

Participation in the New Household Paper and Packaging Program

ISSUE

The City of Saskatoon (City) participates in the current SK Recycles Shared - Responsibility Program, where municipalities receive compensation for up to 75% of the costs to operate residential recycling programs. In May 2024, the Saskatchewan Ministry of Environment approved SK Recycles' Household Packaging and Paper Stewardship Program Plan (Program Plan). This approval initiates a shift towards a full Extended Producer Responsibility (EPR) model, where producers will assume greater operational and financial responsibility for managing household packaging and paper throughout its lifecycle, from collection to recycling. This shift started December 1, 2024, and will be completed by December 1, 2027.

To align with this shift, Multi-Material Stewardship Western (MMSW) has re-branded their organization to SK Recycles starting November 2024. For consistency throughout this report the name SK Recycles will be used, even when referring to the past when the organization was named MMSW.

The City received a formal offer from SK Recycles on August 19, 2024, to transition to the new program with options for participation and a series of decision-making windows. This decision report provides analysis on the options available to the City and a recommendation on the City's participation.

BACKGROUND

History

A revised [Household Packaging and Paper Stewardship Program Regulations, 2023](#) (the Regulation), came into effect in Saskatchewan on March 31, 2023. On May 8, 2024, the Saskatchewan Ministry of Environment approved SK Recycles' [Household Packaging and Paper Stewardship Program Plan](#).

At the September 3, 2024, Standing Policy Committee on Environment, Utilities and Corporate Services, the report [Recycling Program Update – New Household Paper and Packaging Program](#) was received as information. The report introduced the changes and formal offer, proposed no changes to the 2025 budget plan, and committed to a decision report in Q1 2025.

Additional background on the City's recycling programs and SK Recycles are available in [Appendix 1 – Additional Background](#).

Current Status

The provincially approved Program Plan will change how the City's residential recycling programs operate and are funded. While the Regulations place obligations only on producers (municipalities are not regulated), the City will be impacted due to participation in the current SK Recycles' Shared-Responsibility program. In the current

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program, the City has autonomy over recycling service delivery and receives annual payments from SK Recycles on a per household basis.

The Provincial Program Plan outlines three phases of transition where SK Recycles will implement the full EPR model. The phases are as follows:

Phase	Programs to Transition	Start Date
1	Curbside and multi-family programs collection programs for large urban municipalities	December 2024
2	Remaining curbside and multi-family programs	December 2025
3	Depots	December 2026

The City is affected by Phases 1 and 3, of which Phase 1 is in progress and Phase 3 has not yet started.

Public Engagement

The City conducted comprehensive public engagement on waste and diversion services for the curbside (single family households) and multi-unit residential (apartments and condos) sectors in 2018. Residents were generally satisfied with the recycling levels of service, were interested in expanding the list of acceptable items, as well as frustrated by the difficulty of proper sorting, high contamination, and in the case of multi-unit properties illegal dumping.

Every two years, the City conducts a statistically representative survey of residents on waste and recycling services. A full summary of recycling specific results from these engagements are available in [Appendix 2 – Additional Public Engagement](#).

City of Saskatoon's Current Approach

The City operates residential curbside, multi-unit, and depot recycling programs. The curbside and multi-unit residential recycling programs have a combined operating cost of \$10.5M as per the 2025 approved budget plan. Both programs are funded through a combination of utility revenues and SK Recycles funding (See [Appendix 3 – Past SK Recycles Funding and Allocations](#) for the SK Recycles current and historical allocations, and rates per household). In 2025, residents are charged an average monthly utility fee of \$7.47 per cart and \$4.22 per dwelling for the curbside and multi-unit programs respectively. Utility fees and SK Recycles cover the costs of collections, processing, education and bylaw enforcement as well as program management.

The City has three residential recycling depots as well as recycling offered at the Material Recovery Center that can be used by residents at no cost. The accepted materials are the same as the curbside and multi-unit collection program. City staff collect materials from and maintain the depots, and processing is included in the multi-unit recycling contract. Collections and processing of recyclables at the depots costs approximately \$0.65M and is funded through property tax.

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Curbside Residential Recycling Program

The City's current contract with Loraas for curbside residential recycling is for both collections and processing. The contracted services include owning, maintaining, and deploying recycling carts, collections, customer service, some education, as well as sorting and marketing materials. The agreement ends December 31, 2027; this is one month past December 1, 2027, when SK Recycles intends to have completed the transition to the new program.

The Loraas contract was entered into prior to the Province of Saskatchewan's (Province) initiation of work in this area and therefore did not contemplate the changes required to participate in SK Recycles' new program. However, because the contract timing lines up almost perfectly with the program transition dates of the SK Recycles program, the Administration is confident that a workable solution will be found to bridge this transition.

Multi-Unit Residential Recycling Program and Recycling Depots

The City's current contract with Cosmopolitan Industries (Cosmo) is for collections and processing for multi-unit properties and processing of depot materials delivered by City collection vehicles. The contracted services for the multi-unit residential recycling program include owning and maintaining containers (a combination of metal bins and carts), collections, customer service, some education, as well as sorting and marketing materials. This contract also covers materials collected from residential recycling depots and participating civic facilities. The contract ends December 31, 2029; two years and one month past December 1, 2027, which is when SK Recycles intends to have completed the transition to the new program.

The initial contract was entered into in November of 2014, which is long prior to the Province initiating work on the EPR program. In 2023, Cosmo and the City renewed the agreement and new terms were negotiated, and language was included to allow for early termination with lump sum payment amounts as follows:

Year of Termination	Payment Amount
2024 and 2025	Payment Amount to be agreed upon by parties
2026	\$1,766,492
2027	\$1,355,767
2028	\$897,493
2029	\$425,054

The agreement also has assignment rights if SK Recycles is open to assuming the contract. The contract did not anticipate separating the collection and processing scopes of work.

Approaches in Other Jurisdictions

EPR regulations for packaging and paper products have been rapidly expanding across Canada as well as the United States. As of August 2024, all provincial and territorial

governments, except Nunavut and Prince Edward Island, have either already implemented or have committed to shifting the management of household paper and packaging from municipally organized systems to producer responsibility organization management systems. British Columbia and Ontario were the focus of the City's jurisdiction scan, since BC has a long-established program, and Ontario is in the process of implementation. A summary of results is available in [Appendix 4 – Jurisdiction Scan for EPR](#).

OPTIONS

SK Recycles has developed three options that municipalities can choose from to participate in the new program. The options include status quo, a municipality led collection model, and a SK Recycles led collection model. Full details of each option are in [Appendix 5 – Option Details](#).

Option 1 – Status Quo- Shared Responsibility Model

Status quo is available until December 1, 2027, and is the same model that is currently in use. The City would continue to provide recycling collection and processing services for curbside and multi-unit residences through our contracted service providers. The current funding model from SK Recycles would remain and there would be no changes to operations. This option would not require any modifications to our existing service contracts with Loraas and Cosmo or changes to mill rate funding at this time. Upon expiry of this option on December 1, 2027, the City will need to transition to either Option 2 or Option 3.

Option 2 - City of Saskatoon Led Collection Model

For this option, the City would provide recycling collection services to curbside and multi-unit residences. SK Recycles would provide services for the processing and marketing of recycling material. The City would continue to be responsible for education and communication of recycling programs. The key terms of this option include:

- The City is contracted by SK Recycles to deliver collection services as outlined by SK Recycles and deliver materials to a processing facility determined by SK Recycles.
 - Based on the current service approach, the City procures a third-party service provider to carry out collection services.
- The City is responsible to provide containers. Currently Loraas and Cosmo own the containers used for the curbside and multi-unit programs respectively. A decision is required on procurement of carts/containers or ongoing contracting of this scope of work.
- The City is responsible for recycling program education, communication, and customer service activities.
- The City is responsible for achieving contamination targets. The current contamination rate for curbside is 15.2% and for multi-unit is 21.9%. SK Recycles' target contamination rate in the program is 6%.

- SK Recycles is responsible for the processing and marketing of all materials from the recycling programs.
- SK Recycles determines the materials accepted in the programs.
- SK Recycles determines a flat rate per household, and pays the City to provide recycling services. This funding can only be applied to the residential recycling programs and is silent on the use of surplus funding.
 - The proposed SK Recycles rates do not fully cover the costs of the City's current curbside and multi unit programs. Additional funding through utility charges would be required. Based on the current contracts, curbside residents would pay a minimum of \$0.29 per household per month, and multi unit residences would pay a minimum of \$1.85 per household per month for this program option. These rates do not include additional funding required to reduce contamination or potential increased costs with new contracts. Significant resources are expected to be required to reduce the contamination rate to the desired level of 6%.
- At the discretion of SK Recycles, penalties may be applied if the contamination rate is too high, and the City is not taking enough action to reduce contamination.

Option 3 – SK Recycles Led Model

This option sees SK Recycles providing both collections and processing, including customer service and education. Once implemented, municipalities no longer have operational control of residential recycling operations and there is no funding provided by SK Recycles to the City. The key terms of this option include:

- SK Recycles directly provides residential recycling services including:
 - Collections and provision of containers;
 - Communications, education and customer service; and
 - Processing and marketing of materials.
- Service levels are anticipated to be the same as what SK Recycles requires of the City under Option 2. Therefore, residents would see no difference between the two options (i.e. containers being tipped at the same frequency and all materials being placed in a single container). Service levels may change in the future depending on recycling program requirements.
- Recycling contamination rates are the responsibility of SK Recycles.
- The City is no longer be actively involved with the recycling program. The City would ensure coordination between the SK Recycles' recycling program with the City's organics and garbage collection services.
- The City maintains a role in bylaw enforcement regarding residential recycling infractions with no SK Recycles funding. An update to the Waste Bylaw would be required.

- No charges to residents for recycling collection or processing, since SK Recycles provides collection services at no cost to the City. Some activities that are not transferred to SK Recycles, such as bylaw enforcement, require an alternative funding source.
- All payments from SK Recycles end, since the City no longer provides recycling services.
- The City is required to participate in a two-year long transition process and once fully transitioned, periodically coordinate other waste services with SK Recycles.

Common Issues for Option 2 and Option 3

The Cosmo contract timelines do not align with the December 1, 2027, Phase 1 implementation, and this is a potential issue for all of the above options. Through the transition process, Administration plans to work with SK Recycles and Cosmo to determine a solution for all parties.

Funding that has been provided by SK Recycles is currently used for several different material diversion initiatives. In 2025, \$0.485M is allocated to debt servicing for Material Recovery Center, \$1.11M is allocated to the compost depot operations (this will reduce in 2026 to \$0.638M when the City-owned compost facility is operational), and \$2.61M is allocated to capital reserves. For Option 2 and Option 3, alternative funding sources would need to be determined. Details on the current allocation of SK Recycles provided funds are shown in [Appendix 3 – Past SK Recycles Funding and Allocations](#).

Under all options, funding is still required to manage regulated paper and packaging products that are not captured by the residential recycling programs since the City would need to handle them as landfilled materials or organics contamination. According to recent waste characterization studies, on average, 11% of curbside garbage materials are recyclable, or 4,247 tonnes in 2024. Based on current landfilling rates, these tonnes have an estimated cost of \$408,000.

Additional Option - City of Saskatoon Led Collection Model – Interim Option

SK Recycles has approached the City to join the EPR program prior to December 1, 2027. This additional option is expected to look very similar to Option 2 and be available if the City pursues Option 3 as the long-term approach. It is expected that the City would continue to have its contracted service providers deliver recycling collection and SK Recycles would be responsible for the processing of material until Option 3 is implemented.

The feasibility of this option is contingent upon an agreement between the City, SK Recycles, and current service providers. The exact details of this option will not be known until agreements are negotiated. The City's goals for the negotiations are to expand the types of materials accepted in the recycling program prior to December 2027 and reduce the utility costs for residents.

RECOMMENDATION

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

1. Administration submit intent to participate in Option 3 – SK Recycles Led Collection Model as the long-term approach for the curbside recycling program starting January 1, 2028;
2. Administration submit intent to participate in Option 3 – SK Recycles Led Collection Model as the long-term approach for the multi-unit residential recycling program starting January 1, 2028, with the start date subject to change based on negotiations with SK Recycles and Cosmo; and
3. That the City remain in status quo (Option 1) while Administration works with SK Recycles and recycling service providers to explore an interim agreement that could see the City join earlier as a collector.

RATIONALE

Recommendation 1 & 2 – Program Led Collection Model as Long-Term Approach (Option 3) provides more advantages and fewer disadvantages than Option 2 as a long-term approach. The Province's goal of the new regulation is to hold producers responsible for both financial and operational aspects of paper and packaging waste, and the City strives to provide low-cost services to residents. Option 3 aligns closest to the goals of both the City and the Province. Table 1 summarizes a comparison between Option 2 and 3:

Table 1: Comparison Between Option 2 and Option 3

Criteria	Option 2- City of Saskatoon Led Collection Model	Option 3- SK Recycles Led Model
Service level	No significant change to current service levels expected for residents – SK Recycles sets service level parameters for the City's operation of collections.	No significant change to current service levels expected for residents – SK Recycles sets and implements recycling collection service levels.
Operational responsibilities	The City is responsible for public facing aspects of the residential recycling collection program including collections, containers, customer service, education, and communications.	SK Recycles is responsible for all operations of the residential recycling collection programs.
Projected cost for residents based on current contracts	All processing costs are removed from utility fees and the City only charges fees for the gap between SK Recycles payments and the full cost of collections. Based on current contracts this is estimated to be a minimum of: <ul style="list-style-type: none"> • \$0.29 charge per month for curbside residents. • \$1.85 charge per month for multi unit residents. 	Residents will not have to pay for collection and processing that is currently funded through recycling utility fees. Some activities that are carried out by the City, such as bylaw enforcement, require an alternative funding source.

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Projected Penalties	<p>Within five years, penalties up to \$600,000 per year per program for not meeting contamination rate targets.</p> <p>Contamination penalties can be waived if improvement targets are met. Substantial costs are expected for additional contamination reduction programs.</p>	<p>There are no penalties since the City is not responsible for direct delivery of recycling services.</p>
Program risks	<p>Cost escalations for new collection contracts - responsibility of the City to cover any funding gap.</p> <p>Contamination rates are difficult to achieve, City responsible for penalties.</p> <p>Complaint escalation is similar to current processes.</p>	<p>All risks related to program service levels and performance targets are borne by SK Recycles including costs and contamination.</p> <p>Complaint escalation is responsibility of SK Recycles as the City is not involved in operations.</p>
Coordination with other collections/City activities	<p>Internal coordination with other waste collection programs and other City activities that impact collection.</p>	<p>To be determined during program handoff, coordination is required with City's waste collection programs and other City activities that impact collection.</p>
Implementation	<p>The City prepares new collection - only recycling contracts that meets SK Recycles requirements, including a decision on whether to procure or contract provision of containers.</p> <p>Ongoing costs during and after the transition including staff time, biennial setting of recycling utility rates, and reporting to SK Recycles.</p>	<p>The City works with SK Recycles to coordinate collections with curbside and multi-unit operations and share information on new residential properties.</p> <p>One-time costs during transition including staff time and adjustments of recycling utility from utility bill.</p>
Change Management	<p>The City retains some control to communicate changes to residents using familiar tools like Waste Wizard and to minimize collection schedule changes. SK Recycles determines acceptable materials.</p>	<p>The City runs a one-time campaign to notify residents of the changes to the program and that SK Recycles is the new contact. Customer service directs all recycling service inquiries to SK Recycles.</p>

From the Administration's analysis of the options, Option 3 provides more advantages than Option 2. Option 3 is the lowest risk for the City and lowest cost option, while delivering the same level of service to residents. SK Recycles is responsible for all recycling costs, education, customer service and meeting stringent contamination targets. This will allow the City to focus on advancing initiatives from the Solid Waste Reduction and Diversion Plan rather than investing resources into contamination reduction to avoid penalties for an existing program. The main disadvantage is that the

City is not directly involved in recycling services and instead relies on and needs to coordinate services with SK Recycles. However, this disadvantage can be mitigated through the City's collaboration with SK Recycles while preparing for the transition, a comprehensive communications plan to inform residents of changes, and providing feedback to both SK Recycles and the Ministry of Environment on program performance following the feedback.

Recommendation 3 – Continued Shared Responsibility Model and Exploring Additional Option as an Interim Approach

If Recommendation 2 and 3 are approved for the City's long-term participation in the Program, Option 1 will be the short-term default. As such, the City maintains the current curbside residential recycling contract until the transition to SK Recycles' new program. As there is only a one-month gap between the start of SK Recycles' new program and the expiry of the City's contract with Loraas, the Administration anticipates minimal contract changes will be required. Option 1 also allows the City to maintain the multi-unit residential recycling contract until it is two years and one month from expiry. This reduces the amount the City is required to pay for early termination as outlined in the contract and enables time to explore other options with SK Recycles and Cosmo through negotiations.

Option 1 also allows time to transition the funding model for waste services that had previously been funded using SK Recycles funding. Exploration of funding sources and a phase-in approach will be developed and brought forward in future reporting to align with other program development that is in progress.

Administration does not recommend adopting Option 2 (as the interim approach) as presented in SK Recycles' formal offer, since it is anticipated to create considerable disruption for the City, the service providers, and residents, because:

- It requires amendments to current contracts to separate collections and processing that were not anticipated and may result in unplanned price increases.
- It creates an immediate need to allocate all SK Recycles funding to offset curbside and multi-unit recycling utility fees, resulting in operating and capital funding gaps. The current approach to allocating funding is permitted under the status quo and through discussion with other Saskatchewan municipalities is a common practice.
- Residents see multiple changes over a short period of time instead of a single change. Based on the City's operations of multiple waste collection programs, any instance of change is expected to lead to resident confusion and frustration.
- Changes to accepted materials could happen at any time as determined by SK Recycles, and under Option 2, the City is required to update all communication materials and be responsible for any related increases to contamination.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Implementation of Option 3 would impact 5.3 FTEs that are funded through the existing recycling utilities. A plan to address these positions will be brought forward in future

reporting on the financial implications of the transition and will be coordinated with other waste program development that is in progress.

Eligibility for Option 3 is contingent upon the City delivering other waste collection services as outlined in SK Recycles' program plan. Eligibility for curbside recycling requires that a curbside garbage collection program is in place in the service area and multi-unit program eligibility requires that a multi-family garbage collection program is in place in the service area. The City currently meets these criteria and this will be considered as work progresses on multi-unit garbage program as outlined in the [Multi-Unit Garbage – Service Review and Next Steps](#) report that was presented to the Standing Policy Committee on Environment, Utilities and Corporate Services on February 4, 2025.

Approximately 35 civic facilities participate in the optional corporate recycling services under the current Multi-Unit Residential Recycling agreement. With the transition, a new service agreement would be required for these facilities. The City is exploring consolidated waste service contracts, starting with garbage collection in 2025. Future work on a consolidated recycling service contract will consider the needs of these facilities and timing of the transition.

COMMUNICATION ACTIVITIES

No formal communications are proposed until changes for residents come into effect. This will reduce the confusion between the current program and the new program, including acceptable materials, collection schedules, customer service, and other service level changes. As part of the roadmap for transition, the City, SK Recycles and where applicable, the current service providers, will work together on a robust plan to communicate the changes to residents and support the changes during the early transition.

NEXT STEPS

In addition to this formal resolution from City Council, SK Recycles requires that a formal commitment is made, in writing, to provide SK Recycles with all reasonable assistance and cooperation during the transition period (e.g. provision of a complete address list, household data etc.). Upon receiving direction from City Council, Administration will work with SK Recycles and our recycling service providers to plan a transition to the approved option. The submission of intent to participate for both the curbside and multi-unit residential recycling programs will initiate a multi-year transition process with SK Recycles and current service providers. Negotiations and collaboration are required to transition all aspects of the current program and ensure that residents are informed of the changes. Additional reporting to Council is anticipated as part of these processes, including an update on the plan six months in advance of the transition's implementation.

Direction to participate in Option 3 – Program Led Collection Model in January 2028 allows the Administration time to develop a funding approach that aims to minimize impacts to property taxes for aspects of the recycling programs that are not covered under SK Recycles' Program Plan. This will address SK Recycles payments that have

been historically applied to various operational and capital waste diversion initiatives, including consideration of non-mill rate funding alternatives as well as phasing in impacts over multiple budget cycles. Furthermore, there may be an opportunity for coordination with other initiatives from the Solid Waste Reduction & Diversion Plan.

The City will continue to work with SK Recycles to develop the terms of an alternative interim agreement that could see the City join as a collector prior to January 2028. If a feasible interim agreement is negotiated, Administration will bring forward additional reporting.

When more information is received regarding SK Recycles intentions for recycling depots, Administration will bring forward a report to obtain direction on preferred method to deliver services.

APPENDICES

1. Additional Background
2. Additional Public Engagement
3. Past SK Recycles Funding and Allocations
4. Jurisdiction Scan for EPR
5. Option Details
6. Comparison of Accepted Materials

Report Approval

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