

Committee of the Whole (2) Report

DATE: Wednesday, May 20, 2020

WARD(S): ALL

TITLE: TIMING OF TRANSITION OF BLUE BOX PROGRAM TO FULL PRODUCER RESPONSIBILITY

FROM:

Zoran Postic, Deputy City Manager, Public Works

ACTION: DECISION

Purpose

To provide Council with an update on the transition of responsibility for the Blue Box recycling program from municipalities to private sector Producers (Producers) and recommend a preferred transition year and approach, as requested by the Association of Municipalities of Ontario (AMO) and York Region.

Report Highlights

- The Province has proposed a timing window to transfer responsibility for the Blue Box recycling program from municipalities to the Producers between January 1, 2023 and December 31, 2025.
- To support planning of the transfer across Ontario, the Association of Municipalities of Ontario (AMO) has requested that all municipalities provide their preferred transition date and their intention to provide Blue Box services to the Producers.
- Staff have evaluated the available system configurations and transition years, in consultation with York Region and other York Region local municipalities.
- Staff recommend that responsibility for the Blue Box recycling program be transitioned to the private sector in the year 2025.
- Staff also recommend that the City remain a service provider for the collection of Blue Box materials on behalf of Producers, provided that the City is able to negotiate acceptable commercial terms.

Recommendations

1. That the City declare to the Association of Municipalities of Ontario (AMO) its preference to transition responsibility for the Blue Box recycling program in year three, 2025;
2. That the City remain a service provider for the collection of Blue Box materials on behalf of the Producers, provided that the City is able to negotiate acceptable commercial terms; and
3. That this report be forwarded to the Association of Municipalities of Ontario, the Ontario Ministry of the Environment, Conservation and Parks, York Region and the other York Region Local Municipalities.

Background

Municipalities support the transition of responsibility for the Blue Box program to Producers

For over a decade, municipalities have been advocating for Producers to have full financial and operational responsibility for recycling collection and processing. The move to full producer responsibility has been adopted by several European countries and the Province of British Columbia; these examples will be considered in the design of the Vaughan program, including lessons learned and best practices.

Producers are best positioned to address material efficiencies and end of life management of their materials

Producers are commercial organizations that supply the paper products and packaging materials accepted in the Blue Box and include manufacturers, importers and distributors. These organizations are best positioned to improve the efficiency of their products and packaging, and the recovery and reuse of these materials. A coordinated, harmonized, Province-wide system will make recycling easier and more accessible for residents of Ontario, avoiding disposal of material in landfill.

A three-year timing window for municipal waste systems to transition was set out by the Province

On August 15, 2019, the Minister of Environment, Conservation and Parks announced that under the 2016 *Waste Free Ontario Act*, the municipal Blue Box program will transition to full producer responsibility by 2025, with services migrating from municipalities to Producers between 2023 and 2025.

Municipalities must maintain Blue Box service levels, in place as of August 2019, throughout the transition process

Furthermore, during the planning and transition of Blue Box services, municipalities are not permitted to change Blue Box service levels (e.g. collection methods or serviced areas), only allowing for natural growth within communities.

Transitioning the program over three years will help mitigate service impacts

It is estimated that approximately one third of the recycling tonnage will transition in each of the three transition years. The Ontario government will be publishing new regulations for how the transition will occur by Fall 2020. The regulations will inform the two-year preparation process (2021-2022), and a three-year transition for all municipal Blue Box programs (2023-2025). Proper planning and a step-wise roll out to all municipalities will help mitigate service impacts by allowing lessons learned to be considered along the way.

Municipalities are self-nominating their preferred transition year and how they will participate in the future Blue Box program

On December 18, 2019, the AMO requested all Mayors/Heads of Council to pass a non-binding resolution, declaring their preferred transition year and whether the municipality is interested in continuing to provide services (Blue Box recycling collection and/or processing).

Although these resolutions may not be the final determination of the City's transition date, the information will allow AMO and the Province to consider the interests of individual municipalities. The Province may still choose to retain a third-party expert to develop a methodology as to how municipal Blue Box programs will transition.

Blue Box recycling is a currently an integrated program between Vaughan and York Region, partially funded by Producers

York Region and the City of Vaughan share responsibility for Blue Box recycling, processing and collection, respectively. Under existing legislation, the City receives funding to support a portion of its costs from the Producers.

Annually, the City receives approximately \$1.2M from Producers to help offset collection costs whereas York Region receives a corresponding funding allotment to offset processing costs. This funding will continue until the City transitions responsibility for this program.

Blue Box materials make up approximately 25% of the solid waste tonnage generated by the City’s residents

The City’s Solid Waste services for garbage, organics, and recycling collected approximately 80,000 tonnes in 2019. Of that, approximately 20,000 tonnes was recycling collected in the Blue Box.

The City’s collection services are provided through a long-term service contract awarded through a competitive bidding process

Through a competitive bidding process, the City entered into a long-term (eight year) service contract with Miller Waste Systems Inc. (Miller) to provide all waste collection services. Through this contract, the City pays approximately \$3.2M annually for weekly curbside and multi-residential recycling collection. The firm term of this contract is from January 1, 2018 to December 31, 2025.

Although transition was contemplated in the contract, modifications to the City’s Blue Box program during the firm term of the contract would require staff to negotiate with Miller to introduce any new terms.

Several options are available to the City to determine how it will participate in the future of the Blue Box program

Under the current legislative framework and preliminary guidance, the City has the following questions to answer.

1. What year to transition?
 - a. Year 1 – 2023
 - b. Year 2 – 2024
 - c. Year 3 – 2025
2. What will the City’s role in Blue Box collection be after transition?
 - a. Continue being a service provider (by providing curbside collection services) and enter into a commercial contract with the Producers to provide this service
 - b. Transfer all responsibility for the Blue Box program to the Producers

Staff recommend transitioning in 2025, and continue to provide collection services under negotiated commercial terms

Based on preliminary analysis of risks and benefits, staff recommend declaring a preference to transition the Blue Box program in year three of the transition window, 2025. This date aligns with the firm term of the current contract with Miller and will align with the drafting of new commercial terms for collection services. It would also allow time for Producers to work through the initial contract and service challenges that come with embarking on ownership of the Blue Box program.

Staff recommend that the City remain a service provider for the collection of Blue Box materials on behalf of Producers, provided that the City is able to negotiate acceptable commercial terms.

If acceptable commercial arrangements with the Producers cannot be negotiated, staff recommend that the City consider transferring control and responsibility for Blue Box recycling collection to the Producers.

Council's preferences on transition will be considered by the Province

We have been advised that Council's preference will be considered by the Province as it drafts the regulations.

Previous Reports/Authority

[Blue Box Recycling Program Update – October 7, 2019](#)

[Waste Legislation Update on Amended Blue Box Program Plan – March 7, 2018](#)

[Waste Legislation and Waste Division Program Update - October 10, 2017](#)

[Waste Free Ontario Legislation Review - Comments from City of Vaughan – February 16, 2016](#)

Analysis and Options

Staff considered service level risks and potential for enhanced cost recovery when evaluating options for transition with preliminary Provincial guidance

Following the AMO request in December 2019, York Region and its local municipalities conducted individual analysis of both potential cost avoidance and impacts to service related to Blue Box transition to full producer responsibility. Staff have used continuity of service delivery, balanced against cost recovery throughout the transition process as guiding principles in its evaluation at this time. It is important to note, that to-date, staff have conducted its analysis based on information provided by the Province, AMO, other jurisdictions, and without Provincial regulations to guide the decision making, which are all subject to change once the terms of transition are finalized.

Staff anticipate the City's costs related to the Blue Box program will continue to be only partially compensated under the new regulations. Future costs for the program will depend on successful negotiation of a commercial contract with the Producers.

Under the current contract, Blue Box materials are collected with the same crews, trucks and at the same time as the Green Bin

Blue Box program recycling represents approximately 25% of the total waste tonnes collected through the City's programs for garbage, organics and recycling. As recycling is co-collected with organics using the same fleet of vehicles, extracting recycling from the contract creates challenges in maintaining organics collection under the current contract arrangement.

Handing over all aspects of the Blue Box program to Producers poses potential risks and impacts to the services the City's residents expect

If the City were to transfer all responsibility for Blue Box to the Producers, staff have identified following potential impacts/risks to service levels expected by the City's residents:

- Producers may choose to collect Blue Box recycling on a different day, collect less frequently or by other means.
- Producers may require residents to separate paper/cardboard from the rest of the blue box materials (e.g. blue bin and grey bin).
- Producers may impose payment terms on a per tonne basis, rather than a per household basis.
- Residents are likely to continue to contact the City to resolve customer service issues related to Blue Box collection, despite a transition of responsibilities.
- Contract penalties may be applied against the City if the City exits the recycling collection component of its current waste collection contract which ends December 31, 2025.
- Impacts to other municipal waste programs such as promotion and education, by-law enforcement, design standards for development planning applications.
- Coordination with other City services such as winter maintenance and windrow program.

Net financial benefits from early transition are expected to be minimal

Should the City continue to provide curbside collection services for the Blue Box, one of the key challenges with transition prior to the end of the contract term, December 31, 2025, is aligning the terms of a contract with the Producers and those of the existing contract with Miller. In consideration of potential penalties due to necessary contract amendments with Miller, it is expected that potential cost savings/cost avoidance associated with early transition will be minimal.

Continued collection of Blue Box materials, starting at the end of 2025, balances service level risks and costs

Transitioning in 2025 balances the risks associated with the roll-out of a new Province-wide recycling program operated by the Producers and the potential for service impacts to residents, against cost avoidance for this service. This allows Producers time to stabilize and improve their collection services, and for the City to incorporate lessons learned and best practices into a new commercial contract to start January 1, 2026.

Financial Impact

The recommendations of this staff report do not have any financial or staffing implications at this time as the Council declaration is non-binding and allows the City make changes as more details on the Blue Box transition become available.

Future financial considerations as a result of the Blue Box program transitioning to Producers will include:

- Reduction in municipal collection costs for recyclables
- Potential costs if the City exits the recycling component of its current waste collection contract
- Additional costs related to transportation to recycling facilities if York Region exits Blue Box processing provision prior to the City of Vaughan's transition of Blue Box collection. These costs are currently the responsibility of York Region.
- Additional costs related to recyclable materials placed in the garbage and green bin, that should be captured through the Blue Box program.

These costs will be assessed as more information becomes available and will be communicated to Council for consideration.

Broader Regional Impacts/Considerations

Due to integration between local municipal waste systems and York Region's and their shared responsibilities, the choices made by York Region and other local municipalities should be considered throughout the transition process.

The interdependencies of the systems can present additional challenges, should York Region transition at a different time than the City. If York Region transfers its responsibilities for hauling, processing and marketing recycling to the Producers earlier or later than the City, this change (e.g. a more distant transfer station or recycling facility) could impact the terms of our contract with Miller. Staff will continue to collaborate with York Region, and potentially other local municipalities, to ensure that we capitalize on any potential efficiencies and address any potential costs during this program change.

Conclusion

Staff are working towards a transition plan that maintains service levels for our citizens and continues to provide an efficient, integrated waste collection system throughout the transition years. To achieve this preferred outcome, staff recommend that the City pursue a transition approach where the City will continue to collect Blue Box materials

as part of its waste collection contract with Miller, until the expiration of the current contract, or as dictated by the Province.

Staff recommend declaring our preference to transition in year three of the transition, 2025. This would allow time for the City to negotiate a commercial arrangement, and for Producers to work through the initial contract and service challenges that come with taking ownership of the Blue Box program. Should the City not reach acceptable commercial arrangements with the Producers, staff recommend that the City consider transferring control and responsibility for Blue Box recycling collection to the Producers.

Staff will continue to work with York Region and the other local municipalities, representing the City's interests with the Province through the consultation process for the balance of 2020, and respond to the proposed regulations expected in Fall 2020.

The resolution contained in this report regarding the preferred transition approach and timing is non-binding and does not guarantee the actual outcome. It is meant to inform the Government of Ontario's transition strategy and drafting of regulations.

For more information, please contact: James Steele, Director, Environmental Services, ext. 6116.

Attachment

1. Background on Transition to Full Producer Responsibility, December 18, 2019

Prepared by

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