

## Option Analysis

Under the new Program Plan, SK Recycles will be fully responsible for residential recycling. To manage this responsibility in Transition Phase 1, SK Recycles has outlined two distinct scopes necessary for the operation of residential recycling programs: collections and processing.

For collections, SK Recycles will determine service levels and performance targets including service area, program eligibility for households, collection frequency, routes, containers, delivery to a designated facility, contamination rates, spillage, pilot programs, customer service, and promotion and education. The City has the choice of whether to be contracted by SK Recycles to provide these services or to have SK Recycles directly provide these services.

For processing, SK Recycles will be fully responsible and there is no longer a role for the City. Processing includes post-collection handling such as sorting, bailing, and marketing as well as determining accepted materials. Currently, this is the responsibility of municipalities and in Saskatoon both collections and processing are integrated into the City's contracts with third-party service providers. The Program Plan offers some language about working with existing recycling businesses and organizations. This includes considering organizations that provide social benefits, such as Cosmopolitan Industries, which is the City's service provider for multi-unit residential recycling.

As part of their responsibility for processing, SK Recycles will bring harmonization to materials accepted in residential recycling programs across the province, reducing inconsistencies across jurisdictions and enabling more effective marketing of materials. Once transitioned, the City will no longer determine what is accepted in residential recycling programs. A comparison of currently accepted materials and materials that will be accepted under the new program is included at the end of this report.

The City has two options to participate in the new SK Recycles program; to be contracted by SK Recycles to be a collector for the curbside and multi-unit residential recycling programs or to have SK Recycles directly deliver this service. There is an additional option to delay the decision while maintaining the current SK Recycles program until December 1, 2027. Furthermore, the City retains the option not to participate in the program. The decisions for curbside and multi-unit collections can be made separately. Each option has unique operational and financial implications which are highlighted below. Further details on the options are included in the formal offer letter (Appendix 5).

### **Option 1 Status Quo - Shared Responsibility Model**

While not an official option outlined in the formal offer letter, the City could delay a decision and maintain status quo until December 1, 2027, when continued participation in the SK Recycles program requires choosing Option 2 or 3.

#### *Financial Implications*

During this time, the City anticipates a similar funding level as 2025, and would be able to continue current allocations of SK Recycles funding to other operating programs or capital projects until December 1, 2027, at which point Options 2 or 3 would become the selected option, and the related financial implications would follow.

Residents would continue to pay the utility fees with rates adjusted for inflation and growth in 2026/2027. This option provides time for the City to develop a financial transition plan to address items that currently are allocated SK Recycles funding, such as Material Recovery Centre debt and the Compost Depot.

#### *Environmental Implications*

There are no significant changes anticipated from the current environmental performance of the residential recycling program as no changes to the program will take place. Continuous improvements, particularly in education will continue to be implemented through the annual education and communications plan prepared jointly between the City and the recycling service providers. There is a minor risk that as other communities in Saskatchewan transition to SK Recycles' program earlier than Saskatoon, that residents may start using the future program's accepted material list which could result in increased contamination based on the materials accepted in our current programs.

#### *Social Implications*

This option provides the City the ability to manage and minimize change for residents, which based on previous changes the City has made to the recycling program service levels, is known to be a source of frustration and confusion.

#### *Legal Implications*

There are no legal implications to maintaining the current recycling programs, until the expiry of this option.

### **Option 2 – City of Saskatoon Led Collection Model (long-term)**

This option would see the City contracted by SK Recycles to provide curbside and/or multi-unit collections and deliver materials to SK Recycles' facility for processing. In the contract, the City's responsibilities include collections, containers (carts or bins), delivery to the processing facility, customer service, education, and performance targets including contamination rates and capture rates. The City receives SK Recycles funding on a per household basis based on SK Recycles' calculation of costs to deliver

the services. This funding needs to be applied directly to offset residential recycling costs. Any costs to deliver the service that exceed SK Recycles' per household rate needs to be covered by the municipalities.

To participate the City would enter into a Master Service Agreement (MSA) with SK Recycles as well as Statements of Work (SOWs) for curbside and/or multi-unit collections that outline the roles and responsibilities of SK Recycles and the City, including payments by SK Recycles to offset the costs and penalties for the City not meeting service levels, such as contamination targets. SK Recycles requires approximately three months to implement this option. The first opportunity to transition to this option is December 1, 2024, with 3 subsequent options available in 2025. Further details on this option are outlined in Appendix 5 SK Recycles Phase 1 Transition Letter of Offer.

### *Financial Implications*

Recycling Utility Rates – under Option 2, the City would receive a fixed financial incentive from SK Recycles that is intended to cover the costs of collection and education. All processing costs would be the responsibility of SK Recycles. When comparing the incentive rates against the costs of collections, the rates provided by SK Recycles are sufficient to cover curbside collections but are insufficient to cover the cost of multi-unit collections. Based on 2025 budgeted costs for education and communication, the rates provided by SK Recycles are insufficient to cover costs under either program. SK Recycles does not provide any funding for bylaw enforcement or program management and as such, these costs would need to be recovered through utility fees.

Under Option 2, materials collected by the City may not contain more than 6% contamination. Should contamination exceed this threshold, SK Recycles can reduce payments to the City via penalties. Based on the City's average contamination rate of 15.2% for curbside and 21.9% for multi unit, there is indication that penalties are possible.

Years of Fines	Per Load	Annual Maximum Per Program (24)	Annual Maximum for 2 Programs (48)
1	\$5,000	\$120,000	\$240,000
2	\$10,000	\$240,000	\$480,000
3	\$15,000	\$360,000	\$720,000
4	\$20,000	\$480,000	\$960,000
5	\$25,000	\$600,000	\$1,200,000

It should also be noted that the current agreements for recycling encompass both collection and processing, and there may be additional costs and/or price adjustments associated with renegotiating these agreements.

The table below outlines the utility rates per month per dwelling under the current model and the minimum expected under Option 2 using 2025 budgeted costs. The rates are not inclusive of penalties or contract renegotiation costs.

Table 1 – 2025 Monthly Average Cost of Recycling Under Current Model Vs Option 2

	2025 Average Monthly Cost per Dwelling per Approved Budget	2025 Average Monthly Cost per Dwelling under Option 2
Curbside Recycling	\$7.47	\$0.29
Multi-Unit Recycling	\$4.22	\$1.85

Impact on mill rate and capital funding – Under Option 2, the terms of the agreement state that the City may only charge residents for any costs that exceed the funding providing by SK Recycles. As funding provided by SK Recycles does not cover the full costs of collection, education, bylaw enforcement and program management, all SK Recycles funds would be required to be applied to the recycling programs and cannot be reallocated to other operating or capital budgets.

At present, \$0.485M of SK Recycles is allocated to debt servicing for Material Recovery Center, \$1.11M is allocated to the compost depot operations, and \$2.61M is allocated to capital. Should this option be selected, alternative funding sources would need to be determined for these operating budgets and the capital funding would no longer exist.

### *Environmental Implications*

In 2023, the recycling programs diverted 10,500 tonnes of material from the landfill, comprising just over one quarter of the total materials by weight diverted by City programs. In recent waste characterization audits in 2023 and 2024, the contamination rate for curbside recycling (materials improperly placed in the blue cart) was an average of 14.7%, while the average capture rate (the percentage of recyclable material properly placed in the blue cart compared to what was collected in all carts) was 66.6%. This is slightly stronger performance than average North American performance according to the Recycling Partnership, which in 2020, found contamination rates averaged 17% and capture rates averaged 61.5%.

The accepted materials for this option and Option 3 will be the same. The key difference is this option places responsibility on the City to reach a newly established contamination target of 6%. Failure to do so, as outlined in the financial implications section, may result in penalties that will escalate over time. To avoid these penalties, the City will need to invest considerable time and resources into contamination reduction, much of this effort would be solely funded by the City. This re-focusing of the City's work is expected to reduce capacity to implement the Solid Waste Reduction and Diversion Plan, delaying measures that will extend landfill life and avoid greenhouse gas emissions from landfilled waste. As well, the focus on contamination reduction may

have the unintended consequence of reducing capture rates, resulting in more recyclable materials being landfilled.

There are no significant differences expected in the GHG emissions from collections, whether City-led or SK Recycles-led. With this option, emissions from collections will remain attributed to the City in future GHG inventories and emissions from processing will shift to the community category.

### *Social Implications*

Residents are largely expected to experience little impact from this option compared with the status quo, with many of SK Recycles proposed service levels aligning to the City's current residential recycling programs. However, the division of responsibilities between SK Recycles and the City in SK Recycles' formal offer, creates a situation where the City will have limited ability to adjust the recycling program to meet resident needs. In the City-Led collection model, the City is contracted by SK Recycles to provide collections, and if the current approach is maintained, in turn the City will contract collection services to a third-party service provider. This approach leaves the City in an intermediary position for recycling collection, while at the same time being seen by residents as the public face of the recycling program since the City will be responsible for customer service, communications and education. This approach is expected to lead to increased frustrations for residents navigating the multiple parties involved in providing recycling services. Furthermore, as the public face of recycling, the City may be subject to unfair criticisms of service levels of which the City has no authority to adjust.

### *Legal Implications*

There are legal implications to the option, as the City would be contracted by SK Recycles to provide recycling collection services while SK Recycles would take responsibility for processing. This differs significantly from the City's current approach of contracts that combined both collections and processing by third party services providers. Furthermore, SK Recycles' timelines for transition do not align with the City's current contract lengths, particularly the Cosmo agreement, which may result in a financial penalty for early termination.

### **Option 3 – SK Recycles Led Collection Model**

This option sees SK Recycles providing both collections and processing. Once operational, municipalities will no longer have a role to play in residential recycling operations and there will no longer be any funding from SK Recycles. A written request with a resolution from City Council is required for this option, with a commitment for municipal cooperation in the transition. SK Recycles requires two years to implement this option, during which time a municipality can participate in one of the other options. The first deadline to confirm participation in this option is March 1, 2025, with transition complete March 1, 2027 (or on a later date mutually agreed).

### *Financial Implications*

Recycling Utility Rates – If Option 3 was fully in place, SK Recycles would manage the full scope of residential recycling, and residents would no longer be charged a fee for recycling collections or processing. Activities outside the scope of SK Recycles, such as bylaw enforcement would require an alternative funding source. There may be some costs associated with removing the recycling utility from the City's billing system, but these are not expected to be material.

The recycling utilities currently fund 5.30 FTEs in whole or in part. Should this option be selected, a decision would need to be made on the need for these FTEs.

Impact on Mill Rate and Capital Funding – SK Recycles will no longer provide any funding under this option. As such, the current operating and capital allocations (as noted above) would require alternative funding sources. With the minimum of two years SK recycles requires, there is time for Administration to develop a strategy that considers alternative funding options and a phased approach.

### *Environmental Implications*

The accepted materials for this option and Option 2 will be the same. The key difference is that SK Recycles will be fully responsible for all aspects of the program delivery. The City would not be obligated to devote capacity and resources to recycling contamination reduction, increasing capacity to implement our Solid Waste Reduction and Diversion Plan, including measures that will extend landfill life and avoid greenhouse gas emissions from landfilled waste. The City would have to monitor whether SK Recycles' efforts to reduce contamination have the unintended consequence of reducing capture rates, resulting in more recyclable materials being landfilled. Capture rate reduction is not part of SK Recycles' program plan. Results of this monitoring can be shared through Integrated Waste Management Reporting, as well as directly with both SK Recycles and the Ministry of Environment.

There are no significant differences expected in the GHG emissions from collections, whether City-led or Program-led. With this option, all emissions from collections and processing will shift from the City's corporate category to the community category in future GHG inventories since it is no longer a City provided service.

### *Social Implications*

Residents are largely expected to experience little impact from this option compared with the status quo, with many of SK Recycles proposed service levels aligning to the City's current residential recycling programs. In this option, there would be a more direct relationship between SK Recycles, who is setting service levels and providing the service and residents, without the City acting in an intermediary role. Therefore, resident feedback, including frustration with the removal of glass from collection, is appropriately directed to SK Recycles.

*Legal Implications*

SK Recycles' timelines for transition do not align with the City's current contract lengths, particularly the Cosmo agreement, which will result in a financial penalty for early termination unless a mutually agreeable transition strategy is developed.

The City will have to revise the Waste Bylaw to ensure that SK Recycles maintains a safe and effective recycling collection program.

**Option Not Considered – Do Not Participate in SK Recycles Program**

Municipalities may choose to not participate in the SK Recycles program, since the Provincial regulations apply to producers of paper and packaging and not municipalities. Given the financial incentives to participate in the Program, the Administration is putting all efforts into working with SK Recycles on a transition approach to one of, or a combination of the available options.

*Financial implications*

Recycling Utility Rates – under this option, the recycling utility rates would need to fully cover the cost to operate the residential curbside and multi-unit programs. Based on the 2025 SK Recycles allocations, this would result in increases of \$0.14 per cart per month and \$2.87 per dwelling in the curbside and multi-unit programs respectively.

Impact on Mill Rate and Capital Funding – Similar to the other options, this option would require alternative funding sources for operational programs and capital plans currently dependent on SK Recycles funding.