

MANAGEMENT REPORT

Date: June 12, 2023
To: Infrastructure, Transportation and Safety Committee
From: Emily Skelding, Supervisor of Waste Operations
Report #: ITS23-016
Attachments: Management Report: Blue Box Services with Circular Materials July 27, 2022

Title: Master Service Agreement and Statements of Work between City of Stratford and Circular Materials (CMO) for Blue Box Services from May 1, 2024 to December 31, 2025

Objective: To inform Council of the Master Service Agreement and Statements of Work reviewed and negotiated between CMO Materials and City Staff, and to have Council enter into an agreement with CMO Materials for the transition period to full producer responsibility from May 1, 2024 to December 31, 2025.

Background: In early 2019, the Ontario Minister of the Environment, Conservation and Parks directed a transition of the management of the Blue Box program from shared municipal and producer responsibility to full producer responsibility by 2026. All municipalities in Ontario are to be transitioned in different phases between July 1, 2023, to December 31, 2025. The City of Stratford's transition period begins May 1, 2024, and ends December 31, 2025.

During the transition period, the City will be working with CMO, a not-for-profit organization representing producers of recyclable material, to maintain existing collection services as outlined in the attached Management Report from July 27, 2022.

During transition, the City would become a contractor for CMO through a Master Service Agreement. The City would continue to subcontract collection services for curbside collection, operate the recycling depot at the landfill, and promote the Blue Box program to residents. CMO will cover the costs of the collection, processing, and program promotion for eligible sources. An "eligible source" includes residential dwellings, multi-residential buildings, public spaces, schools, retirement and nursing homes. The City would continue to be responsible for covering the Blue Box program costs of non-eligible sources, mainly commercial and industrial businesses.

Analysis:

Master Service Agreements and Statement of Works

CMO released their proposed Master Service Agreement (MSA) and supplemental Statements of Work (SOWs) for the City of Stratford mid-April 2023, with a deadline to finalize agreements by the end of June 2023. City staff have reviewed the MSA and SOWs in detail, have maintained regular correspondence with CMO throughout the process, have shared the documents with the City's solicitor for review and comment, and have requested adjustments to the agreement to better reflect Stratford's needs.

The Master Service Agreement contains overarching terms and conditions that apply to each of the Statement of Work. There are separate SOWs for each area of business for the Blue Box program: curbside collection, depot collection, and community promotion and education. Key aspects of CMO's MSAs and SOWs for the City of Stratford during the transition period are outlined below.

Key aspects of CMO's MSAs and SOWs for the transition period

- Master Service Agreement: General Conditions – Contains overarching terms and conditions including, but not limited to, obligations of the City and CMO, compensation, contingency, insurance, and applicable laws and permits.
- Statement of Work: Curbside and Public Space Recycling Collection – Outlines the responsibility of the City to provide and maintain through subcontractor, service for curbside collection during transition. The City is responsible for service standards, specifications, and service levels; even if City Contractor provides this service under an existing waste collection agreement. CMO will provide compensation for costs associated with curbside and public space recycling of eligible sources.
- Statement of Work: Depot Collection Service – This includes operation of the recycling depot located at the 777 Romeo Street landfill. The City would be responsible for staffing, bin service, and segregation of eligible and non-eligible sources during transition. CMO will provide compensation for depot costs associated with eligible sources.
- Statement of Work: Promotion and Education (P&E) – The City is responsible for the promotion and educational materials for the Blue Box program during transition, and is provided with compensation to cover these costs.

During review, City staff found minor administrative revisions and required some clarification on terms in both the Master Service Agreement and the Statements of Work. Overall, there were no major concerns found in the agreement's documents. The agreement outlines how service would remain relatively the same during the transition period, with the costs of the Blue Box program for eligible sources being covered by

CMO. Slight service adjustments may be required at the City's depot and for small business that primarily serve the downtown core.

The City's Solicitor review identified that the agreement's language largely favours CMO and enables them to have more control over how the contract is facilitated. For example, the contract requires various collection targets to be achieved and that they will not be responsible for issues that may arise out of the City's contract with Canada Waste Management (CWM). The City has similar language built into its contract with CWM and in doing so provides the City with similar protections. The agreement also restricts the City making any changes during the 20-month contract covering the transition period. The main difficulty Staff see occurring during this transition is uninterrupted servicing of non-eligible sources, which CWM is providing as a courtesy as it is not one of their legislated requirements. Staff may have to provide additional support during the transition period to maintain services for some of the non-eligible sources.

Executing the agreement with CMO for the transition period leading up to 2026, will ensure consistent and stable collection services for residents and businesses. Staff will use this time to engage the public, industry and Council, to determine desired services post transition. Upon confirming desired services Staff will work to determine how such services can be provided and the associated costs for Council consideration. It is anticipated that associated workplan will be presented as part of 2024 budget deliberations.

Circular Materials (CMO) Master Service Agreement and Statement of Works

The overarching terms and conditions for compensation are outlined in the Master Service Agreement, this includes required documents the City must provide to receive payment, taxes, price adjustments, interest, limited liabilities, and other requirements. The Statements of Work detail the compensation for each area of business:

- Statement of Work: Curbside and Public Space Recycling Collection- CMO will compensate on a per stop basis for an estimated total of \$1,700,000 for the transition period for eligible sources. If applicable, this will be adjusted monthly to include fuel and non-fuel prices adjustments such as CPI.
- The City would cover the collection costs of non-eligible sources and pay \$200 per tonne for the processing costs. If applicable, the processing costs estimated at \$65,000 for the transition period, may be adjusted monthly to include non-fuel price adjustments and would be funded through the tax levy.
- Any new non-eligible stops after May 1, 2024, won't be allowed collection services under the agreement. Staff would be required to make arrangements to maintain service for those new locations during the transition period. The number of new stops is anticipated to be low.

- Based on the City's existing collection and processing Contract, the estimated cost for the collection is \$1,720,000 for the transition period, which includes collection of non-eligible sources.
- The estimated net costs for recycling services for 2023 is \$481,000, which will be funded from the tax levy as budgeted.
- Statement of Work: Depot Collection- CMO will compensate the City \$102,860 for the period of transition to cover bin service and operation of the depot related to eligible source Blue Box materials. This proposed funding is considered fair and reasonable as it exceeds service contract costs for bin collection and is anticipated to cover the associated Staff time needed to provide that service. If applicable, the costs would be adjusted monthly to include fuel and non-fuel adjustments. The City would cover the depot costs of non-eligible sources and pay \$200 per tonne for the processing costs.
- Statement of Work: Community Promotion and Education - CMO will compensate the City \$1.50 multiplied by the total number of households listed in Exhibit 2, equal to approximately \$28,100 for the transition period for community promotion and education of the Blue Box program.
- Applying past practices Staff anticipate spending approximately \$10,000 for community promotion and education. Due to transition requirements this may be a bit higher to meet CMO's expectations.

Summary

In this report Staff are requesting that the Mayor and Clerk be authorized to execute the agreement with CMO to maintain existing recycling collection services up until December 31, 2025. Supporting this requires means a minimal impact to residents and business for the transition, it would avoid elevated costs (Upwards of \$490,000) to break the City's existing collection Contract, costs recovery from CMO is fair and reasonable based on legislation, and gives Staff and residents time to adjust to new service expectations coming after transition.

The Master Service Agreement and the Statements of Work for the Blue Box program maintain existing services and corresponding collection contracts between May 1, 2024, to December 31, 2025. The costs for the collection and processing of eligible sources will be covered by CMO during transition, seeing a significant reduction in costs to the City. The costs to maintain services considered non-eligible, mainly commercial, and industrial, are estimated at \$65,000 for the transition period of May 1, 2024, to December 31, 2025. This is relatively low as these sources only represent a small fraction (~6%) of the overall collected material. Service adjustments to small businesses may be required during the transition period to ensure service is maintained, which will need to be facilitated by Staff.

Financial Implications:

Financial impact to current year operating budget:

No impact anticipated to the current year operating budget.

Financial impact on future year operating budget:

Starting May 1, 2024, the City anticipates a significant reduction in recycling services' operating costs. The collection and processing of eligible sources will be covered by CMO, and the City would be responsible for covering the costs of Blue Box materials from non-eligible sources. Expenses for recycling collection and processing are greater than revenue generated for the sale of recyclable material. All revenue generated from the sale of recyclable material will be collected by CMO to help offset their costs.

In 2023, the budgeted net cost funded by the tax levy to operate the Blue Box program is \$481,000. In 2024 and 2025, the net costs are anticipated to be \$185,000 and \$40,000 respectively. Post 2026 these costs may increase above \$40,000, if Council decides service levels are to remain the same as CMO will not be required to support services for businesses and industry.

Not proceeding with this Contract with CMO would come with a contractual penalty of up to \$490,000 including HST for early termination of the City's waste collection contract.

Link to asset management plan and strategy:

No change to asset management expected during transition period.

Legal considerations:

The City's Solicitor review identified that the agreement's language largely favours CMO and enables them to have more control over how the contract is facilitated. The language put in place by CMO is respectively included in the City's contract with our collections contractor CWM, ensuring that the City is largely covered for any issues or incidents that could arise.

Alignment with Strategic Priorities:

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Widening our Economic Opportunities

Strengthening Stratford's economy by developing, attracting and retaining a diversity of businesses and talent.

Alignment with One Planet Principles:

Material and Products

Using materials from sustainable sources and promoting products which help people reduce consumption.

Zero Waste

Reducing consumption, reusing, and recycling to achieve zero waste and zero pollution.

Staff Recommendation: THAT The Corporation of the City of Stratford enter into an agreement with Circular Materials Ontario for the City of Stratford to be the service provider for Blue Box program recycling services for the Transition Period of May 1, 2024, to December 31, 2025;

AND THAT the Mayor and City Clerk, or their respective delegates, be authorized to sign the necessary agreement.

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Recommended by:	Taylor Crinklaw, Director of Infrastructure and Development Services
	Joan Thomson, Chief Administrative Officer