
Multi-Material Stewardship Western Funding Update and Recommendations

Recommendation

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

1. That funds received through Multi-Material Stewardship Western be allocated in 2019 to offset Multi-Unit Residential Recycling, the Compost Management Fee, and a transfer to the Waste Minimization Reserve to support Recovery Park, Waste Characterization, Industrial, Commercial, and Institutional waste diversion planning, expanding the environmental grant, and Curbside Organics (and potential Pay-as-You-Throw) as described in this report;
2. That the Administration bring forward amendments to Council Policy C03-003 – Reserves for Future Expenditures as identified in this report; and
3. That the City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

Topic and Purpose

The purpose of this report is to provide an update on funding received from Multi-Material Stewardship Western (MMSW) and provide options for allocation of these funds.

Report Highlights

1. The City of Saskatoon (City) has received funding from MMSW since 2015 and this funding is increasing in 2019 from \$11.75 per household to \$25.75 per household, providing \$2.73M in revenue.
2. Funds can be used for waste diversion initiatives including offsetting future potential recycling fee increases, funding diversion-related capital projects such as Recovery Park, or new programs like curbside organics.
3. The Waste Minimization Reserve can be used as one mechanism for collecting MMSW funding to be reallocated to waste diversion initiatives but an amendment to Council Policy C03-003 – Reserves for Future Expenditures will be required.

Strategic Goals

The information in this report supports numerous actions that will maximize solid waste diversion, an outcome under the Strategic Goal of Environmental Leadership; it also supports outcomes within the Strategic Goal of Asset and Financial Management including reducing reliance on property taxes.

Background

City Council, at its Business Plan and Budget meeting held on November 30, 2015, considered the 2016 Fees for Multi-Unit Residential Recycling report. The report indicated that the proposed rate increase to \$2.66 per unit per month will cover 51% of

the program costs, with the balance (\$996,600) covered by funding received from MMRP.

City Council, at its meeting held on December 14, 2015, considered the Use of Unallocated MMRP Fund in 2016 report and resolved:

“That any funding received from the Multi-Material Recycling Program that is not required by the Multi-Unit Residential Recycling program be allocated to:

- a. The operation and maintenance of Recycling Depots in the amount of \$106,900; and
- b. The Green Cart Program in the amount of \$95,000.”

City Council, at its meeting held on August 27, 2018, considered the Recovery Park and Saskatoon Regional Waste Management Centre Project Revised Funding Plan report and resolved:

“That the Recovery Park and Saskatoon Regional Waste Management Centre Project (Capital Project No. 2050) be adjusted to reflect the funding plan in the report of the CFO/General Manager, Asset and Financial Management Department dated August 13, 2018.”

Report

Program Update

MMSW provides funds to municipalities in Saskatchewan for the collection of recyclables through the Multi-Material Recycling Program (MMRP). This program responds to *The Household Packaging and Paper Stewardship Program Regulations* set by the Province.

This funding program has been in place since 2016, and funds were initially allocated to offset the Multi-Unit Residential Recycling (MURR) Program; they have also been used toward the recycling depots and the green cart program. The details of funding allocation are outlined in Attachment 1, MMSW Funding Allocation 2016-2018. Surplus goes to the Waste Minimization Reserve and to fund other waste diversion initiatives, such as the planning and investigation into expanding the Waste Services Utility to include city-wide organics and Pay-as-You-Throw (PAYT) programs.

Funding from MMSW will increase on January 1, 2019, from \$11.75 per household to \$25.75, providing \$2,730,000 to the City, an increase of almost \$1.5M for 2019.

The MMSW provides their standard form agreement to the City for its signature. The terms of the Agreement are as follows:

- It is a services agreement under which the City promises to collect waste packaging and paper (WPP) from residents;
- The City is obliged to report on the total number of households serviced – the last Agreement provided that there were 102,832 within our service area;
- There are separate provisions where the City uses a depot for the collection of WPP;

- There are terms applicable to processing the WPP;
- There are terms defining that the form and methods of collection need to ensure quality and commodity revenue;
- The term of the Agreement is indefinite until terminated but there are unrestricted rights of termination for both parties;
- The City can delegate its collection of WPP to another;
- The MMSW will pay the City for the WPP collected at per household rates set out in the Agreement;
- The rates are reviewed every two years, and adjusted as required;
- The MMSW retains the right to audit the City's WPP obligations; and
- The City confirms that it has authority to enter into the Agreement and that the appropriate procedure has been followed to authorize the Agreement.

While the MMSW Services Agreement between the City and MMSW clearly articulates the auditable reporting requirements for proving that appropriate recycling services are being provided to the households for which claims are made, it does not specify how MMSW funds need to be spent. This report outlines options for that allocation in 2019.

Funding Allocations Included in the 2019 Preliminary Business Plan and Budget

MURR is already subsidized by MMSW funds. As shown in Attachment 1, Administration projects \$910,000 will be needed in 2019 and this amount has been used for the 2019 Preliminary Business Plan and Budget. If this is not funded from MMSW, City Council would need to find an alternative source of funding such as property taxes. 2019 rates have been set at \$3.11/hh/month and will require an increase in 2020 similar to those seen in previous years of the program to cover contract prices in the existing agreement (expires in 2023 with opportunity for extension). Both the curbside and MURR programs have seen annual rate increases of around \$0.15/household/year.

The future of depots will be reviewed once Recovery Park has opened; maintaining the current level of service for recycling and compost depots, without further changes to existing operating budgets, is anticipated to require \$428,300 from MMSW in 2019 as shown in the 2019 Preliminary Business Plan and Budget. If this is not funded from MMSW, City Council would need to find an alternative source of funding such as property taxes.

Waste Minimization Reserve

Council Policy C03-003 – Reserves for Future Expenditures, requires amendment to more accurately reflect the agreements the City has or will be entering into. MMSW funding provides a new opportunity for funding and the City's agreement with Cosmopolitan Industries Ltd. is no longer related to the sale of recyclable materials.

To strengthen the utility of the policy, amendments to the reserve balance limitations and application of funding would also be recommended. The policy currently caps the Waste Minimization Reserve at \$100,000, making it an ineffective tool for furthering significant waste diversion efforts. Administration recommends increasing the reserve

balance limit to \$2M. Funding from MMSW could then be transferred to this reserve to be allocated as needed to initiatives that divert or minimize waste as outlined in the policy. A \$2M cap is anticipated to provide a meaningful amount of funding to investigate and develop projects. In a recent example, the city-wide organics and PAYT Utility required \$1.6M to develop.

There is an opportunity to make the application of funding clearer. Administration recommends identifying waste diversion programs, waste diversion planning, waste composition studies, and a waste diversion component of the environmental grant in the revised policy.

Policy Implications

The proposed changes outlined in this report require an amendment to Council Policy C03-003 - Reserves for Future Expenditures to allow funding from MMSW to be received, to increase the amount of funding, and clarify the type of initiatives that may be funded from the Waste Minimization Reserve.

Options to the Recommendation

Administration recommends that, as a guiding principle, funds are used to offset the cost of waste and recycling fees paid by residents as well as to further additional waste diversion efforts. City Council may choose which programs to fund, options are given below:

Option 1 – Offset Waste Services Utility Fees

2019 MMSW funds could be set aside to fully or partially offset the impact of recycling rate increases to residents. Historically, a \$0.15/hh/month increase has occurred each year to keep up with inflation. Curbside recycling fees are currently cost-recovery and have been set for 2019, based on the existing agreement with Loraas Disposal that expires at the end of that year. The 2019 rate is \$5.66 per household per month. As reported in October, fluctuations in recycling markets are expected to cause a substantial increase to processing costs compared to current conditions; this may result in greater than normal rate increases in 2020 and beyond. In order to keep rates within this range, an additional \$600,000 to \$1.2M will be required. If this option is adopted, Administration recommends that at least \$600,000 of MMSW funds be allocated to Curbside Recycling to offset the cost increases anticipated in 2020.

Option 2 – Funding for New Residential Organics Programs and PAYT Utility (if approved)

Capital expenditures for a new residential organics program and PAYT Utility have been estimated at \$13.6M. A portion of the MMSW funding could be allocated to offset these costs to help reduce the amount of borrowing needed, resulting in a reduced utility fee (or property tax impact) in the future (by reducing loan repayments). For instance, a reduction of \$1M in borrowing would result in approximately \$0.12/hh/month reduction in utility fees (assuming the City borrows for 10 years, at 3% interest).

Option 3 – Funding for New Waste Diversion Initiatives

These funds can go toward planning, reporting, and community outreach to improve waste diversion. In 2019, this could include:

- An Industrial, Commercial, and Institutional (ICI) Waste Diversion strategy – \$150,000;
- Waste Characterization – The City conducts regular (bi-annual) composition studies of the waste disposed from all sectors. A study is planned for 2019 with a budget of \$165,000 and of that, Federation of Canadian Municipalities (FCM) is expected to cover \$60,000; and
- Environmental Grant, Waste Diversion Component – The Environment Grant is awarded to non-profit organizations for projects that align with the City's Strategic Goal of Environmental Leadership. It currently includes a \$10,000 water component and a \$10,000 general sustainability component. The City could add a waste diversion and reduction component starting in 2019 and fund it from MMSW.

Option 4 – Recovery Park Construction

Construction of Recovery Park requires an internal loan with an annual payback of \$1.15M with a phased 15-year pay back, as reported to City Council in August 2018 in the Recovery Park and Saskatoon Regional Waste Management Centre Project Revised Funding Plan report. The 2019 Preliminary Business Plan and Budget already includes \$380,000 funded by the property tax for year 1 of a 2 year phase in of \$770,000 to complete the phase in for debt repayments. City council has the option to utilize MMSW funds to reduce the property tax contribution in 2019, in 2020, or a combination of both years. If City Council chooses this option the amount chosen will be required annually for the full loan term. If the Recovery Park loan is paid back over 10 years, this repayment would increase to \$1.68M (as reported to City Council in the October 2018, Additional Information for Waste and Organics Cost and Funding report).

Option 5 – Funding towards the Landfill Replacement Reserve for future landfill projects

City Council could allocate some or all of the funding to the Landfill Replacement Reserve to help ensure adequate funding for landfill projects in the future.

Option 6 – Correcting the Waste Services funding shortfall

Waste Services has an unsustainable funding model with an annual operating deficit of approximately \$1.9M (as reported to City Council in the October 2018, Additional Information for Waste and Organics Cost and Funding report). This funding could be allocated to cover this deficit to avoid property tax increases. If City Council chooses to go forward with waste funding through a utility, this option could still be implemented, but would actually be an offset to the Waste Utility fee.

Option 7 – Reduce Property Taxes

City Council could choose to use unallocated MMSW funding to offset property taxes. This is not recommended as it will not necessarily further waste diversion or recycling efforts.

Financial Implications

In 2019, the City could expect to receive \$2,730,000 from MMSW. The 2019 Preliminary Business Plan and Budget accounts for this revenue in the Waste Services Utility. Allocation of this funding could be applied as follows:

Initiative	Funding Allocation
MURR ¹	\$ 910,000
Curbside Recycling ²	\$ 0
Compost Management Fee ¹ (existing depots)	\$ 428,300
Transfer to Waste Minimization Reserve	\$1,391,700
<i>Recovery Park</i>	\$ 380,000
<i>Waste characterization</i>	\$ 105,000
<i>Environmental grant</i>	\$ 10,000
<i>ICI waste diversion planning</i>	\$ 150,000
<i>Curbside Organics (and potential PAYT) program implementation</i>	\$ 746,700
TOTAL	\$2,730,000

¹ Already included in the 2019 Preliminary Business Plan and Budget Book

² Administration notes that at least \$600,000 be allocated in 2020, but would not be required in 2019.

If approved, this allocation does not anticipate leaving a balance within the Waste Minimization Reserve at the end of the year. In 2020 (and beyond), MMSW funding is expected to increase slightly with city growth. Administration will review the sufficiency of the 2019 allocation and report back on recommendations for use of future funds placed in the Waste Minimization Reserve based on MMSW funding.

Environmental Implications

Ensuring that this funding is allocated toward recycling and waste diversion will help achieve positive environmental implications such as reduced use of raw resources and decreased greenhouse gas (GHG) emissions.

Other Considerations/Implications

There are no public and/or stakeholder involvement, communications, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

A follow up report is expected by the end of 2019 updating Waste Diversion priorities and funding allocations for 2020 and beyond.

Public Notice

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

Attachment

1. MMSW Funding Allocation 2016-2018

Report Approval

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