

Staff Report

Report To: Operations Committee
Report From: Chris Webb, P. Eng. Manager of Engineering Services
Meeting Date: March 16, 2023
Report Code: OP-23-014
Subject: Blue Box Transition Update – Opting Out

Recommendations:

THAT in consideration of Staff Report OP-23-014 respecting Blue Box Transition Update – Opting Out, the Operations Committee recommends that City Council:

1. Support the City of Owen Sound opting out of entering into a direct contract for residential blue box collection during the Blue Box Transition period for the City, commencing July 1, 2023; and
2. Approve Circular Materials Ontario, as the Producer Responsibility Organization, to enter into a direct contract with a service provider for the provision of blue box collection services for the City of Owen Sound, effective July 1, 2023.

Highlights:

- Municipalities in Ontario will transition to a Common Blue Box collection system for all communities outside of the Far North in Ontario.
- Includes First Nations communities.
- Each municipality will transition from the old Blue Box program to the new producer responsibility system between 2023 and 2025; the City of Owen Sound's transition period commences July 1, 2023.
- The City will be opting out of continuing to be responsible for residential blue box collection and processing during the transition period, handing over this responsibility to Circular Materials Ontario.

- The City will still be responsible for the cost of collection and disposal of ineligible sources under the new regulation, including business improvement areas and industrial, commercial and institutional facilities (ICI).

Strategic Plan Alignment:

This report supports the delivery of Core Service.

Previous Report/Authority:

[Blue Box Transition – OP-22-033](#)

Background:

As part of the Province's Waste Free Strategy, Ontario has shifted toward a circular economy that will transfer the responsibility of residential blue box/recycling collection and disposal from municipalities to producers.

To support this shift, Ontario passed the Waste-Free Ontario Act 2016 and enacted the Resource Recovery and Circular Economy Act 2016 and the Waste Diversion Transition Act 2016.

On June 3, 2021, the Ministry of the Environment, Conservation, and Parks (MECP) released the final Blue Box regulation (Ontario Regulation 391/21) to manage Ontario's current residential Blue Box Program. This legislation intends to shift the responsibility of these programs from municipalities to the producers of these products and packaging – referred to as the Provincial Blue Box Individual Producer Responsibility (IPR) Program.

Under the Provincial Blue Box IPR Program, the City will no longer be responsible for collecting and processing blue box materials. It would also no longer generate revenues from the sale of these materials.

The final Provincial Blue Box regulation transition schedule released by the MECP specifies that the City of Owen Sound and several other municipalities will transition to producer responsibility on July 1, 2023. Waves of municipalities will join the program annually until December 31, 2025. During the transition period (July 1, 2023, to December 31, 2025), the organization representing the producers of products and packaging will implement recycling programs in each municipality. Services are to be customized to the existing practices for eligible sources of each municipality

in the benchmark month of August 2019 (i.e., collection frequency and collected materials).

Eligible sources are defined as recyclable materials generated from:

- single-family households
- multifamily households
- apartments attached to businesses within Business Improvement Areas (BIAs)
- seasonal residential dwellings, including residential trailer (mobile home) parks
- not-for-profit long-term care homes and retirement homes
- public and private schools (elementary and secondary)
- public spaces (e.g., parks, playgrounds) and streetscape bins in BIAs.

The following sources are considered ineligible under the new program, therefore ongoing costs to collect these sources as part of the blue box program will be borne by the City as long as the service is provided to the ineligible sources:

- businesses in BIA/DIAs
- for-profit long-term care homes
- small businesses located throughout residential routes
- service clubs (e.g., Lions or Rotary Clubs) or places of worship
- municipal facilities, such as community centres, arenas, pools, or municipal office buildings

The customization of services for each municipality will occur until January 1, 2026. After that date, all Ontario municipalities will begin to observe a standardized Provincial Blue Box IPR Program delivered by Producer Responsibility Organizations (PROs), with uniform “acceptable materials” and service levels across the Province.

The organization formed by the packaging producers to administer the recycling program is called Circular Materials, a national not-for-profit founded by large food, beverage, and consumer products manufacturers, restaurants, and retailers operating in Canada such as Costco, Kraft-Heinz, Loblaw Companies Limited, Maple Leaf Foods, McDonald’s Restaurants, Metro, Coca-Cola, Nestle, PepsiCo, Proctor & Gamble, and Restaurant Brands International.

Circular Materials Ontario will assume responsibility for operating the collection and processing of blue box materials across Ontario on behalf of all

producers. In September 2022, CMO presented a request to all municipalities that they continue to provide curbside collection services during the transition period, which, for Owen Sound, is from July 1, 2023, to December 31, 2025.

If a municipality opts out of continuing to collect recycling during the transition period, CMO will seek contractors to assume the service on their behalf.

In November 2022, CMO developed a Statement of Work and a list of eligible and ineligible sources throughout the City, and in late December, forwarded a final Statement of Work and Master Service Agreement to the City on the basis that the City may be “opting in” and entering a contractual arrangement with CMO and assuming a direct contract with a service provider (Miller Waste Systems or another contractor) to provide blue box collection services during the transition period (July 1, 2023 to December 31, 2025). In turn, the City would become the contractor with CMO and effectively become an intermediate party between the collection and disposal contractor and CMO.

Analysis:

The City had previously been considering “opting in” because it was believed that this would be the only way to control and maintain the level of service consistent with the City’s existing blue box collection and processing system. However, it has been confirmed that during the transition period, the collected materials, collection frequency, and days would remain the same for City residents.

During the investigation by staff on the pros and cons of opting in or out, Miller Waste Systems (Miller) staff also provided the City with a costing structure to extend the current contract for Blue Box collection and processing services, as the contract (which expires on May 31, 2023) cites up to two (2) optional one-year extensions. If the City chose to “opt in”, this would be a means of continuing the service during most of the transition period (up to May 31, 2025). A “gapping” arrangement would still be required from June 1, 2025, until December 31, 2025, at which time, CMO would fully assume residential blue box services in Ontario.

In summary, there were three options for residential Blue Box Collection Services for the City during the transition:

- a. City continues to “opt-in” Option 1- Negotiate to extend the existing contract with Miller Waste Systems to provide services for up to two (2) one-year periods ending May 31, 2023, and then issue a Request for Proposal (RFP) for the completion of the transition period to December 31, 2023.
- b. City continues to “opt-in” Option 2- Procure a new contract to provide services from June 1, 2023, to December 31, 2025.
- c. City to “opt-out” (Recommended Option)- Circular Materials Ontario to assume Blue Box collection services during the transition period commencing July 1, 2023.

Note: Under this alternative, the City would negotiate and extend the existing blue box contract with Miller Waste Systems for one month, June 2023, to span the gap to the start of the City’s transition on 1 July 2023. CMO would assume direct responsibility for Blue Box collection and processing services in Owen Sound as of July 1, 2023. CMO would be responsible for the procurement of a residential blue box collection and processing contract for Owen Sound for the duration of the transition period.

With the recommended option, after July 1st, CMO’s contractor will continue to provide blue box collection services to ineligible sources at the City’s expense. The financial impact of continuing to collect from ineligible sources will be assessed during that time. At the end of the transition period, CMO will no longer collect from ineligible sources. The City would have to make contractual arrangements with its service provider to continue collecting recycling materials from these sources or will need to establish an alternate policy for ICI uses to arrange their own recycling disposal. The City funding ICI curbside collection will most likely result in a higher unit cost per source location as the properties will be scattered throughout the City. Additional analysis and staff reports will be brought forward through the Operations Committee for recommendations to and consideration by City Council to inform decisions about continuing to provide this service and how it would be delivered and funded.

Staff are recommending that the City reaffirm its desire to opt out of continuing the recycling collection services for the following reasons:

- 1. The City’s blue box collection contract with Miller Waste Systems expires on May 31, 2023.

2. The City does not own or operate any capital infrastructure associated with blue box collection and processing, such as collection vehicles, waste transfer stations, materials recovery facilities, or related facilities.
3. The City has no employees directly involved in the above activities.
4. The only recycling assets that the City owns are residential blue boxes and commercial blue carts that are currently in inventory.
5. There are several risks associated with the standard contract CMO offers, most importantly, the City becoming an intermediary contractor between CMO and its sub-contractor, the actual service provider. This would be a more complex arrangement than what is in place at present, and the City would be involved in difficult negotiations in a realm outside of the area of expertise of existing City staff.
6. The addition of administering such a contractual arrangement would also place a significant additional administrative burden on staff.
7. The transition period ends on December 31, 2025, after which time the City has no choice but to transition to complete and direct producer responsibility anyway.
8. Blue box collection contracts are expected to increase significantly in cost due to inflation, the need for significant capital investments, and the recent drop in recycling material commodity prices.
9. With the offloading of curbside recycling collection, Staff can focus on residential garbage collection, household hazardous waste events, goods exchange days, and green bin/source separated organics/kitchen waste collection and processing.

As such, Staff have advised CMO that the City of Owen Sound will allow producers to take over the responsibility of the residential blue box program on July 1, 2023.

Financial Implications:

During the transition year, it is estimated that the net cost of the residential blue box program to the City will increase significantly due to the reduced revenue from lower recycled materials commodity prices and the reimbursement received from producers that will cease at the end of June. In addition, the negotiated cost of all residential eligible and non-eligible

sources collection and processing for June and the non-eligible sources after July 1, 2023, is expected to increase by approximately 70%. The number of ineligible sources is estimated to be 268 of the total 9,908 sources.

The net cost of recycling for the City of Owen Sound in 2022 was \$187,838 (unaudited). 2023 budgeted net cost of residential recycling is \$444,593.

This results in a one-time annual net increase in cost to the City for residential recycling estimated at \$256,756 for 2023.

The estimated cost in 2024 and 2025 for ineligible sources is approximately \$130,000 annually. Still, it should be noted that this cost is subject to the determination of the actual number of ineligible sources, the amount of recycling tonnage produced by these sources, and the required short-term contract negotiations. While the number of estimated ineligible sources of 268 out of a total number of households of 9,908 in the City is less than 3% of the total number of sources, the estimated annual cost above is based on the percentage of estimated recycling tonnage generated by ineligible sources compared to all sources, which is 16%.

The remaining inventory of blue boxes and carts will continue to be sold and provided to residents and businesses before the July 1st transition date. City staff will work with CMO staff and/or their contractor to determine how the remaining inventory will be handled after July 1st. City staff will confirm with CMO how these items may be supplied to residents in the future, and this will be included as part of the promotion and education (communications) plan.

Communication Strategy:

Communication is through the posting of Committee and Council meeting agendas and minutes.

Representatives of the CMO and City staff have initiated discussions regarding the promotion and education awareness plan for Owen Sound to advise and inform residents of this transition to producer responsibility and the CMO's assumption of residential blue box service in the City. Staff will advise the details of this plan as they become available. For the most part, the service will not be any different than it is today other than to whom service delivery concerns will be directed and how they will respond.

Consultation:

The City Manager, Director of Public Works and Engineering, Director of Corporate Services, Supervisor of Environmental Services, The Continuous Improvement Fund and the Association of Municipalities of Ontario, Circular Materials Ontario and Miller Waste Systems staff were consulted in the preparation of this report.

Attachments:

None.

Recommended by:

Chris Webb, Manager of Engineering Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Chris Webb, Manager of Engineering Services, at cwebb@owensound.ca or 519-376-4440 ext. 3300.