

Information Report



Service Area	Infrastructure, Development and Environment
Date	Friday, January 26, 2024
Subject	Blue Box Transition Status Update

Executive Summary

Purpose of Report

This report provides Council with an update on preparations being made for the Blue Box transition.

Key Findings

Guelph will transition its municipally-operated Blue Box program to operation by an external industry-run organization, Circular Materials, under the new provincial producer responsibility framework on January 1, 2025.

This change is required because of the Waste Free Ontario Act and a move by the province to promote a circular economy by making the producers of packaging and products responsible for their products through to the end of life. Responsibilities are clearly defined resulting in increased visibility with respect to costs and environmental impacts of products and packaging which should lead to continuous improvement and environmental and economic enhancements across the supply chain through to the consumer. For municipalities across Ontario this change also means that taxpayers will no longer be required to subsidize costs related to handling and recycling of applicable materials as of their respective transition date. Historically the municipal subsidy for this work was up to 50% of the total cost. For Guelph, anticipated savings have been included as part of the 2024-2027 Multi-Year Budget and are discussed in the financial implications section of this report. The province is modeling this effort based on existing models in Europe and British Columbia.

This change also means that services historically provided by the City will be transitioned to others including related customer service aspects. It is the goal of the transition team to minimize impacts to residents, and staff are on track with implementing a comprehensive transition plan that prepares stakeholders, staff, assets, and operations for the changes. It is important to note that once services are transitioned, the City will no longer be responsible for transitioned services. The transition plan includes Asset Management, Staff Transition and Business Continuity, Service Transition, Customer Service Transition, Monitoring and Evaluation, and Communication and Community Engagement Plans.

The following key considerations are under review:

- Public Drop-off service offerings – Under the delegated authority previously provided to staff related to agreements in the 2022 Council report ([2022-290](#)), staff have undertaken further review and negotiation of providing Blue Box collection service at the public drop-off on behalf of Circular Materials’ regulatory obligations for 2025. In consultation with Legal and Court Services, staff have analyzed liability and risks under the proposed contract terms. The City is still pursuing an agreement with acceptable terms and compensation to collect Blue Box materials at the public drop-off.
- For City facilities, Blue Box materials may potentially continue to be collected by leveraging the existing waste collection consortium contract tendered through Guelph Cooperative Purchasing Group for City facility waste collection services.
- Institutions, such as places for worship or non-profit organizations, are not considered an eligible source under the Regulation and Circular Materials is not obligated to collect from these locations. As outlined in a prior staff report ([2022-290](#)), these locations will no longer receive Blue Box service. This information was highlighted to those organizations in their waste management plans as part of their City waste collection agreements. There are approximately 40 organizations impacted.
- Blue Box collection for the ICI sector within the Downtown Collection Area has not yet been finalized. Staff have completed analysis and public engagement with respect to downtown waste management. The outcomes of this work will be outlined in the upcoming Downtown Service Report (scheduled for June 2024) and will help inform potential long-term solutions and will recommend downtown waste infrastructure upgrades that are inclusive of the change in responsibilities for providing residential Blue Box services in the downtown, alongside other downtown businesses’ waste management needs. Solid Waste Resources staff will work to incorporate findings into the ongoing Complete Streets Design Manual, Downtown Capital Implementation Plan and Multi-Year Budget processes – high level estimates are currently included.

Staff will continue to transition Blue Box services provided by the City to the new producer responsibility model in a manner that minimizes disruptions to the community while maximizing value through transition to the taxpayers.

Staff will be bringing forward revisions to the Waste Management Bylaw to Council to reflect the changes for the Blue Box Transition by Q4 2024.

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

Strategic Plan Alignment

The Blue Box Regulation transitions operational responsibility from municipalities to Producers of Blue Box materials. Producers will become fully responsible for collecting and recycling Blue Box materials, as well as meeting escalating recycling targets. Placing full financial, operational, and performance accountability for the Blue Box program on the Producers of Blue Box materials incentivizes a circular economy by promoting design-for-the-environment through waste reduction, reuse

and improved recycling which decreases natural resource extraction and pollution, including greenhouse gases.

Future Guelph Theme

Environment

Future Guelph Objectives

Environment: Empower the community to help create a sustainable city

Financial Implications

In September of 2022 staff reported to Council that the City was 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. The City is on track to realize the total savings anticipated as incorporated into previous capital and operating budgets and as part of the 2024 to 2027 multi-year budget. A total of \$2.2 million capital and operating costs has been reduced between the 2021/2022 and 2025-2027 multi-year budget. An additional \$360,000 was retained to support the building usage as an interim collections and maintenance facility, and a one-time \$253,000 in funding was moved from capital to operating to support transition work. The potential revenue from any future sale of assets has not been assumed in the Blue Box transition savings assessment at this time.

Report

Background

The Government of Ontario has introduced a new [Blue Box Regulation](#) (the Regulation) that changes how Blue Box materials are managed in Ontario. Under the Regulation the companies that produce or import Blue Box materials supplied in Ontario, called Producers, will be responsible to fully fund and operate the Blue Box system. Since July 2023 and continuing to the end of December 2025, all municipalities in Ontario are transitioning their Blue Box program to the new producer responsibility model. Guelph will transition on January 1, 2025. Additional changes will occur on January 1, 2026 for all communities in Ontario which will expand and harmonize the list of Blue Box materials and extend service to eligible sectors that were not previously collected by municipalities.

The Regulation makes Producers responsible for the collection of Blue Box materials from eligible sources across Ontario, which includes residences (including the residential portion of mixed commercial and residential properties), kindergarten to Grade 12 schools, and non-profit retirement and long-term care homes. Other industrial, commercial, and institutional (ICI) sources are not regulated by the Regulation.

Producers generally will fulfill their regulatory obligations collectively through Producer Responsibility Organizations (PROs). The PROs have come together to run a single, new, province-wide common collection system. The approved common collection system administrator is a non-profit company called Circular Materials. Once Circular Materials identifies who will collect the Blue Box in Guelph, their contact information will be publicized.

Council previously approved ([2022-290](#)) recommendations not to contract with Circular Materials to perform curbside collection, receiving, or processing. Staff were authorized to negotiate additional items as required to maintain services to Guelph residents such as depot collection at the City's public drop-off facility.

The City will continue to manage curbside collection of garbage, organics and yard waste for the community, as well as operate the public drop-off, organics waste processing facility, transfer station, and household hazardous waste drop-off.

Status Update

Building on previous experience, and to support the transition and manage the unique aspects to Guelph while minimizing risks, staff are developing and implementing a comprehensive transition plan that consists of six key elements to help guide the transition:

1. Asset Transition Plan
2. Staff Transition and Business Continuity Plan
3. Service Transition Plan
4. Customer Service Transition Plan
5. Monitoring and Evaluation Plan
6. Communication and Community Engagement 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.

1. Asset Transition Plan

Impacted assets include the Material Recovery Facility (MRF), waste collection vehicles and deployed blue carts and front-end bins. Based on previous market sounding work and business case analysis, there is no significant benefit for third party utilization of the City's MRF. Starting in 2025, the MRF is intended to serve as an interim Solid Waste Collections facility providing collection fleet and cart storage until permanent facilities are available. All Blue Box collection and processing related assets will be assessed on a case-by-case basis as the transition matures relative to sale, decommissioning, or repurposing. Initial estimates, where applicable, such as a reduction in fleet assets, have been included in the multi-year budget process. The potential revenue from any future sale of assets has not been assumed in the Blue Box transition savings assessment at this time. Updates as appropriate will be included as part of the annual budget confirmation process or reported on separately as applicable.

2. Staff Transition Plan and Business Continuity Plan

In consultation with Human Resources and the CUPE Executive, including compliance with the Collective Bargaining Agreement and, respecting our organizational commitment to people, Solid Waste Resources has prepared a staff transition plan and business continuity plan that builds on previous experiences in 2016 and 2018 whereby the City successfully transitioned exiting from two processing arrangements and contracts. With respect to this provincial change, Guelph is unique in delivering all the associated services with in-house staff resulting in an added level of complexity and risk for Guelph's transition.

The plan outlines key considerations, including measures to provide the best possible transition for staff, by working collaboratively to align vacancy, attrition/retirement, and growth needs to the best of our ability while retaining talent by maximizing retention of skilled and trained staff. The plan also ensures key efforts are planned to maintain business performance for processing and sale of recyclables up to the transition date of January 1, 2025, by identifying business continuity risks and preparing contingencies and mitigations.

The 2024-2027 multi-year operating budget reflects the projected changes related to the transition plan.

3. Service Transition Plan

Circular Materials is responsible for providing services at the City's established service levels and within the current curbside method in 2025. The list of eligible Blue Box materials is expected to expand in 2026, post-transition. The City has opted out of providing collection, transfer, and processing services for eligible sources covered by the Regulation as discussed in the September 2022 staff report noted above.

As the Service Transition Plan work continues, the City will finalize service for public drop-off depot collection and non-eligible sources.

Public Drop-off Collection

Under the Regulation, during 2025, Circular Materials is obligated to provide depot collection at one location although not necessarily in the same location as the existing City depot. After 2026, Circular Materials is not obligated to provide any depot collection service in Guelph for Blue Box materials.

Under the delegated authority previously provided to staff in the 2022 Council report, staff have undertaken further review and negotiation around the potential to provide Blue Box depot collection service at the City's public drop-off on behalf of Circular Materials in 2025. In consultation with Legal and Court Services, staff have analyzed liability and risks under the proposed contract terms. The City is pursuing an agreement with Circular Materials with acceptable terms and compensation to collect Blue Box materials at the public drop-off.

Service beyond 2025 would be subject to review based on further consideration and analysis of the financial and operational outcomes experienced in 2025.

City Facilities

For City facilities, Blue Box materials may potentially continue to be collected by leveraging an existing waste collection consortium contract tendered through Guelph Cooperative Purchasing Group for City facility waste collection services.

Institutions

Institutions, such as places for worship or non-profit organizations, are not considered an eligible source under the Regulation and Circular Materials is not obligated to collect from these locations. As outlined in the 2022 staff report, these locations will no longer receive Blue Box service. This information was highlighted to those organizations in their waste management plans as part of the City waste collection agreements. There are approximately 40 organizations impacted.

Downtown

Blue Box collection for the ICI sector within the Downtown Collection Area has not yet been finalized.

Staff have completed analysis and public engagement with respect to downtown waste management. The outcomes of this work will be outlined in the upcoming Downtown Service Report (scheduled for June 2024) and will help inform potential long-term solutions and recommend downtown waste infrastructure upgrades that are inclusive of the change in responsibilities for providing residential Blue Box services in the downtown, alongside other downtown ICI waste management needs. Solid Waste Resources staff will work to incorporate findings into the ongoing Complete Streets Design Manual, Downtown Capital Implementation Plan and Multi-Year Budget processes – high level estimates are currently included.

4. Customer Service Transition Plan

In order to provide a high level of customer service while communicating the transition of Blue Box service to a new organization, Environmental Services' Business Services division and Service Guelph are working with Solid Waste Resources to implement changes to how Blue Box service requests are received and redirected, training staff, and allocating resources where high customer service request volumes are anticipated. This initiative is tied closely to the Communication and Community Engagement Plan discussed below.

5. Monitoring and Evaluation Plan

With the transition, the City is concerned with diversion performance backsliding and the migration of Blue Box materials to the City's waste stream and associated disposal costs if the appropriate rigor is not applied, including meaningful targets and the ability to audit.

Leading up to and through the transition, staff will also monitor call metrics to capture Blue Box specific requests, web and social media analytics, and ongoing waste audits and scales records. These measures will provide important information about how waste quantities and qualities change through, and post, transition to determine what measures and what kind of promotion, education, and advocacy is

required to achieve high diversion. Financial record keeping is also in place to monitor financial impacts of transition and determine alignment with budgeted savings or for future advocacy needs if applicable.

6. Communication and Community Engagement Plan

A comprehensive Communication and Community Engagement Plan has been developed with Strategic Communications and Community Engagement. The plan is subdivided into phases, outlined below. Phase 1, internal preparation, is complete and includes a status update to Council in Q1 of 2024. Phases 2-3 are concerned mainly with transition of the service provider while phases 4-5 are concerned with the post-transition expansion and harmonization of the Blue Box materials list, which is a key opportunity to increase diversion and environmental performance while further reducing costs to the City. Potential savings of expanding the list of eligible Blue Box materials and reducing the amount of waste going to landfill have not been included in the current financial assessment.

- Phase 1: Internal Preparation (in place)
- Phase 2: Announce Upcoming Transition Changes (set to commence in 2024, with emphasis on 6 months leading up to the transition on January 1, 2025)
- Phase 3: Announce Transition Changes in Effect (begins January 1, 2025)
- Phase 4: Announce Upcoming Post-Transition Changes (also set to commence in 2025, with emphasis on the 6 months leading up to the post-transition date for Guelph and the entire province, January 1, 2026)
- Phase 5: Announce Post-Transition Changes in Effect (begins in 2026)

Next Steps

As this is a significant undertaking at the provincial level, transition requirements continue to evolve. Staff are actively monitoring transition status and the experiences of other municipalities and developments through involvement in the RPWCO Waste Subcommittee and various transition committees and are advocating on behalf of the City as appropriate.

Staff will continue to transition Blue Box services provided by the City to the new Producer model in a manner that minimizes disruptions to the community while maximizing value through transition to the taxpayers.

Staff will be bringing forward revisions to the Waste Management Bylaw to Council to reflect the changes for the Blue Box Transition before the end of 2024.

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

Financial Implications

In September of 2022 staff reported to Council that the City was 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 comprehensively works through the transition. The City is on track to realize the

total savings anticipated as incorporated into previous capital and operating budgets and as part of the 2024-2027 multi-year budget. A total of \$2.2 million capital and operating costs has been reduced between the 2021/2022 and 2025-2027 multi-year budget. An additional \$360,000 was retained to support the building usage as an interim collections and maintenance facility, and a one-time \$253,000 in funding was moved from capital to operating to support transition work. The potential revenue from any future sale of assets has not been assumed in the Blue Box transition savings assessment at this time.

Net Blue Box Transition Savings

Budget Adjustments 2021/2022	Operating	Capital	Total
Projected Capital Cost Savings (in comparison with status quo) * based on Watson & Associates Economics Ltd financial analysis as part of the Solid Waste Management Master Plan		\$400,000	
2022 budget adjustment to reflect operational efficiencies	\$154,300		
Budget Adjustments 2025-2027			
Blue Box Revenue Impacts			
Grant	\$1,712,000		
Sale of Goods (Recyclables)	\$680,000		
Blue Box Expense Impacts			
MRF Related 2025	\$3,126,378		
MRF Related 2026	\$61,450		
MRF Related 2027	\$64,680		
Fleet Adjustments 2024-2027	\$778,699		
Net Blue Box Savings	\$1,793,507	\$400,000	\$2,193,507

Operating Budget Retained - Interim Collections /Maintenance Facility	Operating	Capital	Total
Expenses for Interim Collections Operations - 2025	\$326,110		
Expenses for Interim Collections Operations - 2026	\$17,830		
Expenses for Interim Collections Operations - 2027	\$20,230		
Total	\$364,170		\$364,170

Capital Budget for transition plan	Operating	Capital	Total
Transition Plan (fund from tax operating contingency reserve)		\$253,000	
Total		\$253,000	\$253,000

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.

Finance, Strategic Communications and Community Engagement, Human Resources, and Legal and Court Services have also been consulted throughout the transition planning process. CUPE has been engaged on the Staff Transition Plan.

Attachments

None

Departmental Approval

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