

Long Term Organics Processing Options - Low Carbon Economy Challenge Application

ISSUE

The City of Saskatoon (City) launched the Green Cart Program (Program) in May 2023. In 2020, Green Prairie Environmental Ltd. (GPE) was awarded a contract to process organics materials; however, GPE has not fulfilled their obligations under the organics processing contract. As a result, the City requires a long-term strategy for processing curbside organics with the objective to minimize processing costs and meet all regulatory requirements. Administration has completed preliminary analysis of two potential options; building a City-owned organics processing facility or procuring a third party for organics processing.

As work on the long-term strategy continues, the federal government is intaking applications for the Low Carbon Economy Challenge Fund (LCECF), which could cover up to 50% of costs of eligible projects. A City-owned organics processing facility is an eligible project for the LCECF. Applications for funding close on February 8th, 2024.

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council that the Administration be directed to include a City-owned Organics Processing Facility for submission to the Low Carbon Economy Challenge Fund.

BACKGROUND

At the Standing Policy Committee on Environment, Utilities and Corporate Services meeting on November 1, 2023, Administration reported that GPE was in default of the organics processing contract. During this meeting, the Committee requested that:

1. That when the permanent planning decision reporting comes forward, it include reporting on the engagement plan for impacted stakeholders;
2. That Administration report on appropriate separation distance between waste management facilities and residential land uses in the City of Saskatoon;

Since May 1, 2023, over 17,000 tonnes of organic materials have been processed from the Program. The Solid Waste Reduction and Diversion Plan projected that the annual diversion would be between 15,000 and 22,000 tonnes per year once the Program was fully operational. As of December 1, 2023, the lower range of the estimated diversion rate has been exceeded within the first seven months of the program.

In October of 2023, the Federal government began taking applications for the LCECF. The funding covers up to 50% of the construction costs for an eligible project. A City built organics processing facility potentially qualifies for this funding and the application

deadline is February 8, 2024. Ideally, a decision on whether to utilize a third-party or City-owned processing facility would be made prior to applying to the LCECF fund; however, since the full analysis between the two options will not be completed until after the LCECF deadline of February 8, 2024, the Administration is seeking approval to apply to the fund in the event the decision is made to build a City-owned processing facility. It is important to note that applying to the LCECF fund does not restrict future decision on the processing model and the City could still proceed with a third-party processor and withdraw the LCECF application in the future.

Alternatively, the Administration could have fast-tracked the analysis; however, if a final report on this matter was presented at January EUCS, it would have put Committee and Council in a difficult position of making a go/no-go decision in a very short turn-around time. Therefore, the Administration resolved to recommend application now, which will ensure the City has ample time to fully consider and decide on our direction.

DISCUSSION/ANALYSIS

Administration has completed a preliminary analysis for two potential options for long-term organics processing; building a City-owned organics processing facility or procuring a third-party for organics processing. Based on the analysis to date, both options are deemed feasible at this point and are summarized below. A hybrid of the two options is also being explored, where two facilities could operate. The hybrid has the advantage of reduced hauling costs as the City could be split into two zones, with the main disadvantage being decreased efficiency associated with operating two separate facilities.

Option 1: City Owned Organics Processing Facility

This option proposes to build a City-owned organics processing facility and pursue LCECF. The facility could be operated either by City employees or a third-party and process all Program materials including yard waste materials currently accepted at the West Compost Depot (Depot). The facility would be built to a 25,000 to 40,000 tonne capacity to accommodate current needs and estimated future capacity.

Administration’s preliminary estimate of the capital cost required to develop this facility is between \$17 to \$22 million. The potential site, located near the landfill, is already owned by the City and has the proper zoning designation. A loan would be required to fund the capital costs for the facility, which would be repaid through utility rates.

A cost per tonne estimate for this option has been included in Table 1 and includes both facility operating costs and debt repayments. An estimate has also been included to show the impacts of a successful application to the LCECF. The cost per tonne has been estimated assuming that 50% of facility construction costs are covered.

Table 1: 2026 Estimated Costs Per Tonne for Organics Processing

Funding Type	Processing Cost (\$/ Tonne)
City Owned Facility Financed with Debt Only	106-145
City Owned Facility Financed with Debt and 50% LCECF	81-113

The current estimates are based on presently available information and will be refined further as the analysis progresses. The LCECF has a significant positive impact to processing costs for this option.

Option 2: Third Party Contract Curbside Organics

This option proposes that the City undertake procurement of a long-term contract to engage a third-party waste management organization to establish and operate an organics processing facility. The facility would be responsible for processing and converting organic waste into compost. The procurement process will be similar to the 2019 Request for Proposal (RFP) process that awarded the original Program processing contract to GPE in 2020.

The following table has the estimated costs per tonne of materials processed by a third-party.

Table 2: 2026 processing costs for Program material through a third party

Curbside Organics Processor	Processing Cost (\$/ Tonne)
Third Party Contractor	125-150

FINANCIAL IMPLICATIONS

While development and analysis of the options continues, the Administration is recommending that a City-owned organics processing facility project be included in the submission projects, to the LCECF program, which will also include an application for the Civic Conservatory. There are no financial implications to apply for the LCECF. The Administration will make it clear in the application that Council will be making a decision on the matter in the coming months.

OTHER IMPLICATIONS

There are no other implications to apply for the LCECF. If City Council does not choose an option that includes a City-owned facility, the project will be withdrawn from the applications for LCECF.

NEXT STEPS

If the recommendation is approved, Administration will apply for a City-owned organics processing facility through the Federal LCECF.

A future decision report will seek City Council’s support for a long-term processing option. The decision report will include details on the funding strategy, appropriate set back distances for organics processing facilities and stakeholder engagement plans.

Report Approval

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