mechanical arms. Preliminary test results indicate that only minor retrofits to the existing arms would be required to collect the three different cart sizes.

Cart Exchange Requests

Residents will have a choice of black cart size for year-round bi-weekly pick up, which would be charged monthly on their utility bill. To control cart supply and deployment costs while maximizing the life of the existing carts, existing black carts will be kept in the field unless residents request a smaller size. This approach ensures that residents

have flexibility and choice based on their individual needs, while managing cart supply and deployment costs, and maximizing the life of the existing carts.

To facilitate the exchange process, an intake period for cart requests lasting approximately four to six weeks will be provided through an online system, accessible through the utility account portal, to handle cart exchange requests. The online system will allow residents to select their preferred cart size, storing the information in the Customer Information System (CIS) database, and enabling accurate alignment of exchange requests with service details and utility rates. Two deployment periods in 2024 are being considered for the spring and the fall. There will be cart request cut-off dates to ensure cart orders can be managed. Following the initial deployments in 2024, residents will be able to switch their cart size online (for a fee) through the self-service portal or by contacting Revenue Customer Service for assistance. Administration is developing a process for property managers and condo boards to manage bulk requests.

Cart Requirements for Additional Units

A minimum of one black cart per structure will be required under the Waste Bylaw to meet the provision of garbage disposal and protect the health of people and the environment within the City. All units are considered a separate dwelling and are entitled to their own black cart; however, may choose to share a black cart and pay a single monthly garbage utility rate. This approach would allow registered secondary suites, like basement suites or additional units to share a black cart. The utility fee would be charged to the primary unit on the utility bill.

Communications and Education

A multi-phase communication and education plan is being developed to inform residents on the introduction of the black cart utility fee, encourage and assist households with selecting a cart size that best meets their needs, proactively address concerns such as illegal dumping and high waste generation for some types of households (large families, medical waste, in-home businesses), and support waste reduction and diversion through behaviour change and proper use of diversion programs.

The communication and education plan will align with the phases outlined in this report and, much like the green cart's communications and education plan, be iterative. It will be informed by learnings from the launch of the green cart program, experiences from other jurisdictions, insights from the City's bylaw enforcement and customer service teams, alignment with the other curbside programs (recycling and organics), 2023 waste characterization study results, and 2023 statistically representative residential waste and recycling survey results. More details on timelines will be available after the cart vendor is selected. Preliminary communication strategies are included in Attachment 1.

Rate Philosophy

The City's shift to a variable rate for curbside garbage collection establishes a clear link between garbage disposal and the cost of services and creates a financial incentive to reduce waste and participate in diversion. Providing variable rates that are linked to cart size creates a financial incentive to change waste disposal behaviours. Each

household's monthly utility rate will be based on their choice of black cart size, giving residents some control over their costs, and encouraging them to make good use of their available disposal options by properly sorting waste into organics (green cart), recycling (blue cart), and garbage (black cart).

Development of a financial model for garbage services is a highly complex process balancing multiple desired outcomes. The rates charged to residents must create enough financial incentive to divert waste while remaining affordable for those that require the largest size of black cart. The model must also be sustainable for the long term so large rate fluctuations are avoided wherever possible.

Based on the above considerations, Administration modeled several different approaches to the rates for the black cart utility and ultimately is recommending a variable model based on the volume of garbage space that is available to the resident. The model creates a clear distinction between cart size and rate that is easily communicated and understandable. In addition, this model, when compared to others, resulted in the most meaningful rate differential without being unfair to large cart users. Finally, the design of the model means that if cart distributions between sizes stagnate, the dollar differential will increase (i.e., create more incentives to downsize) as costs increase.

Garbage Utility Fee Strategy

The funding source for black cart garbage services will shift to a utility model in 2024. Under this model, a fee will be charged to each user of the service to recover the costs associated with providing the garbage collection and disposal services. The full cost of black cart garbage services will be funded through utility revenues for 2024 onward.

However, since the implementation of the variable utility is planned for mid-year 2024, there will be a period from January to July where a fixed rate utility will be required. The fixed rate utility for the transitional period serves as an interim solution to ensure uninterrupted funding and a smooth transition to the variable rate system.

The 2024 operating plan for the curbside garbage program has budgeted expenditures of \$8.4M for the full year. Assuming approximately 71,500 carts in the program, and that approximately 25% of residents will switch to a smaller cart when available, Administration developed a transitional period fixed rate that will be charged from January to June and variable rates charged for the remainder of the year. The proposed rates are presented in the Table 1 below, with further details in Attachment 2.

As with the existing garbage services, residents will retain the option to request an additional garbage cart on their property. To discourage excessive waste generation, additional cart rates are proposed at approximately \$5 per month above the cost of the largest cart size. Based on research conducted by Skumatz Economic Research Associates, Inc. (SERA), it has been found that dollar differentials less than \$5 per month do not significantly impact choices and resulting behavior. Higher rates are intended to disincentivize additional garbage carts, while remaining affordable and easily understandable.

2024 Curbside Garbage Utility Implementation and Proposed Rates

The Administration is not recommending a fee for the first cart exchange in 2024 to allow residents the ability to assess their waste needs, right size their carts, and encourage the transition to a smaller cart size. By temporarily waiving the initial cart exchange fee, residents are incentivized to make informed decisions about their waste needs and adjust accordingly.

After the initial cart exchange and/or starting in 2025, a cart exchange fee of \$30 is recommended. This fee serves two purposes: discouraging frequent seasonal cart size changes; and ensuring the program is cost recovery. The fee would apply to residents who request a cart exchange unless there is a change in tenancy such as a new homeowner or when moving homes. The fee per cart is based on costs incurred exchanging carts, registering the new carts to an address, assembly and delivery of each cart, removing the old carts, and cleaning/preparing the returned cart for re-use. Administration also recommends that effective July 2024, the default cart delivered for a new service turn on will be the medium sized cart, unless the resident requests a different size.

Table 1 – Proposed Rates for Garbage Utility in 2024

Rate Category	Charge for 30 days of Service (Daily Rate)	Total Annual Rate
Fixed Rate for Jan – June	\$9.92 (\$0.3306)	Included in variable rates below
Small Cart (120L/130L) Rate for July – Dec	\$3.73 (\$0.1245)	\$80.76
Medium Cart (240L) Rate for July - Dec	\$7.05 (\$0.2352)	\$101.12
Large Cart (360L) Rate for July – Dec *Current Size	\$10.58 (\$0.3527)	\$122.75
Additional Large Cart (360L) Rate for Jan - Dec	\$15.52 (\$0.5174)	\$188.85 additional

As noted above, all residents will be charged the fixed rate from January to June 2024. During this time, Administration will be accepting cart exchange requests, and working with the cart vendor to order and exchange the carts, to allow for variable billing to commence in July.

The rates proposed within this report are designed to generate sufficient revenue to cover all budgeted expenditures including collection, processing, and administration of the program. Table 2 provides a breakdown of what is included in the rates.

Table 2 – 2024 Curbside Garbage Utility Rate Breakdown

Cost Category	Percentage of Overall Expense
Collection & Container Management	44%
Processing (Landfilling)	34%
Program Management	9%
Capital & Reserve Contributions	5%
Bylaw Enforcement & Education	3%
Debt Repayment	5%

Utility Charges in Other Jurisdictions

Differences in collection schedules, cart sizes, and rate modelling make it difficult to find a direct comparison to the rates presented in this report. Administration reviewed waste utility rates from multiple municipalities including Vancouver, Burnaby, Red Deer, Edmonton, Lethbridge, Toronto, and Beaconsfield, Quebec. The utility rates range between \$4.12 and \$58.75, with specific details outlined in Attachment 3.

FINANCIAL IMPLICATIONS

The full cost of curbside garbage collection will be removed from the property tax base in January 2024, shifting funding of the service to a utility model. The variable utility will be introduced in July 2024, redistributing costs based on the size of the black cart chosen.

The 2024 curbside garbage utility budget has operating expenditures of \$8.4M. This includes the transfer from property tax as well as increases for debt repayment, education and communications, staffing resources, and inflationary increases.

Table 3 outlines how the reduction in mill rate and proposed utility charges would affect curbside residents in 2024.

Table 3 – 2024 Estimated Financial Implications for Median Single Family Residential Property

	Small Cart (120L/135L)	Medium Cart (240L)	Large Cart (360L) *Current Size
2024 Reduction of Property Tax from Transitioning Curbside Garbage Collections to Utility	\$(51.78)	\$(51.78)	\$(51.78)
2024 Expected Annual Garbage Utility Fees (See Table 1)	\$80.76	\$101.12	\$122.75
Net Increase	\$28.98	\$49.34	\$70.97

¹ This table is calculated based on the 2023 median single family residential property with an assessed value of \$344,000.

The net increase to residential properties does not represent an increase in cost to provide the service under a utility model, but rather a more appropriate distribution of costs to the residential properties receiving garbage services. Under the previous property tax model, these services would have been funded by all property owners which means that some properties (such as commercial properties) were paying for a service they were not receiving. To offset the increased costs, as per previous direction from City Council, a program to provide a \$100 per year subsidy for low-income residents is being developed.

It should be noted that the 2024 rates and property tax implications presented in this report are based on information currently available. As budget development continues over the next few months these rates may be further refined. The proposed rates for 2024 and 2025 will be presented for City Council approval during Business Plan and Budget Deliberations in November 2023.

OTHER IMPLICATIONS

Implementation of a curbside garbage utility model requires amendments to Bylaw 9844, *The Waste Bylaw, 2022*. Instructions to affect those amendments will be sought in the context of the reporting to the upcoming budget deliberations in November 2023.

Economic incentives to support reduction and diversion are an important action to reach the City's 70% waste diversion target as identified in the Solid Waste Reduction and Diversion Plan for the City of Saskatoon. Economic incentives have potential outcomes on diversion of 5,000 (5%) to 16,000 (17%) tonnes of waste per year, resulting in greenhouse gas (GHG) reductions of 3,000 to 10,000 tonnes CO₂e per year.

NEXT STEPS

The Administration will continue to finalize the variable garbage program including billing system enhancements, cart procurement and communication strategies. City Council can expect additional reporting on certain aspects of garbage services in the coming months including:

- More information on the waste utility low-income subsidy will be presented concurrently with this report; and
- Finalized utility rate presented as part of 2024 and 2025 Business Plan and Budget Deliberations.

APPENDICES

1. Waste Utility High-Level Communications Plan
2. Variable Garbage Utility Rate
3. Utility Charges for Waste Services in Canadian Municipalities in 2023

Report Approval

Written by: Gabriella James, Accounting Coordinator II
Chelsey Bartlett, Senior Project Management Engineer

Reviewed by: Brock Storey, Environmental Operations Manager
Katie Burns, Education and Environmental Performance Manager
Brendan Lemke, Director of Water and Waste Operations
Brian Casey, Senior Financial Business Partner
Kari Smith, Director of Finance
Clae Hack, Chief Financial Officer

Approved by: Angela Gardiner, General Manager, Utilities and Environment