



Report to: General Committee

Meeting Date: May 19, 2020

SUBJECT: AMO request for Preferred Municipal Blue Box Transition Timing
PREPARED BY: Claudia Marsales, Senior Manager, Waste & Environmental Management

RECOMMENDATION:

- 1) That the Report entitled “AMO request for Preferred Municipal Blue Box Transition Timing ” be received; and,
- 2) That the City of Markham jointly with York Region and the Local Municipalities support 2025 as the preferred Blue Box transition date (year 3) of the transition process; and,
- 3) That the City of Markham elect to continue to provide Blue Box collection services to residents (post transition) on behalf of the product producers should both parties arrive at mutually agreeable commercial terms; and,
- 4) That the City of Markham reserve the option to amend Markham’s transition date and collection service preference at any time if it is determined to be financially and operationally beneficial to the City; and,
- 5) That staff be directed to report back in the fall of 2020 after release of the Provincial Blue Box regulations; and,
- 6) That the City Clerk be directed to forward a copy of this resolution to the Association of Municipalities of Ontario, York Region and Local Municipalities; and the Ontario Ministry of the Environment, Conservation and Park; and further,
- 7) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

N/A

PURPOSE:

The purpose of this Report is to recommend a preferred Blue Box program transition year and collection service approach in response to a request by the Association of Municipalities of Ontario (AMO).

BACKGROUND:**Province moves forward with Blue Box transition process**

The Province's 2016 *Waste Free Ontario Act* is designed to transition the operational and financial responsibility for Ontario's Blue Box recycling program from municipalities to product producers.

In August 2019, the Minister of the Environment, Conservation and Parks (MOECA) and the Minister of Municipal Affairs and Housing, issued an official direction letter to all stakeholders outlining the next steps and timelines of the Blue Box transition process.

The Province intends to release regulations by fall 2020. Transition is planned to occur between 2023 and 2025, with one third of Ontario households transitioning in each year. Ministry staff have indicated that the municipal transition of the Blue Box program will be mandatory.

Shifting the responsibility and cost of recycling to product producers is intended to incentivize better product and packaging design and increase diversion. Product producers, not municipalities, are best positioned to manage the full lifecycle of the products they design. Government policies should focus responsibility on those that can most effectively and efficiently drive change.

The concept of product producer responsibility is not new, and has been embraced by European countries and the Province of British Columbia.

It is important to note that Ontario municipalities will continue to be responsible for garbage, organics and yard waste services.

AMO calls for municipal input to the transition process

To support the transition process, in December, 2019, AMO requested all municipal Councils across Ontario pass a non-binding resolution indicating:

- The municipality's preferred transition year between 2023 -2025;
- The municipality's service delivery preference to either continue to act as the collection service provider on behalf of the product producers or "hand over the keys" and have product producers directly provide collection services to residents.

While AMO recognizes it is difficult for municipal governments to indicate preferences without program specifics, AMO believes it is in municipalities' best interest to publicly declare their preferences now to ensure their input is considered.

These non-binding resolutions will be consolidated by AMO to provide a complete picture of how and when municipalities across Ontario would prefer to transition to better inform future stakeholder discussions.

Local municipalities and York Region have worked together to develop a common transition timeframe that minimizes risk across the entire system

Waste Management is a shared responsibility in York Region. Local municipalities collect materials and the Region transfers, processes, sells, and disposes of these materials. The system is integrated and interdependent.

The current system operates under 4 separate municipal collection contracts and 3 regional transfer and processing contracts, all with differing expiry dates and extension terms. The intended goal is to provide AMO a joint transition strategy and preferred transition year for both collection and processing.

Richmond Hill, Vaughn, and the Northern 6, all have long-term contracts stretching beyond 2023 and some extending beyond 2025. Choosing the later transition date would minimize the need for contract amendments and potential contract penalties. While these contracts contain off-boarding clauses for blue box collection, it is not clear whether these clauses will be successful or enforceable as they have yet to be tested in court.

The Region's contracts for material transfer and processing expire in the early part of the transition timeframe but provide additional flexibility offered by contract extension terms.

York Region and local municipal staff have been working together to understand potential implications of the various transition timing options including operational, financial and contract term considerations on the collections, transfer and processing stages of the system.

New Long-term Collection Contract addresses transition

Markham's current collection contract is operating under short term extension and a Request for Proposals process for a new long-term contract is underway. The new collection contract will have a term of 8 years in order to amortize the collection fleet needed to perform the service taking the contract beyond the transition timeframe by several years.

A key risk of entering into long term collection contract is that a municipality may not be able to cost effectively, terminate, or alter their contracts to take advantage of potential savings resulting from the transition process.

Markham's Request for Proposals (RFP) document includes a formula that will provide staff the ability to determine the cost of Blue Box transition in each contract year.

Once transition details are known, City staff will be able to calculate the cost/ benefit impacts of early or later transition timing. Staff are therefore recommending the City reserve the right to change the preferred transition date at any time if it is deemed to be financially beneficial to the City.

Given the need to respond by June 30, 2020 to AMO's call for action, all parties have determined a transition date of 2025 is preferred. It is recognized that these resolutions are non-binding and transition timing can be amended in the future.

It is important to note that due to the shared responsibility for waste management between York Region and the lower tier municipalities, the choices made by York Region may influence Markham's future transition timing. As an example, York Region currently provides processing for Blue Box materials collected by the lower-tier municipalities (i.e. sorting and finding end markets). If York Region chooses to transition its processing role to Producers before the City does, Markham may be responsible for new costs previously covered by York Region, such as transfer or added transportation costs to different processing facilities in the GTA.

Staff support Markham continuing as a service provider to collect the Blue Box on behalf of producers for a fee

Due to our integrated waste management system, transitioning Markham's Blue Box program is not as simple as severing the collection of Blue Box materials from the other waste collection services offered by the City.

As an example, Markham is currently serviced by a mix of side and rear loaders designed to co-collect recyclables and organics in the same truck. Garbage is collected bi-weekly in a separate vehicle and leaf and yard material is collected from April to December. Transitioning or removing recycling collection will affect how the remaining waste collection services are delivered.

While few details are available at this time regarding future service options, staff expect that municipalities will have the option to continue to collect Blue Box materials on behalf of product producers for a fee.

To achieve this preferred outcome, staff are recommending that Markham pursue a transition approach where Markham will continue to collect Blue Box materials on behalf of product producers if we are able to reach a mutually beneficial agreement. This approach will minimize costs while reducing the potential impacts to customer service levels by leveraging the efficiency of the existing integrated waste collection system.

Financial and operational uncertainty remain significant challenges moving forward

Uncertainty remains the biggest challenge to making decisions on the transition process. Until the Province finalizes the regulations and commercial terms between municipalities and product producers are negotiated, key issues remain unknown.

While more details are required to fully inform Council decision making, staff have identified the following additional areas of concern:

- It is unknown whether the product producers will provide or allow for co-collection of different material streams in conjunction with blue box materials;
- It has not been confirmed how multi-residential collection, super mailboxes, depot services, BIA's will be addressed;

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- The location of future Blue Box transfer and processing facilities has not been determined and could impact future program costs as these costs are currently York Region's responsibility;
 - Impacts to inter connected municipal waste management programs such as resident education (e.g., waste calendar), curbside enforcement, comments on planning applications
 - List of accepted blue box materials is currently unknown

These issues will be assessed as more information becomes available and will be brought to council through subsequent staff reports.

CONCLUSION:

The Province's new blue box plan presents significant challenges in planning for future collection services and ensuring Markham's diversion programs continue to provide the convenient, reliable collection services our residents expect.

Future negotiations and commercial arrangements will need to be carefully considered to ensure a smooth transition that maintains current service levels, collection efficiencies, and minimizes negative impacts to collection operations and customer service to our residents.

The Council resolution being provided to AMO is non-binding and Markham retains the right to amend Markham's transition date and collection service preference at any time if it is determined to be financially and operationally beneficial to the City;

Staff will continue to actively participate in the Blue Box program transition process. As details for the Blue Box program regulation becomes available, staff will report back to Council on the impact on Markham's waste management system, cost analysis, and proposed next steps for Council direction.

FINANCIAL CONSIDERATIONS

Since 2005, product producers have been required to pay to municipalities up to 50% of the collection and processing costs for the municipal Blue Box program. For Markham, recycling costs (as calculated in the most recent annual Blue Box Data call) are approximately \$4.1M including collection, depots, multi-residential, BIA's, administration and education.

The City receives annual funding from product producers of approximately \$1.3M known as the Waste Diversion Ontario (WDO) grant.

The transition process may provide additional opportunities to reduce Blue Box operating costs. Once further details are known, Staff will analyze the costs, benefits, and risks of transitioning in each of the three years and advise Council accordingly.

The recommendations of this staff report do not have any financial implications at this time as the Council declaration is non-binding and allows Markham to unilaterally make changes as more details on the transition become available.

Future financial considerations as a result of the Blue box transitioning will include:

- Potential reduction of municipal collection costs
- Potential costs if Markham exits the recycling component of its long term collection contract
- Additional costs for transfer which are currently funded by York Region

LEGAL CONSIDERATIONS

N/A

HUMAN RESOURCES CONSIDERATIONS

N/A

ALIGNMENT WITH STRATEGIC PRIORITIES:

Building Markham's Future Together: 2020 – 2023 Strategic Plan. Safe, Sustainable & Complete Community - Protect and enhance our natural environment and built form and Markham Green

BUSINESS UNITS CONSULTED AND AFFECTED:

N/A

RECOMMENDED BY:

Phoebe Fu
Director Environmental Services

Brenda Librecz
Commissioner, Community & Fire
Services

ATTACHMENTS:

AMO request for Preferred Municipal Blue Box Transition Timing -Presentation