
MANAGEMENT REPORT

Date: July 27, 2022
To: Infrastructure, Transportation and Safety Sub-committee
From: Adam Ryan, Manager of Public Works
Report #: ITS22-021
Attachments: None

Title: Blue Box Services with Circular Materials Ontario for the Transition Period of May 1, 2024 to December 31, 2025

Objective: To inform Council of Blue Box Program transition development towards an Extended Producer Responsibility system, and to advise Council of the intended approach for Blue Box services during the transition period of May 1, 2024, to December 31, 2025.

Background:

Update on the Blue Box Program transition to producer responsibility and recent amendment to the Regulation

It is noted that staff and other Ontario municipal jurisdictions have long been supportive of the provincial transition to full producer responsibility in that a province-wide common collection system would:

- enhance and standardize the list of Blue Box materials,
- provide high, progressive, and enforceable diversion targets, and
- remove the financial burden of the Blue Box Program from municipalities, shifting it to producers who are responsible for the design and production of packaging.

The draft Blue Box Regulation was finalized by the province on June 3, 2021, but was subsequently amended on April 13, 2022. The province indicated the amendment will not impact the Regulation's outcomes and will not affect the timeline for municipal transition; they therefore did not post the amendment for public comment.

The amendment (O. Reg. 349/22) made the following key changes to the initial Regulation (O. Reg. 391/21):

- Removed the allocation table requirement, that identified which Producer/Producer Responsibility Organization (PRO) would be responsible for

Blue Box Programs in which municipalities and removed the requirement for the PROs to develop rules for the producer led Blue Box Program.

- Made each producer responsible for meeting collection requirements from eligible sources (single-family homes, seasonal homes, current multi-residential buildings, schools, specified retirement and long-term care homes and specified public spaces).
- Required PROs representing the majority (over 66%) of Blue Box tonnage to provide a report on how they will establish a province-wide collection system to the regulator Resource Recovery and Productivity Authority (RPRA). The report will include how the PROs will establish and operate the collection system, how they will make collected material available for processing and where, and how they will provide promotion and education.
- Exempted newspaper publishers from responsibility for the Blue Box Program but continues to require newspapers be collected in the Blue Box.

A PRO establishes contracts with a producer or group of producers. Effectively PROs assist producers to ensure they meet regulatory requirements. There are currently four PROs registered with RPRA regarding the Blue Box Program:

- Circular Materials (CMO)
- Ryse Solutions Ontario (Ryse)
- Resource Recovery Alliance
- Canadian Beverage Container Recycling Association

Representing over 66% of Blue Box material, Ryse and CMO, submitted their joint plan on July 1st identifying how they intend to implement, operate, and administer, the common collection system across the Province. This report identifies CMO as the common collection system administrator. As the collection system administrator, they intend to implement a cohesive provincial-wide system.

As administrator, CMO is seeking responses from all 365 Ontario municipalities and 28 First Nations operating Blue Box programs regarding their intent to enter into a contract with CMO for the transition period from May 1, 2024, to December 31, 2025. Soon, Stratford will need to decide whether to maintain existing services by providing services to producers for the transition period under negotiated terms or to decline and have CMO provide their own collection system for Stratford. Due to municipal elections the deciding point may fall under the period of restricted acts, between August 19, to November 14, 2022.

Analysis:

Circular Materials (CMO)

CMO has requested interested municipalities and First Nations communities to become Blue Box recycling service providers to CMO under the terms of a Master Service Agreement (MSA) from the municipality's transition date until the end of 2025, when all

transitions to producer responsibility are to be completed. Municipalities and First Nation communities that enter the agreement will continue to service single-family and current multi-family households, maintaining the same collection days and frequency of collection, same materials currently accepted and use of same set out containers. Municipalities may also continue to service current Industrial, Commercial, and Institutional (IC&I), locations at a cost to the municipality and operation of existing drop-off depots.

CMO is pressing for commitments so that they can maximize the time they have to transition and arrange necessary collection contracts. Staff have already provided Stratford's collection details as part of developing a future contract. It is expected that if the City provides collection services for CMO that this agreement will be required to be entered into in the Fall of 2022.

If the City were not to provide services under the existing waste collections contract with Canada Waste Management, early termination costs could apply. The Contract stipulates early termination of the Contract based on amendments legislation could come at an estimated costs of \$490,000 including HST.

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

The Master Service Agreement (MSA) contains overarching terms and conditions that apply to each of the Statements of Work (SoW). There are separate SoWs for each area of business that a municipality may choose to enter with CMO. Current versions of the documents specify services to include:

- Curbside recycling collection – Municipalities may provide service directly or subcontract the actual collection service. Municipalities are directly responsible for the service standards, specifications, and service level credits contained in the MSA and SoW, even if a contractor provides service under an existing waste collection agreement.
- Depot collection service – This includes operation of the depot. The City would be responsible for monitoring, and segregation of eligible (residential) and ineligible (IC&I) sources.
- Promotion and education (P&E) – This includes assisting CMO in the design and development of P&E material, and incorporation of CMO's P&E materials in the City's communications.
- Public space collection services – This includes a set number of bins in public spaces.

For the most part, if the City proceeds with CMO for the transition period, May 1, 2024, to December 31, 2025, services will remain relatively unchanged. O. Reg 391/21 does not require collection at: industrial or commercial properties, business improvement areas (BIAs), commercial farms, places of worship, weekend campgrounds, commercial properties along residential routes, public facing areas of municipal buildings or facilities (e.g., libraries, arenas), and not-for-profit organizations. Even though the City would be

paying for additional services for locations above that currently receive service, the City's net financial contribution to the transitional Blue Box Program is anticipated to be much less than what it is currently.

CMO's intentions for 2026 (post-transition)

All PROs still have many details to work out for collection services post-2026. CMO has indicated, if a municipality's curbside collection contract extends into or beyond 2026, the municipality could continue to deliver collection services until the contract expires. The main stipulation being that the municipality must execute a subsequent MSA and SoW that will be used to contract for services after January 1, 2026, as part of CMO's collection request for proposal. This document is not available yet. The City is currently in contract with Canadian Waste Management to collect and transport Blue Box materials until November 30th, 2026. If the City were to break the Contract early, on January 1st, 2026, the estimated cost would be \$200,000 including HST.

Post-2026, CMO anticipates that if a municipality decides to be involved, it would be largely limited to a contract administrative role; one that would be built into the CMOs awarded collection contract. An agreement would have to be made between the City and CMO and the stipulations of entering into a MSA and SoW would also apply.

If a municipality does not desire to participate beyond the end of 2025, CMO has indicated it will procure recycling collection services directly with waste collection companies to service broader catchment areas with a variety of other potential changes (days/frequency of service, single/dual stream collection, etc.). No further details on this have been provided yet. CMO has also suggested that municipalities time their garbage and organics collection RFPs to coincide with CMO's timing to allow respondents to submit proposals in parallel for each RFP.

CMO has also suggested that municipalities could continue to operate their existing depots beyond December 31, 2025. Prior to that date, a depot-by-depot assessment will be completed on which they will base decisions about which depots CMO will support in 2026. CMO noted that the number and location of depots will likely be reduced in 2026. They have also indicated effective 2026, Blue Box material dropped off at depots would be segregated by eligible (e.g. residential) and ineligible (e.g. non-residential) sources.

Summary

While alternatives are available, maintaining existing services and corresponding collection contracts as proposed through CMO's transition plan will minimize disruption to Stratford residents, who will be experiencing the full transition to a new system in 2026. It would also ensure costs for early contract termination are avoided. The costs to maintain services considered ineligible, 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 (~8%) of the

overall collected material. Though the specific details remain to be finalized, it is anticipated that funding from CMO will cover the remaining collection services costs.

Due to the potentially tight timelines for entering into a contract with CMO and to ensure the City can still enter into the necessary multi-year contractual agreements during a period of restricted acts, staff are requesting delegated authorization to negotiate and execute such agreements.

As this legislative change is still being developed, staff will communicate any necessary updates as information is received.

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 in 2024, the City anticipates a significant reduction in recycling services' operating costs. If the City enters into an agreement to maintain existing services, CMO would fund most recycling services. The Blue Box Program currently costs about \$638,600 net cost to operate. The 2022 budget outlines an expense of \$542,000 for bi-weekly collection and \$438,600 for processing. Revenue in the budget includes \$306,000 from the Province for collection services and \$36,000 in revenue from the sale of recyclable material.

Proceeding with CMO and maintaining current recycling service programs in place starting from May 1, 2024, up until the end of 2025 is anticipated to be a net expense to the City to the amount of \$65,000. This is much less than the estimated \$638,600 currently incurred for 2022 and avoids the contractual penalty of up to \$490,000 including HST for early termination of the City's waste collection contract. Post-2026, there will still be a significant reduction in recycling services operating costs, however, it will be dependent on the still-to-be established post-transition service levels.

Link to asset management plan and strategy:

A reduction in municipal equipment and facility assets may occur starting 2026, if the recycling depot and services are discontinued. This has the effect of reducing pressure on the municipal asset replacement plan as well as the reduction in operating costs noted above.

Legal considerations:

The City's solicitor will review any CMO transition contracts.

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 Chief Administrative Officer be authorized to negotiate and enter into a contractual agreement for Blue Box Services with Circular Materials Ontario for the Transition Period of May 1, 2024, to December 31, 2025.

Prepared by:

Adam Ryan, Manager of Public Works

Recommended by:

Taylor Crinklaw, Director of Infrastructure and Development Services

Karmen Krueger, CPA, CA, Acting Chief Administrative Officer