




CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Waste Management Division

TO:	Chair and Members Public Works Committee
COMMITTEE DATE:	August 10, 2022
SUBJECT/REPORT NO:	Blue Box Transition Update and Servicing (PW22064) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Raffaella Morello (905) 546-2424 Ext. 3926
SUBMITTED BY:	Angela Storey Director, Waste Management Public Works Department
SIGNATURE:	

RECOMMENDATION

That the General Manager of Public Works, or designate, respond to Circular Material Ontario (CMO) indicating the City of Hamilton will not act as a service provider to deliver Blue Box collection on behalf of CMO during the Blue Box Transition period for Hamilton from April 1, 2025 to December 31, 2025.

EXECUTIVE SUMMARY

This report provides an update on the transition of Ontario's Blue Box Program to Individual Producer Responsibility (IPR) and information on the current decision the City is required to make regarding the transition of the City of Hamilton's Blue Box program.

Ontario's Blue Box Regulation 391/21 (Regulation) was approved on June 3, 2021 and amended on April 13, 2022. This Regulation will change the Blue Box program from the existing model that is operated by municipalities and First Nations communities, to the new IPR model where producers will be fully responsible for the cost and operation of the residential Blue Box program by January 1, 2026. The Regulation also requires Producer Responsibility Organizations (PRO's) to operate and maintain the Blue Box Program on behalf of producers.

Municipalities will transition to the new IPR model between July 1, 2023 and December 2025. Due to there being less than 15 months between when the Regulation was

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finalized in April 2022 and the first municipalities transitioning July 1, 2023, PRO's have enquired whether municipalities would be willing to enter into agreements to continue servicing residents for Blue Box collection through municipal services or collection contracts from their transition date through to December 31, 2025. This request was initiated due to the challenges PRO's may encounter to obtain the required resources to provide Blue Box collection service for initial transitioning municipalities by July 1, 2023, e.g. collection vehicles, containers, etc. As the City is not scheduled to transition to IPR until April 1, 2025, there is sufficient time for the PRO's to establish and implement the transitioned program for the City.

Circular Materials Ontario (CMO) is the PRO leading the transition of the Blue Box Program and they recently issued a draft Master Services Agreement (MSA) and a survey to determine how many municipalities will collect Blue Box material on their behalf during the transition period or plan to discontinue collection. There are several concerns with CMO's current proposal related to cost and risk, and staff's opinion is that it would not be in the City's best interest to act as a service provider to CMO during the City's transition period of April 1, 2025 – December 31, 2025 from a financial and program service level. The concerns include:

- Program Cost: CMO's proposal would reimburse no more than 80% of the Blue Box collection program which is not consistent with the Regulation that stipulates the financial obligation of Producers to cover 100% resulting in the City being responsible for a portion of the Blue Box Program post transition. Estimated additional known costs to the City total \$3.03 million;
- Hauling Cost: During the transition period, the City would be required to haul Blue Box material to a receiving facility at an undecided location up to a 60-minute drive from the City. These costs are currently not budgeted in the existing Blue Box Program;
- Contamination Threshold: CMO's proposal requires no more than 4% contamination in Blue Box material. The City's current contamination rates, which are consistent with other municipalities, range between 12% and 18%. Failing to meet the 4% contamination target during the transition period could result in penalties being charged to the City;
- Promotion and Education Reimbursement: CMO has proposed to reimburse municipalities an annual amount of \$1.50 per household for promotion and education during the transition period. This amount falls short of what the City currently spends on educating residents on the Blue Box program; and
- Reporting Requirements: As a service provider to CMO, the City will be required to report to CMO monthly detailed reports on the amount of Blue Box material collected in order to be reimbursed. This reporting requirement exceeds what the City has had to collect and includes information on individual collection vehicles collecting Blue Box material such as where in the City the vehicle collects from, the breakdown of different sources of Blue Box material that the vehicle collects

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from (i.e. single-family vs. multi-residential homes) and scale ticket information. These reports will need to be generated by staff and will significantly impact their ability to carry out existing work.

The purpose of Report PW22064 is to seek approval for staff to respond to CMO that the City will not enter into an agreement to provide Blue Box collection during the transition period based on CMO's current terms. It is understood that CMO would then approach the current Blue Box collection contractor to collect Blue Box materials to lessen any impacts the residents may experience during transition.

Alternatives for Consideration – See Page 8

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Staff anticipate that the annual operating and capital cost for the City's Blue Box program will be approximately \$13.63M by 2024 and these costs are detailed in Table 1. Table 1 also outlines the City's forecasted Blue Box program costs for Q1 of 2025 which the City is responsible for prior to transition on April 1, 2025. Q1 2025 costs are approximately \$3.45M. In addition to Blue Box Program costs, in 2025 the City will be responsible for early termination costs for its Materials Recycling Facility (MRF) operating contract and the recycling portion of the collection contract, which is estimated to be approximately \$0.3M and \$3.4M respectively. This results in the total Blue Box financial responsibility for eligible sources in Q1 of 2025 \$7.15M. By exiting the residential Blue Box Program responsibility at the transition date, the City would not bare financial responsibility for the Program after April 1, 2025.

Table 1 – 2024 and 2025 Blue Box Program Cost Summary to Transition

Blue Box Program Item	2024 Forecast Cost (000,000's)	2025 Forecast Q1 Cost (000,000's)
Collection and processing contracts, education and administration	\$22.71	\$5.735
MRF – recycling revenues	(\$2.0)	(\$0.5)
RPRA funding	(\$7.08)	(\$1.79)
Subtotal Blue Box Program Costs	\$13.63	\$3.45
Early contract termination fees	N/A	\$3.7

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Blue Box Program Item	2024 Forecast Cost (000,000's)	2025 Forecast Q1 Cost (000,000's)
Total Blue Box Program Costs	\$13.63	\$7.15

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On June 3, 2021, the Ministry of Environment, Conservation and Parks (MECP) released O. Reg. 391/21 (Regulation) that transitions the current Blue Box program to IPR and as of January 1, 2026 will transfer 100% of the cost and operating responsibility of the eligible Blue Box program to producers of paper products and packaging. The Regulation includes the following objectives:

- Establishing a common curbside Blue Box collection system across Ontario which will service municipalities and First Nation communities;
- Expanding the range of materials which are accepted in the Blue Box program; and
- Offering Blue Box collection services to eligible sources including multi-unit residential buildings, schools, some public spaces, and not-for-profit retirement homes and long-term care homes.

The transition schedule released with the Regulation assigned a transition date for the City of April 1, 2025, which will result in a transition period for the City between April 1, 2025 to December 31, 2025.

On April 13, 2022, the Regulation was amended to include several administrative changes to ensure the smooth transition to IPR and clarify the process for creating the post-transition Blue Box collection system. The MECP indicated the amendments will not impact the Regulation's outcomes and will not affect the timeline for municipal transition. Additionally, the Regulation establishes that the Blue Box program will be administered by PRO's on behalf of producers. Three PRO's for the Blue Box program have registered with the RPRA, with Circular Materials Ontario (CMO) being the largest PRO, who has since been named the primary administrator of the new Blue Box program. PRO's were required to submit a transition plan to the RPRA on July 1, 2022 and after this date, PRO's will begin negotiations with municipalities to transition to the IPR model for the Blue Box program.

Between July 1, 2023 to December 31, 2025, all municipal Blue Box programs across Ontario for eligible sources will be transitioned to the IPR model and PROs will assume responsibility for all Blue Box programs. The current levels of service for the collection

of Blue Box material will remain unchanged during the transition period and municipalities will continue to receive funding from RPRA through the existing provincial funding program until their transition date. Beginning January 1, 2026, PRO's are required to implement the Provincial Blue Box Program across Ontario that meets the Province's regulatory requirements. At that time, PRO's can introduce changes to the Blue Box program such as amending collection frequency, standardizing the type of recycling containers used, and revising collection areas in order to meet their recycling targets.

On May 11, 2022, CMO published a proposed Master Services Agreement (MSA) and Statement of Work (SOW) which outlines contract terms for municipalities that wish to provide Blue Box collection services on behalf of CMO. CMO also issued a municipal payment calculation model to determine how compensation will be provided for municipalities that provide service under contract with CMO. Many municipalities raised concerns that the proposed MSA and payment model included requirements which pose significant challenges and risks for municipalities if they choose to contract with CMO during the transition. The Association of Municipalities of Ontario (AMO) provided a collective response from Ontario municipalities to CMO outlining the concerns with CMO's original proposal and seek flexibility for CMO to work with municipalities on the conditions outlined in their proposed agreement and revised versions of the MSA and SOW were provided on June 22, 2022. These concerns included operational requirements which exceed most municipal Blue Box collection contracts, setting a Blue Box contamination target which is difficult to achieve by most communities, and the risk of not receiving full compensation for Blue Box collection services.

CMO released a survey to ask municipalities if they were interested in contracting with CMO to continue providing recycling services throughout the transition period. The objective of CMO's survey is to gauge the interest from municipalities in order to expedite the work required in advance of the July 1, 2023 transition start date.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The City 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 until the municipality's Blue Box program is transitioned as part of O. Reg. 391/21.

The Blue Box program supports waste diversion goals in the City's Solid Waste Management Master Plan guiding principles:

- 1) 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; and

- 2) 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 internal groups including:

- Public Works Department - Waste Management Division (Waste Collection Section and Recycling and Waste Disposal Section);
- Corporate Services Department - Financial Planning, Administration and Policy Division; and
- Waste Management Advisory Committee

Since the implementation of the Regulation, Staff have been involved with inter-municipal working groups and meetings organized by AMO, the Continuous Improvement Fund (CIF) and the Municipal Waste Association (MWA) to gather information on the Blue Box Program transition process and help inform the City's decision-making process. All municipalities are in the process of reviewing their options as well and based on their existing Blue Box programs and transition dates they are determining if they will negotiate and execute agreements with PROs or exit the Blue Box program.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The information and recommendation in this report have City wide implications related to the City's Blue Box Program. The transition of the Blue Box Program will have a significant impact on the City's waste management system including recycling collection and the operation of the City-owned Material Recycling Facility (MRF).

There is no legislated obligation for the City to operate the Blue Box program following the City's transition date of April 1, 2025. CMO is requesting that municipalities continue providing collection services from their transition date to December 31, 2025 to simplify CMO's responsibilities under the Regulation. CMO's proposed MSA outlines how they will work with municipalities to provide Blue Box collection services for eligible sources and reimburse municipalities for carrying out this work on their behalf. It is important to note that CMO's payment calculation model currently does not compensate municipalities for 100% of the collection costs for the Blue Box program even though the Regulation assigns 100% of these costs to producers.

Staff and inter-municipal working groups have identified several important considerations when contemplating servicing on behalf of CMO and these considerations, along with the related impacts to the City are outlined in Table 2.

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Table 2: Considerations for not Collecting on Behalf of CMO

Consideration	Comments
Municipal payment calculation model	As of April 1, 2025, the City will not be required to fund the Blue Box Program for eligible sources under the Regulation. If the City enters into an agreement to service the Blue Box Program during the transition period of April 1, 2025 – December 31, 2025, CMO will reimburse the City based on a payment calculation formula Impact: CMO will not fund 100% of the program resulting in additional required funding Estimated Cost: Minimum \$3.03M
Transfer and Hauling of Blue Box material	Blue Box material is currently delivered by collection vehicles to the City's MRF for processing. If the City enters into an agreement to service the Blue Box Program during transition, Blue Box material is to be delivered to a CMO receiving facility up to 60 minutes away from the centre of the City. Impact: The City needs to arrange for hauling of Blue Box material (most likely through contract renegotiation) to a CMO receiving facility and establish a transfer facility for Blue Box material Cost: Estimated to be \$860,000 for hauling of Blue Box material but currently unknown for establishing a transfer facility
Blue Box contamination threshold	The City's current contamination rate for Blue Box materials range between 12% and 18% If the City enters into an agreement to service the Blue Box Program during transition, CMO's contamination rate threshold has been set at 4% Impact: Exceeding the 4% contamination rate will result in the City being required to implement a plan to reduce contamination and could be penalized for not meeting the threshold Cost: Currently unknown
Promotion and education reimbursement	The City currently provides promotion and education based on need and approved budget If the City enters into an agreement to service the Blue Box Program during transition, CMO proposes a reimbursement of \$1.50 per household for promotion and education Impact: CMO reimbursement does not cover the projected 2025 education budget for the City Cost: \$110,000

Consideration	Comments
Reporting	<p>The City currently pays its contractor on a per household basis. The City maintains a database with information on all collection vehicles for reference but doesn't populate a report with this information</p> <p>If the City enters into an agreement to service the Blue Box Program during transition, CMO will require the City to prepare and provide a monthly report detailing collection data for each collection vehicle</p> <p>Impact: Significant staff time to generate reports, especially since data is not currently available in the proposed format</p>

ALTERNATIVES FOR CONSIDERATION

Council could direct staff to negotiate an agreement with CMO to continue to provide Blue Box collection on behalf of CMO during the Blue Box transition period from April 1, 2025 to December 31, 2025.

This option may allow for service continuity for residents for the nine-month transition period, however, this will come at a cost. The City would need to negotiate with CMO to ensure the City's best interests are maintained throughout the transition period.

Financial: The City will still be responsible for the operation of the Blue Box Program in the first quarter of 2025 at an approximate cost of \$3.45M plus early termination of the recycling portion of the collection contract and MRF operating contract estimated to be \$3.7M for a total Q1 of 2025 Blue Box Program cost of \$7.15M. The cost for the City to continue Blue Box collection services from April 1, 2025 to December 31, 2025 is approximately \$17.17M as detailed in Table 3 which includes the forecasted Q2-Q4 collection, administration, promotion and education costs and estimated costs for hauling material to a receiving facility. Table 3 does not include the cost for early termination of the Blue Box portion of the City's collection contract which is reduced by approximately \$0.85M to \$2.55M by delaying the termination until December 31, 2025. The cost for the early termination of the MRF operating contract will remain at \$0.3M. The alternative results in additional known costs to the City of approximately \$3.03M for the period April 1, 2025 – December 1, 2025.

Table 3: Summary of CMO's Blue Box Program Reimbursement

Service	Cost Summary for Transition Period (Apr. 1 to Dec. 31, 2025) 2025 Forecast (000,000s)	CMO's Estimated Reimbursement (Apr.1 to Dec 31, 2025) (000,000s)
Estimated cost for Blue Box collection and administration	\$11.66	\$9.88
Estimated cost for Blue Box promotion & education, and administration	\$0.77	\$0.38
Estimated cost to transport Blue Box materials to CMO approved receiving facility	\$0.86	
Total Q2 to Q4 2025 Blue Box Costs	\$13.29	\$10.26

Staffing: N/A

Legal: N/A

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

N/A