

Waste Services Utility

RECOMMENDATION

1. That the proposed 2024 and 2025 Waste Service Utility Rates as included in the 2024/2025 Preliminary Business Plan and Budget, and as outlined in this report be approved.
2. That the 2025 cart exchange fee of \$30 per applicable exchange be approved effective January 1, 2025.
3. That the General Manager be granted authority within Bylaw No. 9844, *The Waste Bylaw, 2022*, to substitute roll-out carts at any dwelling unit where they deem the current cart size is of insufficient volume.
4. That section 1 of Schedule “E” of Bylaw No. 9844, *The Waste Bylaw, 2022*, be amended to exclude curbside residential garbage customers.
5. That the City Solicitor be instructed to draft the appropriate amendments to Bylaw No. 9844, *The Waste Bylaw, 2022*.

ISSUE

This is to request approval for the proposed 2024 and 2025 Waste Services Utility Rates as well as approval of other related amendments to Bylaw No. 9844, *The Waste Bylaw, 2022*.

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 September 27, 2023 meeting, City Council approved the implementation plan for the garbage utility which included a flat fee for the first six months of 2024 and a variable fee thereafter.

DISCUSSION/ANALYSIS

Fixed Rate Waste Utility Programs

The 2024/2025 Preliminary Budget and Business Plan contains three fixed rate waste utility programs including the Curbside Residential Recycling Program, the Multi-Unit Residential Recycling Program, and the Curbside Organics Program. Under a fixed rate utility model, a set rate is charged to each user of the service. The rate is designed to cover all operating costs, and fund current and future capital requirements.

Curbside Residential Recycling Program Fees

The City’s current recycling contract for curbside residential recycling extends until 2028. In addition to contract costs for collecting and processing recyclables, the

curbside residential program fees include City administrative, bylaw compliance, and education and communication costs. There are no fee changes proposed as part of the 2024-2025 budget cycle for this program as cost increases are offset by increased household growth and allocation of Multi-Material Stewardship Western (MMSW) funding.

Multi-Unit Residential Recycling Program Fees

The City's current recycling contract for multi-unit residential recycling expires at the end of 2023. During its July 26, 2023, meeting City Council approved a six-year renewal with proposed amendments to the multi-unit residential recycling collection and processing contract. The renewal includes a 19% increase in contract fees in 2024 with an annual 3% increase for the remainder of the agreement. In addition to contract costs increases, inflationary increases have also been noted in internal costs such as City administration, bylaw compliance and education and communication.

Increased MMSW funding allocations to this program in 2024 and 2025 offset costs and reduce the utility rates charged to residents. Cost increases are also offset by growth in the number of multi-unit dwellings. Despite increased growth and MMSW funding, rate increases are required to maintain existing service levels. Rate increases of approximately 6.2% and 3.0% are proposed in 2024 and 2025 respectively.

Curbside Organics Program

Increases are noted for both 2024 and 2025 for contracted processing costs as well as internal costs of collections and container management, program management, and bylaw enforcement. Increases over the budget cycle result from collective agreements, corporate cross charges, and inflationary increases for fuel and processing in accordance with contracted rates. With 2024 being the first full year of operations, adjustments were also made to the budget to account for growth in required education and communication costs. Cost increases were partially offset by household growth; however, rate increases are required to maintain existing service levels. Rate increases of approximately 8.3% and 6.7% are proposed in 2024 and 2025 respectively.

Variable Rate Waste Utility Programs

The three-cart variable garbage utility is the only variable rate waste utility included in the 2024/2025 Preliminary Budget and Business Plan. Unlike the fixed rate model where all users are charged the same fee, the variable model charges users based on the size of garbage cart they chose. This is done to establish a clear link between garbage disposal and the cost of services selected. This model creates financial incentive to reduce waste by properly sorting waste into organics, recycling, and garbage.

The full cost of garbage services will be funded through utility revenues in 2024; however, deployment of the variable cart sizes is only planned for late Spring 2024. Deployment is planned for this time to allow residents sufficient time to assess their waste needs, minimize weather disruptions, and provide Administration sufficient time to finalize development work for the program.

Based on the deployment timelines, all curbside residents will retain their existing large cart size until July 2024. As all residents will have the same cart size for the first six months of 2024, a fixed rate has been approved to recover costs incurred during this period. The fixed rate utility serves as an interim solution to ensure uninterrupted funding and a smooth transition to the variable rate system.

The variable rate system will be charged to residents from July 2024 onward for garbage services based on cart size selected. Rate modelling was done under the assumption that approximately 25% of residents in the program will switch to a smaller cart size when available. The model is 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. Rate increases of approximately 1% for all cart sizes are required in 2025 to account for inflationary and projected growth increases.

Additional Carts

As with the existing garbage services, residents will retain the option to request an additional garbage cart on their property. Additional carts will only be offered in the largest size. 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 alter behavior. Higher rates are intended to disincentivize additional garbage carts, while remaining affordable and easily understandable.

Prior to the implementation of the curbside garbage utility, additional carts for curbside residents were charged based on the fees outlined in Schedule “E” of the Bylaw No. 9844, *The Waste Bylaw, 2022*. Under the new variable utility model in 2024, curbside residential customers will be charged for additional carts through the utility and will be charged based on the rates outlined in Tables 1 and 2. An amendment to Schedule “E” of the Bylaw is required to reflect this change.

Cart Exchanges

The Administration is not recommending a fee for cart exchanges in 2024 to allow residents the ability to assess their waste needs, right size of 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.

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.

Sufficient Roll-Out Cart Volume

While a variable model provides residents with additional choice and control over their utility costs, there also exists a risk that some residents may misuse the system by selecting the most cost-effective cart size instead of the cart size that appropriately addresses their garbage needs. This in turn can cause concerns over illegal dumping, increased contamination of other waste streams (blue cart and green cart), as well as garbage being stored in an unsightly or unsanitary manner.

To address these risks, it is recommended that Bylaw No. 9844, *The Waste Bylaw 2022*, be amended to grant the General Manager authority to substitute a dwelling unit's roll-out cart for a larger roll-out cart at the approved rate if the General Manager is of the opinion that the dwelling unit's current cart size is of insufficient volume to adequately contain the dwelling unit's garbage.

Proposed Rates for 2024 and 2025

Tables 1 and 2 below display the proposed 2024 and 2025 utility rates per roll-out cart.

Table 1 – Waste Services Utility Rates – 2024

Container Type	2024 Proposed Utility Rate per dwelling per day	2023 Current Utility Rate per dwelling per day
Roll-out cart for recyclable material	\$0.245562	\$0.245562
Recycling bin – multiple unit residence	\$0.134795	\$0.126890
Roll-out cart for organic material	\$0.239584	\$0.221236
Roll-out cart for garbage (Jan 1- June 30) Fixed Rate	\$0.330571	N/A – mill rate funded in 2023
Small roll-out cart for garbage (July 1 – Dec 31)	\$0.124494	N/A – mill rate funded in 2023
Medium roll-out cart for garbage (July 1 - Dec 31)	\$0.235152	N/A – mill rate funded in 2023
Large roll-out cart for garbage (July 1 - Dec 31)	\$0.352728	N/A – mill rate funded in 2023
Additional large roll-out cart (Jan 1 - Dec 31)	\$0.517378	N/A – mill rate funded in 2023

Table 2 – Waste Services Utility Rates – 2025

Container Type	2025 Proposed Utility Rate per dwelling per day	2024 Proposed Utility Rate per dwelling per day
Roll-out cart for recyclable material	\$0.245562	\$0.245562
Recycling bin – multiple unit residence	\$0.138838	\$0.134795
Roll-out cart for organic material	\$0.255643	\$0.239584
Small roll-out cart for garbage	\$0.125793	\$0.124494
Medium roll-out cart for garbage	\$0.237607	\$0.235152
Large roll-out cart for garbage	\$0.356410	\$0.352728
Additional large roll-out cart	\$0.522416	\$0.517378

Rates are charged daily, and due to variances in billing periods, monthly charges will vary from user to user. Table 3 provides the estimated charge for 30 days of service to approximate the monthly utility charge.

Table 3 – Charge for 30 Days of Service

	2023	2024	2025
Roll-out cart for recyclable material	\$7.37	\$7.37	\$7.37
Recycling bin – multiple unit residence	\$3.81	\$4.04	\$4.17
Roll-out cart for organic material	\$6.64	\$7.19	\$7.67
Roll-out cart for garbage (Jan 1- June 30) Fixed Rate	N/A	\$9.92	N/A
Small roll-out cart for garbage (July 1 – Dec 31)	N/A	\$3.73	\$3.77
Medium roll-out cart for garbage (July 1 - Dec 31)	N/A	\$7.05	\$7.13
Large roll-out cart for garbage (July 1 - Dec 31)	N/A	\$10.58	\$10.69
Additional large roll-out cart (Jan 1 - Dec 31)	N/A	\$15.52	\$15.67

FINANCIAL IMPLICATIONS

The proposed rate increases to Multi-Unit Residential Recycling and Curbside Organics are expected to result in revenue increases of \$616,800 in 2024 and \$504,300 in 2025.

The Curbside Garbage Utility fees are expected to generate revenues of \$8,314,400 in 2024 and \$8,377,100 in 2025. Fees from additional garbage carts are expected to generate revenues of \$37,100 in 2024 and \$38,500 in 2025. Cart Exchange fees are expected to generate revenues of \$75,000 in 2025.

The rates proposed within this report, when coupled with revenue from program growth, will ensure that waste services utilities are fully cost recovered. If the proposed rates are not approved, an alternate funding source would be required to fund the shortfall.

OTHER IMPLICATIONS

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

Business Line: Utilities