

Staff Report



To	City Council
Service Area	Infrastructure, Development and Enterprise Services
Date	Wednesday, September 14, 2022
Subject	Blue Box Transition Update

Recommendation

1. That the City of Guelph does not pursue Circular Materials Ontario's current (as of July 4, 2022) interim contract to perform residence and facility collection of Blue Box materials on Circular Materials Ontario's behalf from January 1, 2025 to December 31, 2025;
 2. That the City does not pursue Circular Materials Ontario's Request for Proposals 2022-03 for receiving facilities;
 3. That the City does not pursue Circular Materials Ontario's upcoming Request for Proposals for residence and facility collection;
 4. That the City does not pursue Circular Materials Ontario's upcoming Requests for Proposals for post-collection facilities;
 5. That staff be authorized to negotiate and execute agreements with Producer Responsibility Organizations for other scopes of work related to Blue Box services, if required, to ensure continuity of services to residents, and within existing budget, in each case to the satisfaction of the Deputy Chief Administrative Officer of Infrastructure, Development and Enterprise Services and the City Solicitor.
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Executive Summary

Purpose of Report

The purpose of this report is to provide an update on preparations being made for the Blue Box transition, as well as a recommended approach based on staff's analysis associated with the available alternatives.

Key Findings

The new Blue Box Regulation filed in April 2022¹ moves the responsibility for funding and operating the Blue Box system from municipalities to the Producers that originate packaging, paper, and similar products. Following the full producer responsibility model, the Blue Box Regulation does not assign a role to municipalities in the future.

¹ [O. Reg 391/21: Blue Box \(the "Blue Box Regulation"\), amended in April 2022 by O. Reg 349/22](#), made under the [Resource Recovery and Circular Economy Act, 2016, S.O. 2016, c.12, Sched. 1](#).

A Producer-controlled non-profit organization called Circular Materials Ontario (CMO) has assumed responsibility for operating the collection and receiving of Blue Box materials across Ontario on behalf of all Producers, as well as post-collection management for most of the material in the province. Given the extensive scope of work and limited timeline to implement a province-wide collection system, CMO presented a standard offer, last revised July 4, 2022, to all municipalities in Ontario requesting that they provide interim residence and facility collection service during their transition period. For Guelph, this is the one-year period between Guelph's scheduled transition date of January 1, 2025, and January 1, 2026 when the Blue Box Regulation fully comes into force province-wide.

CMO has also launched competitive Requests for Proposals (RFPs) for longer-term contracts for receiving materials for consolidation, for post-collection management, and for collection following the transition period for all municipalities and during the transition period for municipalities who do not contract with CMO. These RFPs are, or are anticipated to be, for multi-year periods and cover regional waste catchments beyond Guelph's borders which places them beyond the resources and mandate of the City. These RFPs are expected out this Fall with an expected closing date by the end of the year. While staff expected to have more time to work on the transition plan, as Guelph's transition starts January 1, 2025, the PROs are looking to the municipalities to bid on contracts to meet their legislative requirements during and after the transition period until they will be fully responsible by the end of 2025 and have issued the RFPs across Ontario regardless of when that transition starts. It is important for Council to provide direction to staff before the RFPs' closing date so that staff have appropriate time to respond.

For the 2025 interim collection contract, staff have flagged the short duration (one year) and preparatory work involved in performing the contract as well as its potential to expose the City to costs and risk on behalf of Producers. Staff do not recommend pursuing this option and recommend focusing on supporting other transition needs leading up to Guelph's established transition date of January 1, 2025.

The longer-term competitive RFPs for collection, receiving and post-collection management are for regional systems beyond the City's mandate and capability. Staff recommend the City does not participate in these procurements. The City has no obligation to fulfill the Producers' legislative responsibility in these areas.

Financial Implications

The City is forecasted to generate approximately \$2.4 million per year in net savings inclusive of operating and capital costs as Producers assume Blue Box collection and processing responsibilities starting in 2025 and emerging over time as the City works through the transition comprehensively. However, based on further analysis and decisions of Council, this savings could be re-allocated to support further waste reduction programming needs or support Council's Strategic Plan. Recommendations will be brought forward for consideration as part of the 2024-2027 multi-year budget.

Report

Policy and Regulatory Background

Circular economy concepts such as full producer responsibility entered provincial policy and legislation with the [Waste-Free Ontario Act, 2016, S.O. 2016, c. 12 – Bill 151](#) (“Waste-Free Ontario Act”) and [2017 Strategy for a Waste-Free Ontario: Building the Circular Economy, Resource Recovery and Circular Economy Act, 2016](#) (“RRCEA”), and the [Waste Diversion Transition Act, 2016](#). A new Blue Box Regulation to be empowered by the RRCEA was first discussed in 2020 and was the subject of several Council reports that year, which respectively advocated for an early transition date ([2020-29](#)), notified Council on intergovernmental consultation on the Regulation ([2020-199](#)), and repeated advocacy for an earlier transition date and authorized staff to negotiate with the Producer Responsibility Organizations (“PROs”) managing Producers’ regulatory obligations to prepare for transition ([2020-216](#)). The Blue Box Regulation was published in draft form in October 2020, passed on June 3, 2021 as [O.Reg 391/21](#), and was significantly amended by [O.Reg 349/22](#) on April 14, 2022. The Regulation establishes the mechanics of the new Blue Box system and sets the transition schedule, placing Guelph to transition from January 1, 2025, to December 31, 2025, and enter full producer responsibility on January 1, 2026. As outlined in Council report [2021-365](#), the Blue Box Regulation does not assign any role to municipalities. Producers of Blue Box materials are financially and operationally responsible for their end-of-life management.

The Blue Box Regulation provides for groups of PROs representing more than 66 percent of the Blue Box tonnage in Ontario to administer Blue Box collection on behalf of all Producers. On July 15, 2021, the Resource Productivity and Recovery Authority (RPRA), the provincial agency that administers the Resource Recovery and Circular Economy Act (RRECA), published the submission from Circular Materials Ontario (CMO), a Producer-controlled non-profit organization, registering their plan to fulfill this role of Blue Box collection administrator with the support of a second PRO, Ryse Solutions Inc., together holding the requisite excess of 66 percent of tonnage.

City of Guelph Blue Box System

The City of Guelph is distinct in that it has integrated, automated waste collection for all streams and owns and operates all parts of the Blue Box system. This includes collection to single family and multi-family residential buildings, downtown businesses and public space, and some other industrial, commercial, and institutional (ICI) settings, followed by processing at and marketing from the City’s Materials Recovery Facility (MRF) located at the Waste Resource Innovation Centre (WRIC). Compared to municipalities which have contracted out Blue Box work, the City’s greater degree of investment, involvement, and integration with the Blue Box system means that changes related to the transition have the potential for greater impacts and require careful consideration.

Producer Responsibility Procurement

As the provincial Blue Box collection system administrator, CMO is managing procurement for the front end of the Blue Box system including curbside collection, depot collection, public space collection, promotion, and education, and receiving and consolidating material. Individual PROs or Producers are responsible for

processing and marketing Blue Box materials at the back end of the system. CMO is responsible for the majority of Blue Box material in the province and has also initiated their post-collection processing procurements.

Interim Collection Offer

Given the extensive scope of work and limited timeline to implement a province-wide system, CMO initially approached municipalities to help CMO meet their legislative obligations during the transition period prior to entering full producer responsibility on January 1, 2026. In May 2022, CMO presented a standard offer (last revised July 4, 2022) to municipalities to provide residence and facility collection during the transition period (the "Interim Collection Offer"). For Guelph, the transition period is from January 1, 2025, and December 31, 2025.

Significant risks with the terms of the Interim Collection Offer were identified by City staff, including:

- Financial risks arising from scope of work and service level obligations, change management (including potential for changes in the work and additional work), and risk of unforeseen conditions that may increase the cost of the work.
- Insufficient financial incentive. Compensation is largely based on criteria used for the existing Waste Diversion Act program making full cost recovery problematic due to limitations within the historic method of determining Blue Box funding.
- An aggressive contamination target of 4 percent is identified for residential buildings (compared to current performance at 11 to 19 percent based on most recent audits) without compensation for increased monitoring, promotion, education, and compliance enforcement.
- In Guelph's case, the contract offered by CMO is for a twelve-month transition period in 2025. Resources would need to be devoted to implementing and communicating program changes in 2025 and again in 2026.

Risks with the Interim Collection Offer were also identified by external organizations as documented in coordinated responses organized by the Municipal Resource Recovery and Research Collaborative (Association of Municipalities Ontario, Regional Public Works Commissioners of Ontario (RPWCO), Municipal Waste Association, and City of Toronto) on May 26, 2022, and July 26, 2022 and the Ontario Waste Management Association on June 8, 2022. CMO published several revisions to the Interim Collection Offer documents but, in the opinion of staff, significant issues remained at the time of CMO's Interim Collection Offer response deadline of July 15, 2022. In response, staff issued a letter inviting direct negotiation around compensation and terms. At the time of writing, no alternate offer had been made. The City understands that CMO intends to issue a competitive RFP for residence and facility collection (discussed below) in a regional catchment including Guelph and Wellington County in September 2022 that will list alternate service commencement dates of January 1, 2025, or January 1, 2026 to afford CMO flexibility around procurement.

Collection RFP

The Interim Collection Offer covers the transition period up to January 1, 2026 only. For longer-term collection procurement, CMO has issued a second collection procurement in the form of an open RFP. Depending on a municipality's response to

the Interim Collection Offer, the RFP would allow service commencement on a municipality's transition date (for those municipalities that did not accept the Interim Collection Offer) or on January 1, 2026 (for those municipalities that accepted the Interim Collection Offer). It is anticipated that the contract term is seven years. The collection RFP is organized into three rounds, each containing several regional waste catchments. In CMO's RFPs, Guelph has been grouped into a regional catchment containing Wellington County and Guelph. The first round opened on August 5, 2022, and the third round which contains the regional catchment for Wellington County and Guelph is expected in September 2022.

The regional focus and multi-year term go beyond the City's mandate and would require investment and assumption of new risks to perform. Additionally, it is anticipated that the RFP will contain similar terms and risks to the receiving RFP which is discussed below.

Receiving RFP

In May 2022, CMO launched an open RFP with a seven-year term for facilities to receive Blue Box materials from one or more regional catchments and consolidate them onto transfer vehicles. The receiving RFP was structured in three groups of multiple regional catchments with staggered response deadlines from August 2022 to March 2023. The regional catchment containing Wellington County and Guelph is in the group due on March 31, 2023, with service commencement dates of January 1, 2025 to receive Guelph's material and July 1, 2025 to receive Wellington County's material. In the opinion of staff, the receiving RFP would place significant risks on the City. Risks were also noted to CMO in a joint letter from RPWCO members. The City has evaluated options and capital investment and operating changes would be required to fulfil the requirements of the RFP.

Post-Collection RFPs

Of the three PROs active in Ontario, CMO has been the first to announce procurements for the post-collection management of materials through three RFPs respectively for preconditioning, mechanical plastic processing, and plastic sorting. The RFPs are anticipated to be released in August 2022.

It is anticipated that the RFPs will contain similar terms to the receiving RFP, be for multiple regional catchments with several receiving facilities feeding in to larger and more technologically advanced centralized post-collection processing facilities and to be for a multi-year period. The City's MRF currently does not have the capacity to take on multiple regional catchments' material. Based on a past service level review presented to Council ([IDE-17-107](#)), the City's MRF would need significant capital upgrades to be cost-competitive, including investments in the building itself, which is at the end of its asset renewal cycle, as well as investments in its processing equipment to be able to process the expanded list of Blue Box materials created under the Regulation.

Service Level Impacts

Starting January 1, 2026, more items will become eligible for the Blue Box. These include materials not currently accepted in the City's program such as flexible plastic wrappers and pouches, polystyrene foam, and single use food service items like paper cups.

The following service level impacts by establishment type are expected under the Blue Box Regulation and service coordinated by CMO. Details on interpretation of the Blue Box regulation by RPRAs are still emerging and the final interpretations may vary from those presented below. The City will target communications at sectors that will experience service level changes at appropriate times per the Communication Plan discussed below.

Residential Buildings

Residential buildings that received City Blue Box collection before January 1, 2025 (single and multi-family) will continue to be eligible for Blue Box service and receive the same level of service in January 2025. CMO must maintain collection at least every two weeks (single family homes) or before bins are full (multi-residential buildings) but may make changes to increase collection frequency, increase the number of streams collected, for example to collect containers and paper separately, and change the containers used to set out Blue Box materials.

New residential buildings that come into existence in 2025 are expected to be registered with RPRAs by City staff and begin receiving Blue Box collection from CMO.

Existing residential buildings that did not receive City Blue Box service before January 1, 2025, will become eligible for service by CMO on January 1, 2026 and must register with RPRAs to receive service.

Industrial, Commercial, and Institutional Properties

Private schools are not eligible for collection by CMO in 2025, but the City of Guelph will review options for services to those schools that already receive City Blue Box collection during 2025. Public schools do not currently receive City Blue Box collection. On January 1, 2026, all schools, public or private, will become eligible for service from CMO. Daycares are not eligible, even if attached to an eligible school.

Nonprofit long-term care and retirement homes all become eligible on January 1, 2026 for Blue Box collection by CMO. There are a limited number of retirement home units with Blue Box service currently by the City which will be taken over by CMO in 2025 with the same level of service.

Other industrial, commercial, and institutional properties are not eligible for Blue Box collection under the Regulation. Concurrently, the City is reducing industrial, commercial, and institutional waste service for all streams with the implementation of the [2021 Solid Waste Management Master Plan](#). As [approved by Council on April 25, 2022](#), the Solid Waste Management Master Plan determined the following eligibility criteria for waste collection outside the downtown collection area, including the Blue Box:

- Small mixed-use properties containing six or less units with at least one residential dwelling unit and at least one non-residential use (e.g., a business), or
- Institutional properties such as places of worship or community centres that are located on residential routes, which
- Generate waste quantities that fit in the residential set-out limits and participate in all three collection streams.

Any other industrial, commercial, and institutional buildings will no longer receive City waste collection for any streams starting March 1, 2023.

Those industrial, commercial, and institutional properties, including in the downtown collection area, that receive Blue Box service from the City after April 1, 2023, will lose Blue Box service once Producers assume Blue Box responsibility on January 1, 2025.

Public Spaces

Following the City's 2021 Solid Waste Management Master Plan, the use of downtown public space containers by industrial, commercial, and institutional properties for all waste streams will be phased out. Public space containers will remain for use by residents visiting the downtown.

Starting January 1, 2025, CMO will take over public space collection of the Blue Box alongside residential routes and must provide the same level of service as the City currently provides. The City will continue to provide any public garbage or organics collection.

Beginning January 1, 2026, CMO will provide one Blue Box bin per 600 residents in public spaces while the City will continue to manage other streams. There will be a similar number of Blue Box containers to the current number.

Public Drop-off Depot

One depot for recycling must be operated by CMO during 2025, however they will not have to run a public drop-off past January 1, 2026.

Staff is evaluating whether the public drop-off at the Waste Resource Innovation Centre will continue to accept Blue Box materials during and after transition and will communicate plans ahead of service changes.

Blue Box Transition Plan

Between now and Guelph's transition date of January 1, 2025, staff will continue to refine and implement a Blue Box Transition Plan that prepares stakeholders, staff, assets, and operations for the changes occurring at that time. The transition plan includes subplans outlining the following areas:

- Communication Plan
- Asset Transition Plan
- Service Transition Plan
- Staff Transition Plan
- Monitoring and Evaluation Plan
- Customer Service Plan

Transition Plan implementation will continue through to the end of 2026 to encompass the entire transition period and a year under full producer responsibility. The Transition Plan will change and grow with the City's needs over its implementation period.

The Transition Plan will coordinate with other changes proceeding as part of the Solid Waste Management Master Plan which also introduces changes to programs and services.

Financial Implications

The City is forecasted to generate approximately \$2.4 million per year in net savings inclusive of both operating and capital costs, as Producers assume Blue Box collection and processing responsibilities starting in 2025 and emerging over time as the City works through the transition comprehensively. However, based on further analysis and decisions of Council, this savings could be re-allocated to support further waste reduction programming needs or support Council's Strategic Plan. The ongoing operating savings represent an approximate decrease in the property tax levy of 0.63 per cent. Recommendations will be brought forward for consideration as part of the 2024-2027 multi-year budget.

Consultations

City staff are participants in the Municipal Resource Recovery and Research Collaborative, which includes the Association of Municipalities of Ontario, the City of Toronto, the Regional Public Works Commissioners of Ontario, and the Municipal Waste Association.

As part of the SWMMP Update, the City contracted Dillon Consulting with a subcontract to Watson & Associates Economists Ltd. to prepare a Blue Box Transition Memo and have consulted with other City departments including Finance, Communications, Human Resources, and Legal Services.

Staff will continue to keep Council informed of changes and key milestones as the transition moves forward.

Strategic Plan Alignment

Working Together for our Future

- The producer responsibility model better aligns with the City's Service Rationalization Review toward managing services within our scope now that Blue Box waste management is regulated to Producers who are responsible for full lifecycle management of their materials

Sustaining our Future

- The Blue Box Regulation incentivizes a circular economy that addresses improved resource management through greater recovery, waste reduction, reuse, and recycling, including promotion of design-for-the-environment that would increase the environmental performance of the Blue Box program to achieve social, environmental, and economic benefits

Attachments

None

Departmental Approval

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