

<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON MAY 26, 2020</b>
<b>FROM:</b>	<b>KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR ENVIRONMENTAL &amp; ENGINEERING SERVICES AND CITY ENGINEER</b>
<b>SUBJECT:</b>	<b>RESPONSE TO THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO (AMO) REGARDING TRANSITION OF RECYCLING</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer, the following actions **BE TAKEN** with respect to a request by the Association of Municipalities of Ontario (AMO) for details on recycling transition:

- a) The Mayor **BE AUTHORIZED** to advise the Ontario Ministry of the Environment, Conservation and Parks (MECP) and the Association of Municipalities of Ontario (AMO) that the Corporation of the City of London would like to:
- i. transition the collection of recyclables to full producer responsibility on January 1, 2023, and;
  - ii. examine opportunities of working with producers (industry) during the transition period (e.g., fee for services basis for recycling such as administration, education and awareness, contract management, monitoring and compliance);

It being noted that the Mayor has previously been authorized to advise MECP and AMO that the transition of processing and marketing of recyclables to full producer responsibility could occur on January 1, 2023.

- b) Staff **BE DIRECTED** to undertake the following actions as part of the transition process:
- i. continue to take an active role in the development of the regulatory environment and implementation plans of the transition process through the Municipal 3Rs Collaborative (M3RCs) which is comprised of the AMO, Regional Public Works Commissioners of Ontario, Municipal Waste Association and the City of Toronto;
  - ii. ensure that producers (industry) are aware that an existing competitively awarded contract to collect recyclables is currently in place in London, and that opportunities to use the existing contractor (Miller Waste Systems) with mutually agreeable transition contract terms should be considered from January 1, 2023 to December 21, 2025, it being noted that the would further benefit London taxpayers as early contract termination fees could be reduced,
  - iii. ensure that the producers' plan to transition residents, Municipal Elected Officials and City staff to the new system is accountable and transparent and also includes separate contingency plans developed by the City, and;
  - iv. ensure that producers are aware that opportunities to increase waste diversion, maximize resource recovery and optimize recycling system operations can be examined through the London Waste to Resources Innovation Centre and its business and academic collaborators for the benefit of all in Ontario and elsewhere.

## PREVIOUS REPORTS PERTINENT TO THIS MATTER

Relevant reports that can be found at [www.london.ca](http://www.london.ca) under City Hall (Meetings) include:

- Operation of the City's Materials Recovery Facility: Next Steps in the Transition to Industry Responsibility for Recycling Services (April 15, 2020 meeting of Civic Works Committee, Item #2.8)

## COUNCIL'S 2019-2023 STRATEGIC PLAN

Municipal Council has recognized the importance of solid waste management in its 2019-2023 Strategic Plan for the City of London as follows:

### **Building a Sustainable City**

London has a strong and healthy environment (Increase waste reduction, diversion and resource recovery)

### **Growing our Economy**

London is a leader in Ontario for attracting new jobs and investments (Increase partnerships that promote collaboration, innovation and investment)

### **Leading in Public Service**

Londoners experience exceptional and valued customer service (Increase community and resident satisfaction of their service experience with the City)

## BACKGROUND

### **PURPOSE**

The purpose of this report is to indicate to the Ontario Ministry of the Environment, Conservation and Parks (MECP) and the Association of Municipalities of Ontario (AMO) that the Corporation of the City of London would like to:

- transition the promotion, education and collection of recyclables to full producer responsibility on January 1, 2023, and;
- provide program services such as administration, education and awareness, and contract management, monitoring and compliance. These services would be subject to an appropriate fee or similar arrangement being offered by industry for municipal services and Council approval of the arrangement.

### **CONTEXT**

On August 15, 2019, the Minister of the Environment, Conservation and Parks announced that Blue Box services will transition to producers in phases over a three-year period starting January 1, 2023, and ending December 31, 2025. Further background details are contained in Appendix A.

To assist with transition, the AMO is asking that Councils select preferred transition dates, rationale, and potential services to offer by June 30, 2020 (Appendix B). This item is further elaborated on under the Discussion Section in this report.

Based on existing information, it is understood that industry is pursuing two separate but related paths for transition; one dealing with collection programs and one dealing with processing and marketing arrangements.

In April 2020, Council resolved that:

*The Mayor **BE AUTHORIZED** to advise the Ontario Ministry of the Environment, Conservation and Parks (MECP) and the Association of Municipalities of Ontario (AMO) that the Corporation of the City of London would like to transition the processing and marketing of recyclables to full producer responsibility on January 1, 2023 and would be interested in examining the opportunities of working with producers (industry) on the future role of London's Regional MRF, it being noted that a comprehensive response and rationale as requested by AMO will be provided by June 30, 2020.*

The rationale for this transition date for processing is it sends an early signal to the Province, producers (industry) and municipal partners using the MRF that the City of London:

- can move quickly to full producer responsibility for processing and marketing;
- is prepared to examine opportunities for the role of the existing MRF to serve southwestern Ontario. Opportunities include direct (administration) participation, leasing the MRF and land, or selling the MRF and leasing the land; and
- is prepared to examine opportunities that create economic benefit for London and southwestern Ontario.

## DISCUSSION

AMO is asking that a Council resolution be passed by June 30, 2020 and be directed to AMO and the MECP that specifies (Appendix B):

1. Council's preferred date to transition, based on the exiting service provision (between January 1, 2023, and December 31, 2025);
2. Rationale for transition date;
3. Whether London is interested in potentially continuing to provide services (e.g. contract management, collection, haulage, processing services, etc.) or not, and;
4. Key contacts if there are any follow-up questions.

AMO has made it clear that the preferred transition dates may not be the final determination of London's transition dates, nor is London obligated in any way by the date that is specified. The dates are to help the Province and industry plan an orderly and seamless transition.

### **Selection of Preferred Date to Transition Collection Services**

In 2019, through a competitive process, Council awarded a contract to Miller Waste Systems Inc. to provide collection services for recyclables. The new contract starts on August 31, 2020. The contract duration is four (4) years with four (4) possible one (1) year options at the sole discretion of the City. The new contract includes a methodology for early termination of the contract should industry desire to release new contracts versus acquiring the existing competitive contracts.

The best date financially for the City of London to transition is January 1, 2023. This maximizes the net savings to taxpayers over the 3-year transition period. As noted on Table 1, the earlier the City transitions during the transition period, the greater the net financial savings (even after payment for early contract termination fees).

The financial benefit to the City, as well as the financial and operational benefit to the City's collection contractor, Miller Waste Systems, can be further increased by using the existing, competitively awarded contract to collect recyclables through mutually agreeable transition contract terms between January 1, 2023 and December 21, 2025.

The best date operationally for the City would be April 1, 2023 after the winter period is over. Program changes occurring on January 1 can be problematic due to seasonal considerations, winter operations dealing with snow, reduced capability of problem solving in cold winter months, etc. These items can be dealt with through the producer's transition plan and a separate contingency plan prepared by City staff.

**Table 1: Potential Net Savings Scenarios During the 3 Year Transition Period**

Collection Contract (a)	Potential Transition Dates (Scenarios) Between January 1, 2023 and December 31, 2025	Approximate Savings from Industry Over 3 Years (b)	Approximate Early Contract Termination Fee (c)	Net Savings to Taxpayers Over 3 Years
Year 3 - August 31, 2022 to August 30, 2023	January 1, 2023	\$9,000,000	\$3,100,000	\$5,900,000
	July 1, 2023	\$7,500,000	\$2,570,000	\$4,930,000
Year 4 - August 31, 2023 to August 30, 2024	January 1, 2024	\$6,000,000	\$2,060,000	\$3,940,000
	July 1, 2024	\$4,500,000	\$1,550,000	\$2,950,000
Year 5 - August 31, 2024 to August 30, 2025	January 1, 2025	\$3,000,000	\$1,310,000	\$1,690,000
	July 1, 2025	\$1,500,000	\$1,200,000	\$ 300,000

Notes:

- (a) The annual 12 month contract period starts August 31 and lasts until August 30 of the following year.
- (b) For evaluation purposes, an amount of \$3 million per year would be saved by London taxpayers during the transition period.
- (c) During the recent RFP for collection services, all respondents were required to indicate the one-time Fee for Early Termination of Contract Due to Amendments to Legislation.

### **Fee for Services – Municipal Assistance During the Transition Period**

The City of London has been providing recycling program administration, education and awareness, contract management, monitoring and compliance since 1990. During the transition period, producers may find it beneficial to pay a fee to the City of London to continue all or some recycling support services.

This technical support and research can be further extended to opportunities that increase waste diversion, maximize resource recovery and optimize recycling system operations that can be examined through the London Waste to Resources Innovation Centre and its business and academic collaborators.

In summary:

#	AMO Question	Summary Response
1.	Council's preferred date to transition based on existing service provision (between January 1, 2023, and December 31, 2025)	January 1, 2023
2.	Rationale for transition date	Contract alignment. Early contract expiry dates, including termination fees, support this date
3.	Whether London is interested in potentially continuing to provide services (e.g. contract management, collection, haulage, processing services, etc.) or not	Yes
4.	Key contacts if there are any follow-up questions	Jay Stanford, Director, Environment, Fleet & Solid Waste

<b>PREPARED BY:</b>	<b>PREPARED BY:</b>
<b>ANNE BOYD, B.A., B.E.Sc. MANAGER, WASTE DIVERSION</b>	<b>MIKE LOSEE, B.Sc. DIVISION MANAGER, SOLID WASTE MANAGEMENT</b>
<b>PREPARED AND SUBMITTED BY:</b>	<b>RECOMMENDED BY:</b>
<b>JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENT, FLEET &amp; SOLID WASTE</b>	<b>KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>

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Appendix A Recent Provincial Direction about Transition of the Blue Box to Full Producer Responsibility

Appendix B Association of Municipalities of Ontario: Call to Action to Pass a Resolution about Transition of the Blue Box to Full Producer Responsibility

## **APPENDIX A**

### **Recent Provincial Direction about Transition of the Blue Box to Full Producer Responsibility**

In June 2019, the Minister of Environment, Conservation and Parks appointed Mr. David Lindsay, as Special Advisor on Recycling and Plastic Waste and to facilitate a discussion on transitioning the Blue Box program to full producer responsibility. This appointment has been viewed positively by municipalities as it has restarted the transition process which had been stalled since before the last provincial election.

Under a full producer responsibility program, industry would pay the full cost of municipal Blue Box programs, instead of the approximate 50% that is currently paid by industry in the form of quarterly financial grants to municipalities. This also includes taking operational responsibility for recycling and making sure materials are recycled. Also included in this new program will be the onus on industry stewards to make packaging decisions that deliver better environmental outcomes.

The Special Advisor's work is to be guided by the following policy objectives (which are reflective of the interests municipalities have advocated for:

- standardization across the province of what can be recycled in homes, workplaces and public;
- improved diversion rates and increase what materials can be recycled;
- reduced litter and waste in communities and parks;
- improved Ontario Blue Box program by requiring producers to pay for the recycling of the products they produce, through achieving producer responsibility; and,
- maintained or improved frequency of Blue Box collection.

The Special Advisor's Report with recommendations was submitted on July 20, 2019. The Association of Municipalities of Ontario (AMO) has been assured that municipal governments will be very involved in the transition process but ~~these~~ details are not known yet.

On August 15, 2019, the Minister of the Environment, Conservation and Parks announced the next steps for transitioning the costs and operations of the Blue Box Program away from municipalities to make the producers of products and packaging fully responsible.

The announcement stated that Blue Box services will transition to producers in phases over a three-year period, starting January 1, 2023, and ending December 31, 2025. The Minister directed Stewardship Ontario to submit a plan to outline how the current program will operate over the three-year period by June 30, 2020. Further, a letter was issued to the Resource Productivity and Recovery Authority (RPRA) to approve the plan no later than December 31, 2020.

Currently the Province is developing regulations and a framework as part of the *Resource Recovery and Circular Economy Act, 2016* to make all these actions possible.

#### **Transition of Operational and Financial Responsibility of Blue Box Program to Producers of Packaging and Paper Products**

As noted, the letter requires producers of packaging, which is managed in the Blue Box Program, to take over operational and financial responsibility of the program over the period of January 1, 2023 through January 1, 2025. It is anticipated that one or two of the larger collection programs will transition first, and London is expected to transition in either 2024 or 2025. Facilities that process and market recyclable materials will likely be handled separately as industry's goal is to have fewer and larger processing facilities.

To summarize, when the transition process occurs the following key items will likely result for the City of London:

- Industry stewards will pay between 95% and 100% of the cost of Blue Box/Blue Cart recycling services or the system of choice for the recovery of designated paper and packaging products. This will represent about \$3 million per year saved for the City of London.
- Industry stewards will be responsible for 100% of the operations versus the current system whereby municipalities have 100% responsibility for recycling services in the residential sector. The municipal role in recycling services will be determined by industry in consultation and final negotiations with municipalities.
- Municipal assets such as MRFs may or may not be part of the future system. Industry will decide this based on unknown factors at this time. London's MRF is well positioned in southwestern Ontario and is likely to be part of the future system that will see fewer MRFs and consolidated recycling programs.

**APPENDIX B**  
**Association of Municipalities of Ontario: Call to Action to Pass a  
 Resolution about Transition of the Blue Box to Full Producer  
 Responsibility**

**From:** AMO President  
**Sent:** December 18, 2019 6:39 PM  
**Subject:** Call for Action to Pass a Resolution about Transition of the Blue Box to Full Producer Responsibility

Dear Mayor/Head of Council:

**RE: Call for Action to Pass a Resolution about Transition of the Blue Box to Full Producer Responsibility**

I would ask your Council to pass a resolution outlining your municipal government's preferred date to transition your Blue Box program to full producer responsibility if provided the opportunity to self-determine (between January 1, 2023 and December 31, 2025). While the Province has not yet determined what mechanism will be used to choose when municipalities will transition, AMO believes your Councils are in the best position to decide when the best time to transition your Blue Box program is based on your specific circumstances (e.g. assets, contracts, integrated waste management system).

**AMO is asking that a Council resolution be passed by June 30, 2020, be directed to AMO and the Ontario Ministry of Environment Conservation and Parks, that specifies:**

1. Your Council's preferred date to transition based on exiting service provision (between January 1, 2023, and December 31, 2025);
2. Rationale for transition date;
3. Whether your municipal government is interested in potentially continuing to provide services (e.g. contract management, collection, haulage processing services etc.) or not; and,
4. Key contacts if there are any follow-up questions.

**NOTE: Your Council's stated preference may not be the final determination of your transition date, nor are you obligated in any way by the date that is specified.** Please read the rationale for self-determination (**Attachment 1**), and the example resolution (**Attachment 2**) for more details.

Thank you for your attention and assistance in this matter. If you have any questions or require further information, please contact Dave Gordon, Senior Advisor, at 416 389 4160 or [dgordon@amo.on.ca](mailto:dgordon@amo.on.ca) or Amber Crawford, Policy Advisor, at 416 971 9856 extension 353 or [acrawford@amo.on.ca](mailto:acrawford@amo.on.ca).

Sincerely,

Jamie McGarvey  
 AMO President  
 Mayor of Parry Sound

Attachment 1: Background on Transition to Full Producer Responsibility  
 Attachment 2: Example Resolution on Transition to Full Producer Responsibility

[Note: the attachments referred to above are not included with this CWC report]