

Region of Waterloo
Engineering and Environmental Services
Waste Management

To: Planning and Works Committee
Meeting Date: August 15, 2023
Report Title: Blue Box Transition Update – Next Steps

1. Recommendation

That the Regional Municipality of Waterloo opt out of administering blue box service as of the Region's transition date on March 2, 2024, at which time it will be incumbent on the producers to arrange for alternative blue box collection and processing until the end of transition, December 31, 2025; and,

That staff be authorized to negotiate and execute agreements with existing contractors to continue collection and processing of non-eligible sources not covered in the new blue box regulation, to ensure continuity of services to sites currently receiving collection, until the end of transition, as outlined in report EES-WMS-23-004, dated August 15, 2023.

2. Purpose / Issue:

The purpose of this report is to update Regional Council on the status of moving the Region's existing blue box program to Ontario's producer responsibility model.

3. Strategic Plan:

This report supports the Corporate Strategic Plan's Environment and Climate Action Focus Area Strategic Objective 3.3: Direct more waste away from landfill, improve recycling and better manage organic waste.

4. Report Highlights:

- The Provincial government introduced new recycling legislation in 2021 (and amended in 2023) that moved financial and operational responsibility of the blue box program from municipalities to producers.
- A producer-controlled, non-profit organization called Circular Materials (CM) has responsibility for implementing the new program across Ontario on behalf of all producers.
- CM issued a standard offer to all Ontario municipalities requesting that they

provide interim residence and facility collection services on their behalf during the transition period.

- Staff reviewed the offer presented by CM to the Region and highlighted significant financial and operational risks if the Region were to accept CM's standard offer.
- As there is no legislated obligation for the Region to provide blue box service following the March 2, 2024 transition date, CM is required to arrange alternative blue box collection and management services.
- Given resource and time constraints, CM anticipates negotiating agreements directly with our existing collection contractors in order to fulfill legislated obligations.
- The contractors will provide customer service resolution, including addressing resident issues/complaints, through transition.
- Pending Council approval, Region staff will engage with existing contractors to continue to provide blue box recycling services for all currently serviced non-eligible sites through the transition period.
- Region staff will explore options to continue blue box recycling services at both the Cambridge and Waterloo public drop-offs, during and post transition.
- Curbside collection of garbage, organics, bulky and large metal items, yard waste and Christmas trees would continue status quo as part of the Region's existing curbside collection contract.
- Annual cost savings are difficult to estimate at this time. Detailed projections will be provided as part of the 2024 Plan and Budget process.
- Staff will provide another update report later this fall.

5. Background:

In 2021 (and amended in 2022 and 2023), the provincial government introduced a new recycling regulation that changes how the blue box program is funded and operated, with program transitioning from a model of shared industry funding (split between municipalities and producers) to one of full producer responsibility. This new approach to waste management, referred to as extended producer responsibility (EPR), makes producers (companies that make and import packaging/products) fully responsible for the waste generated from their products and packaging. The transition of blue box services across the province occurs between July 1, 2023 and December 31, 2025, with the Region transitioning its blue box program on March 2, 2024. Refer to Council Report EES-WMS-23-001 for more information.

In accordance with the new blue box regulation, a producer-controlled non-profit organization called Circular Materials (CM) has responsibility for implementing the new program across Ontario. Given the limited timeframe to implement a new, province-wide recycling program, CM reached out to municipalities with a standard offer to

administer services during the transition period (referred to as an Interim Collection Offer). Regional staff reviewed the conditions and identified a number of significant risks summarized below.

Financial incentive: Compensation proposed by CM is largely based on criteria used for the existing Waste Diversion Act program and does not reflect actual costs, making full cost recovery problematic due to limitations within the historic method of determining Blue Box funding. The CM proposal would reimburse no more than 80% of our existing costs while the Regulation stipulates the financial obligation of producers to cover 100%, which would result in the Region being responsible for a portion of the program through transition.

Contract clauses/language: CM's offer has listed a number of contract clauses that are open to interpretation. For example, change orders can be issued with no additional funding provided and CM has the authority to cancel the work at any time. These precarious conditions leave the Region exposed to additional financial risk.

Logistics risks: At transition, contractors will be required to deliver blue box materials directly to a single Receiving Facility (RF), where blue box materials will be consolidated and shipped to external processing facilities, as determined by producers. For our Region, this facility is located in north Waterloo (existing Waste Management Canada transfer station). The additional costs and time to deliver blue box materials to a new, separate location were not included as part of the CM offer.

Contamination limits: CM has set an aggressive and unrealistic contamination target of 4 per cent, compared to current performance at approximately 15 per cent, without compensation for increased monitoring, promotion, education, and compliance enforcement.

Reporting: CM is requiring detailed records for every vehicle, per collection route, and material stream (containers vs fibres) per month. New monthly and annual reports are also required. This information is not currently tracked or needed for our existing program. To meet the new contract requirements it would require significant additional staff time and resources to set up and generate.

In summary, the current standard offer from CM incorporates significant risk to the Region and does not provide for 100 per cent reimbursement for the Region's blue box program costs.

Service Level Impacts and Non-Eligible Sites

The majority of our residents should not be affected during the transition of the blue box program as the existing levels of service are required to be maintained through the transition period. The curbside collection contractors will contract directly with CM and

will be responsible for administering the entire blue box collection program, including addressing customer complaints and issues.

Under the current curbside collection contract, a small number of industrial, commercial and institutional (IC&I) customers (approximately 1500 -2000 stops, primarily in Downtown cores) receive curbside blue box collection. Municipalities are not required to provide waste services to businesses and under the new blue box regulation, these locations are not considered eligible for blue box collection. However, to minimize disruption during transition, staff are recommending continuation of blue box collection for these sites while continuing to evaluate potential longer term recycling options as part of the development of the next curbside collection contract, which commences in 2026. Upon council approval, staff will negotiate and execute agreements with our existing collection contractors to ensure these services continue seamlessly for all non-eligible stops currently serviced. Staff will also develop and implement a communication plan to all affected non-eligible sites.

Blue box materials are also accepted at our public drop off facilities in Cambridge and Waterloo. Although the volume of materials is considerably less than what is collected curbside, collection at the depots could be partially funded by CM during the transition period. However, CM will not operate/fund the recycling drop-off depots after January 1, 2026. Similar to the residential and facility collection, additional costs and risks with providing depot drop-off services as required by CM, appears substantial. Staff are continuing to evaluate potential impacts both during transition and after and will report to Committee later in the fall with an update

6. Communication and Engagement with Area Municipalities and the Public

Area Municipalities: In the fall of 2023, staff will reach out to affected local partners (e.g. area municipalities, downtowns, etc.) to clarify potential impacts and how best to proceed to ensure as seamless and effective transition as possible.

Staff will also arrange to present to local municipal Councils about the upcoming changes and impacts to curbside waste collection. These sessions will also include information from the Downtown Service Level review, which is currently ongoing, as well as the new curbside collection contract launching in 2026.

Public: The producers have committed to maintaining the existing blue box program during transition so the impact on residents should be minimal. During transition, the producers will be fully responsible for all education of the blue box program and resolving all customer issues. Staff are developing an education campaign leading up to the transition date (March 2, 2024) so residents know what to expect.

Starting January 1, 2026, the producers may implement changes across the province to enhance the blue box program including collection frequency, collection container

(carts), and acceptable material. Any promotion and education of the new recycling program would be the responsibility of the producer.

7. Financial Implications:

While there are no direct financial implications associated with this report, the transition to full producer responsibility will result in savings to the Region's budget starting March 2, 2024 when the Producers assume Blue Box collection and processing. Budget capacity will be required for the provision of recycling services to non-eligible sources through the transition period and the continuation of recycling services provided at the Region's public drop-off locations in Cambridge and Waterloo. Staff are currently building the 2024 Budget estimates and engaging with CM and the Region's private contractors to refine financial implications. Detailed projections will be provided as part of the 2024 Plan and Budget process.

8. Conclusion / Next Steps:

If approved, the Region will officially decline CM's standard interim offer to provide curbside collection of recyclables for our transition period of March 2, 2024 to December 31, 2025.

Staff will commence negotiating agreements with our existing collection contractors to maintain blue box service through transition for currently serviced non-eligible sites and will investigate options for continuing with recycling collection at the public drop-off depots during and after transition.

Another update report will be provided in the fall.

9. Attachments:

Appendix A – Blue Box Transition Update Next Steps Presentation

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