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# Ability-to-Pay Considerations for an Expanded Curbside Waste Utility

## Recommendation

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

That the guiding principles outlined in this report set the framework and future rates of the Unified Waste Utility.

## Topic and Purpose

The purpose of this report is to explore how affordable the expanded Curbside Waste Utility is for Saskatoon residents. The report will identify mitigations to make it more affordable if necessary and review which programs and services should continue to be property tax funded and which should be part of the expanded utility.

## Report Highlights

1. Bi-weekly collection of organics, recycling, and garbage results in a relatively affordable curbside waste management program as compared to other cities, and when looked at as a portion of income (including low income households).
2. Assistance programs for low income families, seniors, and people with disabilities are common, however, these are typically aimed at reducing costs of the overall utility bundle not just waste.
3. Public goods, or goods that provide benefits to a larger group of individuals than those directly receiving the service, include recycling and composting depots, and Recovery Park. These are better suited to be funded through property taxes which also results in a more affordable program for curbside households.

## Strategic Goals

The information in this report supports the strategic goal of Environmental Leadership to eliminate the need for a new landfill reducing and/or diverting waste through city-wide composting and recycling, as well as the strategic goal of Asset and Financial Management by ensuring that services provided are aligned with what citizens expect and are able to pay.

## Background

City Council, at its meeting held on February 27, 2017, considered the Waste Management Master Plan – State of Waste report; and resolved, in part:

- “2. That the values to be used in preparing options for a new Waste Management business model, including the ability to pay in terms of future cost allocations for fairness and equity, be approved.”

City Council, at its meeting held on August 28, 2017, considered the Waste Utility Design Options report that included considerations on program affordability, including an attachment titled Solid Waste Pricing and Affordability.

### **Report**

#### Affordability of the Expanded Curbside Waste Utility and new Organics Programs

Responsiveness to resident's ability-to-pay is among the values established for the design of the expanded waste utility. While property taxes allocated for curbside residential waste services will be reduced as a result of a new utility fee, the net cost paid by each resident will increase. This is a result of removal of the subsidization of residential solid waste costs by the commercial sector in addition to the need to address the existing funding gap. In addition to this are the costs for a new organics program as well as additional administration, education, and enforcement required for successful implementation.

Households pay property taxes based on their property assessment value, while utility fees are based on waste generation. Attachment 1, Analyzing and Addressing Solid Waste Affordability Concerns, shows how the cost of waste impacts residents with various incomes whether funded through property taxes or through utility fees. The residential portion of these costs would range from \$3.80 to \$11.85 per household per month, based on the assumptions provided by the Waste Management Levels of Service (LOS) – Curbside Organics and Waste Utility report (LOS Report). The LOS Report indicates that under a utility, full-cost-recovery rates for bins have been modelled to cost \$20 for a mid-size bin. The analysis illustrates that affordability of waste services is not a significant issue in Saskatoon under both the tax-funded and utility-funded scenarios. (Note that in both cases, recycling is not included as it is already a utility. The effect of adding current recycling fees to the modelled costs adds approximately \$6.)

The cost of waste as a proportion of median household income is calculated in Attachment 1. If funded through a utility, the proportion would range from 0.34% to 0.66%. This indicates an affordable range as it is well below the acceptable "energy burden" commonly accepted as 6%. Even with the addition of recycling utility fees, looking at waste independently of other utility costs such as energy and water is not significant and does not provide a full understanding of ability-to-pay as these other utility costs are a much higher portion of the utility bundle. The Transition 2050 Equity in Energy Transition Funding Opportunity report that went to Standing Policy Committee on Environment, Utilities & Corporate Services on August 13, 2018, indicated that Saskatoon has a high incidence of energy poverty.

#### Benchmarking with other Cities

Waste utility fees in Saskatoon were compared to other cities across Canada, these are shown in Attachment 2, Utility Charges for Waste Services in Canadian Municipalities in 2018. Saskatoon is within a comparable range to other cities with similar programs.

Assistance programs for waste services and other utilities

Attachment 3, Types of Assistance Programs, outlines a number of assistance programs that keep utilities affordable for low-income families, seniors, and people with disabilities by keeping utility bundles below an identified threshold. It has been found that keeping costs within an affordable range, as well as keeping fees consistent month-to-month, can assist in ensuring that bills are paid.

The City of Saskatoon (City) offers a number of programs aimed at low income residents including subsidized bus passes, leisure passes, pet licensing, and lead pipe replacements as well as the Senior Property Tax Deferral program. These programs are also described in Attachment 3.

Funding of Public and Private Goods to Meet Ability-to-Pay Outcomes

Some of the complexities of developing a sustainable and equitable funding model that meet the environmental, financial, and social values set by Council are explored in a concurrent report called Unified Waste Utility – Utility Rate Setting Philosophy. A bin at a subsidized rate can meet both diversion and ability-to-pay goals.

Differentiating goods and services as either public or private goods helps to ensure equitable and sustainable funding. User pay models are suitable for private goods (ex. water, electricity, waste water) while public goods provide a greater benefit and are typically funded through property taxes (ex. street lighting, fire and police services). Characteristics of public and private goods are provided in the table below:

<b>Public Good</b>	<b>Private Good</b>
Benefits a larger group of individuals than those directly receiving the service.	Directly benefits the individual receiving the service.
Difficult to exclude individuals from benefiting from a service.	Ability to exclude a person from benefiting from the service.
One person's consumption does not reduce another person's ability to use the service.	One person's consumption reduces another person's ability to use the service.

Curbside collection of waste is well suited for utility-type funding as it provides a direct benefit to the user. For this reason, it is recommended that the costs for collection and processing of garbage, organics, and recycling be included as a utility fee. Other waste-related services exhibit public good characteristics, and are more suitable for funding through property taxes, these include:

- Recycling depots,
- Compost depots,
- Recovery Park,
- Hazardous waste drop-off days (or other programs that replace this), and
- Administration, waste diversion planning, general education/enforcement, monitoring and reporting that benefits all programs.

If rates are set using the considerations in this report, further mitigation for low-income families does not seem necessary as costs are being kept as low as possible, especially if discounted rates are available for lower waste generation.

### **Options to the Recommendation**

One option that could be considered is to apply a discount for waste services for low income cut-off (LICO) households. Additional program development and research will be required to identify criteria and the application process, as well there will be on-going administration of the program once developed. Attachment 3 outlines other City programs that use LICO that could be aligned with for administrative purposes.

The City could also expand its property tax deferral system to apply to all low income residents (not just seniors) which may help them address any potential cost increases associated with waste programs. Additional work is required to identify resources required to expand this program.

While discounting the cost of the smallest bin can help meet both waste diversion and affordability goals if needed, discounting rates of larger bins may be counter-productive as it removes the incentive for reducing and diverting waste; for this reason, this option is not recommended.

### **Public and/or Stakeholder Involvement**

During engagement, many residents expressed concern over rising costs. In the survey, the second highest concern about pay-as-you-throw (PAYT) was that it would be “double dipping” or a “tax grab”. While it was noted that PAYT would provide many with the ability to control costs, concerns were expressed over program affordability for those on a fixed or low income, seniors, persons with disabilities, and students. The issue of program fairness and affordability was raised during engagement for those that may produce extra waste, such as large families, medical waste, diapers, home based businesses and day homes, as well as for those that may produce less waste such as home composters, smaller households and seasonal residents.

### **Communication Plan**

The changes to curbside waste management programs will require extensive communications and education. These will be developed through the next phases of planning and implementation, with reports and updates provided to the Standing Policy Committee on Environment, Utilities and Corporate Services. On-going communications, including social media posts, Public Service Announcements, and media outreach will be used throughout planning and implementation.

Key messaging has not been finalized, but certain topics have been identified as important to the program’s success that relate to affordability. These include: program costs, how a switch from property taxes to a utility would look (and the associated lack of double-dipping), and education on organics and how to divert waste in order to use the smallest PAYT bin.

**Policy Implications**

No policy implications have been identified for the recommendation. Policy implications would result if some of the options are adopted.

**Financial Implications**

Financial implications for residents of varying income levels before and after a switch to a utility is outlined in Attachment 1, based on recommended service levels and cost ranges from the LOS Report.

Borrowing for Recovery Park is currently included in the indicative rates of the new service level, at a total cost of \$12.79M, or \$1.5M each year (amortized over 10 years). This would result in a 0.64% impact on the mill rate. Removing Recovery Park from the curbside utility fees would result in an approximate \$2.00 reduction per household per month.

Multi-Material Stewardship Western (MMSW) provides funds to municipalities in Saskatchewan for the collection of recyclables; funding from MMSW will increase on January 1, 2019 from \$11.75 per household to \$25.75. This increase alleviates the current requirement for \$428,000 to be included in the landfill operations budget to cover the utility funding shortfall generated by the Compost Depot Program. The long-term operating funding for compost depots on the mill-rate can be considered, along with other implications this funding increase may have, when making future recommendations related to funding waste management services and utility rate setting. A follow up report will be provided in November 2018 once full details of the new announcement are available.

**Environmental Implications**

As has been previously reported, the introduction of an organics program and PAYT waste utility will result in additional diversion from our landfill which has positive environmental impacts including reduced use of landfill air space, reduction of greenhouse gas emissions from the degradation of organics and plastics in the landfill, reduced use of raw resources, reduced leachate from the landfill, and improved soil and ecosystems from the use of compost.

**Other Considerations/Implications**

There are no privacy, Safety/Crime Prevention through Environmental Design (CPTED), or other considerations.

**Due Date for Follow-up and/or Project Completion**

The Administration will report on the Business Plan and Budget implications of the new program to Budget and Business Planning deliberations in November 2018, including an update on MMSW funding implications. The Administration will also report back in Q2 2019 on a detailed implementation plan for the Curbside Organics Program and PAYT waste utility.

**Public Notice**

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

**Attachments**

1. Analyzing and Addressing Solid Waste Affordability Concerns
2. Utility Charges for Waste Services in Canadian Municipalities in 2018
3. Types of Assistance Programs

**Report Approval**

Written by: Amber Weckworth, Manager of Education and Environmental Performance  
Mike Jordan, Director of Government Relations

Reviewed by: Brenda Wallace, Director of Environmental and Corporate Initiatives  
Russ Munro, Director of Water & Waste Stream

Approved by: Dan Willems, A/General Manager, Corporate Performance Dept.

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