
Additional Information for Waste and Organics Cost and Funding

Recommendation

That the report of the Acting General Manager, Corporate Performance Department, dated October 22, 2018, be received as information.

Topic and Purpose

The purpose of this report is to provide additional information pertaining to three reports (Waste Management Levels of Service – Curbside Organics and Pay as You Throw Waste Utility; Ability-to-Pay Considerations for an Expanded Curbside Waste Utility; and Unified Waste Utility – Utility Rate Setting Philosophy) that were presented to City Council on September 24, 2018, regarding single family residential waste collection and disposal and a potential comprehensive curbside organics program in Saskatoon.

Report Highlights

1. This report provides additional information in alignment with the sequence of items deferred at the September 24, 2018 City Council meeting.
2. The total curbside waste collection and disposal and curbside organics program costs, including administrative costs and Recovery Park, are estimated at \$18.1M in 2018 a savings of \$5M annually compared to the amortized cost of the current program. Approximately \$6M is for solid waste, while \$8M is for organics collection and processing. The remaining \$4M is allocated to the other areas.
3. The City has three options to fund curbside waste and organics: (1) by utility-based user fees, (2) by the property tax; and (3) by a combination of fees and taxes, subject to legal constraints. The Administration has recommended funding solid waste services through a unified waste utility as this approach would best meet financial and environmental objectives.
4. Should the recommended curbside waste and organics program, funded as a utility, not be approved, several subsequent decision points are suggested to be deferred so that the Administration can make necessary revisions to its recommendations on these items, that would then be resubmitted for consideration and approval.

Strategic Goals

This report supports the Strategic Goal of Environmental Leadership by providing options to maximize solid waste diversion and provide opportunities for the landfill operations management to be financially and sustainably optimized.

Background

City Council, at its meeting held on June 25, 2018, considered the Recommended Changes to Waste Management in Saskatoon report; and resolved, in part:

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- “1. That a Pay as You Throw Utility be developed for curbside residential garbage collection, where households pay a variable utility fee that corresponds to the size of their garbage cart (lower prices for smaller carts);
2. That an organics program be developed for year round curbside residential organics collection, utilizing a single green cart for co-mingled food and yard waste.
4. That a Capital Project be established to enable continued planning and development of the organics and Pay as You Throw programs, so they may be launched together as soon as possible (before 2020), with a budget of \$1.6M, and that these funds be borrowed against the utility.”

City Council, at its meeting held on September 24, 2018, considered three reports on, and relating to, the implementation of a unified waste utility that includes a city wide curb side organics collection. During consideration of the Waste Management Levels of Service – Curbside Organics and Pay as You Throw Waste Utility report, City Council deferred the following motion to City Council on October 22, 2018.

- “1. That a city-wide curbside organics program be established;
2. That curbside waste collection be funded as a utility;
3. That curbside organics collection be funded as a utility;
4. That Option 1: year round, bi-weekly organics and waste collection be implemented as the new waste management service level for all curbside residential households;
5. That \$13.6M in capital funding be approved to implement Option 1 and that funding be borrowed from the future utility;
6. That the compost depots continue to operate with the existing level of service; and
7. That 2019 be the final season for the Green Cart subscription program and that a deadline of April 15, 2019, be implemented for new subscriptions.”

Further to the above, City Council deferred consideration of the following amendment to the above:

“That, regarding motion 4, the following words be added "and that there be further consideration for a second option to be added for weekly pick-ups of organics in June, July, August and September.”

City Council, at its meeting held on September 24, 2018, resolved, in part:

- “1. That Administration report back to City Council on details of collections and organics costs in other cities;
2. That Administration report back to City Council with Options under The Cities Act to create future waste or organics utilities with a

- blended funding model. This could consider applying existing mill rate dollars from multiple property classes towards future utilities;
3. That any future organics RFP include options about provision of green bins, bin collection, summer pickup frequency, and material processing.”

During consideration of the Ability-to-Pay Considerations for an Expanded Curbside Waste Utility report, City Council deferred the following motion to City Council on October 22, 2018.

- “1. That the guiding principles outlined in the September 10, 2018 report of the A/General Manager, Corporate Performance set the framework and future rates of the Unified Waste Utility.
2. That the following collective benefit services remain funded by property taxes and not be funded by the new waste utility: Recovery Park, City-wide organics and recycling depots, Household Hazardous Waste programs, and administration, waste diversion planning, general education/enforcement, monitoring and reporting that benefits all programs.”

During consideration of the Unified Waste Utility – Utility Rate Setting Philosophy report, City Council deferred the following motion to City Council on October 22, 2018.

- “1. That Administration be directed to recommend initial utility rates that encourage diversion, and;
2. That Administration implement Option Three as the multi-year rate setting philosophy for the Unified Waste Utility, should it be approved.”

Report

City Council, at its meeting held on September 24, 2018, considered three reports that contained a combination of program costs and fees for single family residential curbside customers. However, feedback suggested that City Council required more clarity between program costs and fees for service before making its decisions. The following sections provide additional detail regarding the sequence of decision points outlined in the Background of this report.

Decision 1: That a city-wide curbside organics program be established

As a critical component of a multi-pronged strategy to meet the City’s Strategic Goal of 70% waste diversion by 2023, and based on the results of public engagement, City Council resolved in June 2018 to establish a city-wide organics program providing year round curbside residential organics collection utilizing a single green cart for co-mingled food and yard waste.

City Council, at its meeting held on June 25, 2018, considered the Recommended Changes to Waste Management in Saskatoon report that outlined the benefits of a city-wide (mandatory) co-mingled green cart program. These benefits included:

- Diverting up to 26,000 tonnes of organic waste (increasing the community waste diversion rate by 10%);
- Providing additional service convenience for residents;
- Enabling the diversion of new organic materials such as meat, bones, and dairy; and
- Reducing greenhouse gas emissions.

In combination with a Pay as You Throw (PAYT) Utility, a Curbside Organics Program is estimated to add 23 years of additional life to the landfill. These programs, along with other waste diversion programs that are currently in development, are intended to help the City reach its Strategic Goal of 70% waste diversion by 2020, which will mitigate the need to plan for a replacement landfill, which will result in a savings of an estimated \$5M per year in amortized costs.

Decision 2: That curbside waste collection be funded as a utility; and that curbside organics collection be funded as a utility.

The Waste Management Levels of Service – Curbside Organics and Pay as You Throw Waste Utility report presented to City Council on September 24, 2018 included a recommendation “that the new service level for curbside organics and waste collection be funded as a unified waste utility”. City Council may choose from various alternative options other than that recommended by Administration in this report.

Attachment 1, Program Costs and Options for Curbside Waste and Organics, provides additional information regarding program costs and options to deliver curbside waste and organics: (1) by utility-based user fees, (2) by the property tax; or (3) by a combination of fees and taxes, subject to legal constraints.

Attachment 3, Funding of Public Services - The Cities Act, provides additional information regarding the use of property taxes and utilities/user fees for services.

Decision 3: That year round, bi-weekly organics and waste collection be implemented as the new waste management service level for all curbside residential households; and that there be further consideration for a second option to be added for weekly pick-ups of organics in June, July, August, and September.

The Administration is recommending year round, bi-weekly organics and waste collection be implemented as the new waste management level service for all curbside residential households. This level of service is the most cost-effective based on existing resources and provides sufficient collection capacity for the amount of waste generated by the curbside sector.

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As described in Attachment 1, seasonal weekly organics collection is estimated to cost an additional \$4.8M annually, or an average \$5.70 more per household per month based 70,000 households citywide. Additional details on this differential can be found in Attachment 1 of the Waste Management Levels of Service – Curbside Organics and Pay as You Throw Waste Utility report.

Attachment 2, Additional Cost Comparison Information, provides additional cost comparison information for the programs being proposed.

Decision 4: That \$13.6M in capital funding be approved to implement the recommended city-wide curbside waste and organics program, and that funding be borrowed from the future utility.

Should the recommended curbside waste and organics program, funded as a utility, not be approved, and an alternate funding option be selected, Administration would request that this item be deferred so that revisions to the capital funding request, if required, could be made and submitted for consideration and approval.

Decision 5: That the compost depots continue to operate with the existing level of service; and that 2019 be the final season for the Green Cart subscription program and that a deadline of April 15, 2019, be implemented for new subscriptions

Should City Council approve proceeding with a curbside organics program as outlined in the reports provided in September, Administration would maintain these recommendations for City Council approval. Should City Council defer approval of a curbside organics program beyond October 2018, Administration would request that this item be deferred so that a revision to the timing for a new subscription deadline could be made and submitted for consideration and approval.

Decision 6: That the guiding principles outlined in the Ability-to-Pay report set the framework and future rates of the Unified Waste Utility; and that the following collective benefit services remain funded by property taxes and not be funded by the new waste utility: Recovery Park, City-wide organics and recycling depots, Household Hazardous Waste programs, and administration, waste diversion planning, general education/enforcement, monitoring and reporting that benefits all programs

The cost recovery rates outlined in the tables provided in Attachment 1 reflect compost depots, recycling depots, Household Hazardous Waste programs, administration, waste diversion planning, education/enforcement, monitoring, and reporting to remain as property tax-funded programs.

The costs for Recovery Park are reflected separately, as addressed in Attachment 1. Administration will be reporting back in November 2018 regarding the Multi Material Stewardship Western (MMSW) funding and how this funding could be applied to the City's waste programs, including Recovery Park.

Should City Council decide to allocate all, or portions of, these public good items to a unified waste utility, Administration would request that this item be deferred so that a revision to the cost recovery rates could be prepared for City Council's consideration and approval.

Decision 7: That Administration be directed to recommend initial utility rates that encourage diversion; and that Administration implement Option Three from the Rate Setting report as the multi-year rate setting philosophy for the Unified Waste Utility

Should the recommended curbside waste and organics program, funded as a utility, be approved, Administration recommends implementation of Option Three from the Unified Waste Utility – Utility Rate Setting Philosophy report as the rate setting philosophy for the Unified Waste Utility. The rate setting philosophy outlined in Option Three is considered the most option valuable based on environmental sustainability, as it will provide for a greater difference in the cost from a small cart to a large cart, over the short term incentivising diversion, thereby attempting to balance capital investment with waste diversion targets.

Should the recommended curbside waste and organics program, funded as a utility, not be approved, and an alternate funding option be selected, Administration would request that this item be deferred so that revisions to the proposed rate setting philosophy be made, if required, and submitted for consideration and approval. For example, if City Council approves an alternate funding option such as funding the curbside waste program by a mix of property taxes and fees, a different rate setting philosophy would be proposed by Administration.

Financial Implications

As outlined in the report, a decision must be made in order to create a financially sustainable model going forward for Waste Services. In general, the Waste Handling Service Line has had annual deficits of approximately \$1.9M in 2017 and 2016.

As the City is required to produce a balanced operating result at the end of each fiscal year, these annual deficits have been addressed through reductions in contributions to the Landfill Replacement Reserve which funds future landfill replacement and expansion and withdrawals from the City's Fiscal Stabilization Reserve. Mitigating deficits through these mechanisms is not a sustainable approach, as these reserves will be depleted and become unavailable, or become insufficient to perform future capital work that will be required at the landfill.

The details and attachments included within this report, provide specific financial implications of the options that require decisions in order to establish a financially sustainable approach to waste management services.

Other Considerations/Implications

There are no additional Public/Stakeholder Involvement, Communication, Policy, Environmental, Privacy, or CPTED implications.

Due Date for Follow-up and/or Project Completion

The Administration will report back in the second quarter of 2019 with updates on project progress and more accurate rates.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Program Costs and Options for Curbside Waste and Organics
2. Additional Cost Comparison Information
3. Funding of Public Services - The Cities Act

Report Approval

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