




CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Environmental Services Division

TO:	Mayor and Members Committee of the Whole
COMMITTEE DATE:	May 27, 2020
SUBJECT/REPORT NO:	Waste Free Ontario Act Update – Preferred Blue Box Transition Date (PW20028) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Raffaella Morello (905) 546-2424 Ext. 3926
SUBMITTED BY:	Craig Murdoch Director, Environmental Services Public Works Department
SIGNATURE:	

RECOMMENDATION

- (a) That the City of Hamilton's Blue Box recycling program preferred transition date to full /extended producer responsibility be established as April 1, 2023; and
- (b) That the following resolution be endorsed and forwarded to the Association of Municipalities of Ontario and the Ontario Ministry of the Environment, Conservation and Parks:

WHEREAS the amount of single-use plastics entering our lakes, rivers, waterways is a growing area of public concern;

WHEREAS reducing the waste we generate and reincorporating valuable resources from our waste stream into new goods can reduce greenhouse gases significantly;

WHEREAS the transition to extended producer responsibility for packaging, paper and paper products is critical to reducing waste, improving recycling and driving better economic and environmental outcomes;

WHEREAS the City of Hamilton is supportive of a timely, seamless and successful transition of Blue Box programs to full financial and operational responsibility by producers of packaging, paper and paper products; and,

WHEREAS the Association of Municipalities of Ontario has requested municipal governments with Blue Box programs to provide an indication of the best date to transition our Blue Box program to full / extended producer responsibility;

THEREFORE BE IT RESOLVED:

That the City of Hamilton's Blue Box Recycling Program preferred transition date to extended producer responsibility be April 1, 2023.

EXECUTIVE SUMMARY

The Blue Box program for Ontario municipalities will change from the existing framework to a new Extended Producer Responsibility (EPR) model where Producers will be fully responsible for the cost and operation of the residential Blue Box program by 2026. The Ontario government has indicated that there will be a phased transition timeline for the EPR system to operate the Blue Box program, with municipalities starting to transition their program as soon as January 1, 2023, and all municipalities transitioning by December 31, 2025.

In December 2019, the Association of Municipalities Ontario (AMO) asked municipalities to pass a Council resolution by June 30, 2020 to identify their preferred transition date for their Blue Box program based on their existing service level and the rationale for the selected transition timeframe. AMO also asked member municipalities to indicate if they were interested or not in providing recycling services, such as collection or processing, under contract with the Producers.

Staff is recommending the transition date to be April 1, 2023 for the City's recycling program which will require the early termination of both the City's Material Recycling Facility (MRF) operations contract and the recycling collection contract based on the early termination clauses contained in their respective contracts. By transitioning in the first available year, the City is very likely to experience operational challenges related to service continuity and quality; however, the City will be in position to save a significant amount of money in the budget related to the Blue Box program. To assist residents with transitional issues, waste management may request, prior to the start of the transition, temporary 18 month customer service staff. Although municipalities were asked to provide their transition date to AMO and the MECP, the City is not guaranteed in any way to transition on the date that is specified as the MECP will have final determination on transition dates for municipalities.

With respect to entering into a contract with Producers to continue providing recycling services, the City would require further information from the Resource Productivity and Recovery Authority (RPRA) and Producers before the City can confirm if there is interest. There are multiple unknowns concerning the design of the future Blue Box system and this information is required to understand the operational requirements to provide recycling services as part of the future EPR Blue Box program.

Although municipalities are being provided the opportunity to indicate their preferred transition date, the MECP and the EPR system will make the final decision on the transition timing for municipalities. The City will continue to have legislated responsibility for providing recycling services until the City's Blue Box program is fully transitioned to the new EPR system. Municipalities may expect to continue to receive funding of up to 50% of the annual recycling service costs from the RPRA until their program is transitioned based on previous information shared by the MECP; however, this funding is not known to be guaranteed in 2023, 2024 or 2025.

Alternatives for Consideration – See Page 7

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: All costs referenced in this report are included in Appendix “A” attached to Report PW20028. In 2019, the operating and capital cost for the City's recycling program was approximately \$12.9M, including \$2.7M for recycling revenues, and excluding RPRA's \$4.9M obligatory funding for a net cost of \$8M. The City's recycling program costs are reported annually through the RPRA Data Call which tracks municipal Blue Box program costs across the province. The RPRA funding helps to reduce the City's recycling program operating and capital costs.

Staff anticipate that the annual operating and capital cost for the City's recycling program will be approximately \$19.5M by 2023, including \$2M for projected recycling revenues, and excluding the potential funding of \$6.1M from the RPRA for a net annual expenditure of \$13.4M. The higher cost for the recycling program is attributed to increased costs for the operation of the MRF as described in Report PW19086(a) and increased collection costs as identified through the RFP for C11-55-19.

Based on the recommendation to transition the City's recycling program on April 1, 2023, the City will be responsible for the Blue Box program for the first quarter of 2023 at a cost of approximately \$3.4M (inclusive of revenues and RPRA funding) and will require the early termination of the City's MRF operations contract and the recycling collection contract at a cost of \$7M. Despite facing first quarter program costs and early contract termination

costs of a combined \$10.4M, the City will avoid the full program cost in 2023 of \$13.4M for a net savings in 2023 of \$3M. Future savings will then be realized beginning in 2024 as the City will benefit financially from the transition of the Blue Box program to EPR and expects to save approximately \$13.5M per year starting in 2024 after the recycling program costs are fully uploaded to the EPR system.

As post transition program details have not been finalized by the MECP, the long-term financial benefits of transitioning Ontario's Blue Box program to the EPR system are not fully known at this time; however, the savings to the City for not providing a recycling program will be significant.

Staffing: By transitioning in the first available year, the City is very likely to experience operational challenges related to service continuity and quality; however, the City will be in position to save a significant amount of money in the budget related to the Blue Box program. To assist residents with transitional issues, waste management may request, prior to the start of the transition, temporary 18 month customer service staff.

Legal: No implications

HISTORICAL BACKGROUND

Ontario's Blue Box Program is currently partially funded through a formula established by RPRA, which determines how much Producers are required to pay each municipality for their residential recycling program based on their recycling program's performance. The City of Hamilton historically has received approximately 50% of costs associated with the collection and processing of the City's Blue Box materials from the RPRA.

On August 15, 2019, Minister Yurek of the MECP issued direction to Stewardship Ontario and RPRA to begin the transition of Ontario's Blue Box program to an EPR system by December 31, 2025. The MECP identified the timeline for transition; aside from proposing that approximately one third of municipalities will be transitioned each year from 2023 to 2025, it did not identify the process that would be used to determine when municipalities will transition within the three-year window. The MECP wants to ensure that the transitioned Blue Box Program is affordable for Producers, workable for the waste processing sector, effective for municipalities, and accessible for residents. Stewardship Ontario is required to provide the RPRA with the plan to fund the Blue Box program under the Waste Diversion Transition Act by August 31, 2020. It is expected that by December 31, 2020 the RPRA will approve the plan and the MECP will finalize the regulation.

In December 2019, AMO contacted Municipal Councils to gather information on transitioning communities Blue Box programs to the EPR system. They asked municipalities to pass a Council resolution by June 30, 2020 outlining municipal Council's preferred dates to transition based on existing service provision and the rationale for the selected transition date. AMO also asked member municipalities if they were interested or not in providing services under contract with the Producers, e.g. contract management, collection, material haulage, processing services, etc. AMO and the MECP will use the Council resolutions to develop a transition timeline across the Province, determine if there are conflicts, and make adjustments if there are years that are over or under subscribed.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The City currently has legislated responsibility under Ontario Regulation 101/94 (Section 7. (1)) of the Environmental Protection Act to establish, operate and maintain a blue box waste management system.

The provision of recycling services supports the City's Solid Waste Management Master Plan guiding principles:

- 1) The City of Hamilton must maintain responsibility for the residual wastes generated within its boundaries.
- 2) The Glanbrook Landfill is a valuable resource. The City of Hamilton must minimize residual waste and optimize the use of the City's diversion and disposal facilities.
- 3) The City of Hamilton must lead and encourage the changes necessary to adopt the principles of waste minimization.

RELEVANT CONSULTATION

The recommendation in this report was prepared in consultation with staff from:

The Public Works Department, Environmental Services Division, Waste Collection Section and Recycling and Waste Disposal Section
The Corporate Services Department, Financial Planning, Administration and Policy Division and,
The Waste Management Advisory Committee

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The information and recommendation outlined in this report have City wide implications related to the City's recycling program. Regardless of the preferred transition year, the transition of the Blue Box Program will have a significant impact on the City's overall

program including recycling collection and the operation of the City-owned MRF. Staff is recommending that the City transition to EPR on April 1, 2023.

Staff reviewed the impacts of transitioning the City's recycling services and determined that the transition will impact several contracts and operating services, which include:

- MRF operation, maintenance, and materials marketing: The City currently owns the MRF which is operated under contract. Through Report PW19086(a), Council approved the seven-year contract for the operation and maintenance of the City's MRF and marketing of fibre materials to Green for Life Environmental Inc (GFL). Although the MRF contract ends on March 31, 2028, staff incorporated early termination clauses in the contract to accommodate the potential transition timeline.
- Curbside recycling collection: The City provides curbside recycling collection for eligible properties. A new seven-year collection services contract will begin in April 2021. Staff incorporated early termination clauses in the contract to accommodate the potential transition timeline.
- Blue Box material collection at Community Recycling Centres (CRCs): The City collects Blue Box materials at the City's three CRCs, which is part of a ten-year service contract that started in March 2020. The operation and maintenance of the CRCs and Transfer Stations, including material haulage is operated by Waste Connections of Canada Inc. It is anticipated that there will be no contract impacts since there is no guarantee on the tonnage of Blue Box material collected at the CRCs.
- Recycling containers: The City provides blue boxes for single family properties, apartment recycling bags and wheeled recycling carts for multi-residential buildings. These containers are supplied by several vendors. There will be no contract impacts and there would be capital budget savings since the City has flexibility on the quantity of recycling containers which can be ordered on a yearly basis.

It is important to note that although the City will realize a financial benefit of \$13.5M in savings starting in 2024, there will be some operational and service challenges that come along with transition which will be seen in service continuity and service quality. Being among the first municipalities to transition, could lead to issues that were not identified by the province prior to transition and may result in some problems experienced by residents at the curb.

Pending Council direction, staff will be required to submit the Council resolution identifying the City's preferred transition date to AMO and MECP for their consideration.

ALTERNATIVES FOR CONSIDERATION

If Council does not wish to approve the recommended transition date of April 1, 2023, Council may recommend a preferred transition date in 2024 or 2025. There are factors to consider for either of these transition years.

1. The first alternative would be to transition in 2024. As there are many unknowns with how the EPR system will be rolled out, the City may wish to review the experiences from other Ontario municipalities that have transitioned their Blue Box program in 2023 to assess any issues they faced during and following transition. Financially, if the City were to transition in 2024, the City will be responsible for the full Blue Box program costs in 2023 of \$13.4M. The City would also be responsible for the first quarter of the Blue Box program in 2024 at an approximate cost \$3.4M (inclusive of revenues and RPRA funding) and an early termination cost for its MRF and recycling collection contracts, which is estimated to be approximately \$5.7M for a total financial responsibility in 2024 of \$9.1M. Despite this, the City will avoid the full program cost in 2024 of \$13.5M for a net savings in 2024 of \$4.4M. The City would still benefit financially from the 2024 transition as we would expect to avoid recycling program costs of approximately \$13.9M in 2025.

Staffing: No implications

Legal: No implications

2. The second alternative would be to transition in 2025. By the third year of the transition, municipalities will have a good understanding of the Blue Box program the Producers are implementing. This will allow time for preparing and providing promotion and education to residents about the updated Blue Box program and its impacts to other City of Hamilton waste programs.

Financially, the City would be responsible for the full Blue Box program costs in 2023 of \$13.4M and 2024 of \$13.5M. The City would also be responsible for the first quarter Blue Box program in 2025 at an approximate cost of \$3.5M (inclusive of revenues and RPRA funding) and an early termination cost for its MRF and recycling collection contracts, which is estimated to be approximately \$4.4M for a total financial responsibility in 2025 of \$ 7.9M. Despite this, the City will avoid the full program cost in 2025 of \$13.9M for a net savings of \$6M.

Although the City will benefit from having more knowledge about the new Blue Box program by transitioning in 2025, the City would further delay the financial benefits gained by transitioning earlier as the City would not begin to realize full financial savings of the Blue Box program until 2026.

Staffing: No implications

Legal: No implications

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PW20028 – City of Hamilton Blue Box Program Cost Summary