

THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

STAFF REPORT

DATE: January 31, 2023
TO: Committee of the Whole
FROM: Zack Moshonas, Environmental Compliance Coordinator
SUBJECT: Blue Box Transition Information

RECOMMENDATION:

THAT Committee of the Whole recommend Council receive this report for information purposes.

AND THAT Committee of the Whole recommend Council Authorize Staff to secure contracts to continue recycling services at our depots where cardboard collection is currently provided.

AND THAT Committee of the Whole provide staff direction on the preferred option.

AND THAT the preferred option be brought forward to Council for final approval.

BACKGROUND:

The Municipality of Mississippi Mills operates a Blue Box program for the entire Municipality. Curbside collection and processing are undertaken by contracts managed by the Roads and Public Works department. As per the 2021 recycling contract with Emterra Environmental, the Municipality provides Blue Box services to 6135 residential units and 212 Industrial, Commercial, and Institutional units. This report outlines changes to the blue box program and does not affect the provision of garbage collection and disposal services/contracts.

Over the last two decades, the mix of printed paper and packaging that goes into the Blue Box has evolved. The economics of Blue Box recycling are more challenging than ever before, and as a result, Ontario's recycling rates have stalled while costs continue to escalate. Producer responsibility is based on the idea that the companies that design, create and market products and packaging are in the best position to reduce waste or increase resources that can be recovered from their products.

Ontario is in a fundamental transition of its Blue Box program. The existing framework, which provides industry funding to reimburse a portion of municipalities' Blue Box costs,

will move to a full producer responsibility model where industry (i.e., the producers of Blue Box materials) will be wholly responsible for the cost and operations of designated diversion programs.

Under the existing Blue Box Program Plan, municipalities with a population over 5,000 are required to provide residential Blue Box services and producers of printed paper and packaging are obligated to co-fund up to 50 per cent of the program. They are obligated to register with, and are represented through, an organization called Stewardship Ontario. Under this system, municipalities administer the Blue Box program and have the autonomy to decide how their individual programs operate, consistent with a framework of best practices as developed by Stewardship Ontario.

Producers are the brand owners, first importers or franchisors of printed paper and packaging. They are currently represented by Stewardship Ontario, which is a Producer Responsibility Organization (PRO). After the Blue Box program transitions, each producer (or group of producers who form a PRO) will be responsible for meeting their own obligations, under what is termed as Individual Producer Responsibility.

In August of 2019, the Resource Productivity and Recovery Authority (RPRA) – who is the regulator for Ontario’s circular economy laws – and Stewardship Ontario received direction from the Ontario Government to prepare a windup plan of the Blue Box program under the Resource Recovery and Circular Economy Act, 2016.

In June of 2021, the Province released the Blue Box regulation (Ontario Regulation 391/21 – Blue Box, amended as Regulation 349/22) under the Resource Recovery and Circular Economy Act, 2016. The new regulation outlines how Blue Box producers will become fully accountable and financially responsible for collecting and recycling their Blue Box materials when residential sources discard them. Transition of the Blue Box program will occur from July 1, 2023, through to December 31, 2025 (i.e., the transition period). Over the transition period, each municipality and First Nation in Ontario who currently operates a Blue Box program will transition to producer responsibility. Mississippi Mills is slated to be of the first communities to transition on July 1, 2023.

Producers may choose to organize under one or multiple PROs. The PROs, or individual producers, will be responsible for delivering Blue Box services across Ontario in a way that meets the requirements of the new regulation. Under the regulation, they have the right to determine aspects of the Blue Box program (after the transition period), such as who provides collection service, the containers that are used, the frequency in which they are collected, the materials that are accepted, and where the materials are sent for processing, unless otherwise prescribed in the regulation. After the transition period, producers will have greater autonomy for administering the program.

The largest PRO by market share, Circular Materials Ontario (CMO) was identified as the program administrator and is securing contracts across the province for Blue Box collection and processing. During the period of July 1, 2023 through to December 31, 2025, CMO will operate the blue box program in each community in the same manner

as it has been operating for residential users only. As a result there will not be any immediate process changes for residential users.

In accordance with previous council direction (as per Council Resolution 149-20), Mississippi Mills has opted-out of administering the Blue Box program and the responsibility has transferred to CMO who will organize contracts to continue services in the Municipality for eligible sources as of July 1, 2023.

DISCUSSION:

Only residential sources of blue box material will be transitioned to full producer responsibility. Blue box material generated by sources such as commercial (i.e., campgrounds, non-for-profit organizations, and commercial retail outlets), industrial, and institutional (i.e., places of worship, daycares, municipal facilities, office spaces) are considered non-eligible and CMO is not responsible to fund the collection of materials from these sources. In general, sources that are deemed non-eligible are Industrial, Commercial and Institutional (IC&I) sources. During the period from when Mississippi Mills transitions the blue box program through December 31, 2025, CMO will permit blended collection of eligible and non-eligible materials for Municipalities who wish to continue to provide services to IC&I users. This is done through direct negotiation with the CMO service provider. CMO has not provided information on the selected contractor who will provide these services at the time of this report. Beyond the regulatory transition period (beginning 2026), CMO will not allow for blended collection of eligible and non-eligible sources and if this service is continued for the IC&I sector, separate arrangements for the existing 212 customers would need to be secured and provided.

Mississippi Mills is not required to provide these services to the IC&I sector. Mississippi Mills will need to determine if they wish to continue to fund and provide collection and processing of recyclables for sources that have been deemed as “Non-eligible” under the Blue Box regulation. The Municipality currently funds these services on a user pay tax levy, equally applied to all users.

Opting out of administering the Blue Box program will free up a significant amount of a significant amount of staff resources (after July 1, 2023) which are currently used for promotion and education, contract administration, and customer service.

OPTIONS:

1. THAT Council direct staff to negotiate and secure agreements with the CMO private sector service provider to provide blended collection of eligible (residential) and non-eligible (IC&I) sources during the transition period of July 1, 2023 through to December 31, 2025.

Note(s):

- a. Option 1 will require funding through the tax levy for waste, which may be adjusted for IC&I customers to reflect the cost of administering this program for the existing 212 customers.
 - b. Option 1 can be for a transition period where the 212 existing customers are provided notification that they will be required to secure their own private service contracts before January 1, 2026.
 - c. If services are provided by the Municipality beyond 2025, a separate service contract would need to be procured and administered by staff.
2. THAT Council direct staff to notify non-eligible sources (i.e., IC&I sources) that as of July 1, 2023, the Municipality will not be provided Blue Box collection services and they will need to arrange private collection of blue box materials for themselves.

Note(s):

- a. The Municipality is not required to provide these services for IC&I sources.
- b. This reduces the cost of administration and the requirements on staff to secure new contracts.
- c. This will require the Municipality to obtain private contracts for Municipal Facilities, however, some municipalities have opted to discontinue IC&I services, with the exception of Municipal Facilities where staff have been authorized to negotiate the inclusion of Municipal facilities.
- d. If Option 2 is selected it should also be recommended that Council direct staff to secure recycling services for all Municipal Facilities.

FINANCIAL IMPLICATIONS:

The net cost of the Blue Box program in 2020 was reported to be \$734,991 (as per the 2020 RPRA Datacall). As part of the current Blue Box program, municipalities are required to co-fund up to 50% of the costs for the program. For the 2020 program year Mississippi Mills is slated to be reimbursed \$354,423 for the program, which equates to a program cost recovery of 48%. Final costs for the 2021 reporting year are still being calculated by the RPRA.

After transition begins on July 1, 2023, Mississippi Mills is not expected to incur costs for the Blue Box program related to collection from eligible sources. In 2023, Mississippi Mills will only pay for and administer the blue box program for 6 months, of which will still be subject to the approximate 50% funding under the current program. Therefore, the Waste Levy can be decreased appropriately beginning 2024.

As per the current recycling collection and processing contract, the Municipality pays approximately \$2.10 per stop per week. As previously noted, Mississippi Mills services approximately 212 IC&I units. Using current rates, the cost to continue providing blue box services to IC&I units for the remainder of 2023 (from July 1, 2023 through to

December 31, 2023) would be approximately \$11,575.20, assuming the costs remain consistent. This is an estimate only as the service provider has not been identified, staff have not been able to request a cost estimate from the actual services provider. It should be noted that if a new agreement for IC&I collection would need to be negotiated costs may increase. For this option, the Waste Levy would need to be adjusted appropriately for IC&I users. The costs provided do not include costs related to contract administration or dealing with customers concerns. Annual funding for 2024 to service the 212 Existing IC&I users would be approximately \$23,811.84, plus internal costs for administering the program. It is anticipated that if services are provided by the Municipality beyond 2025 a substantial increase in unit rate per customer would apply due to the economies of scale.

Should the Municipality cease to provide blue box services to IC&I users, the Waste Levy could decrease uniformly as there would be no cost to the Municipality for providing blue box services.

SUMMARY:

This report is provided as an update to the blue box transition from shared municipal responsibility to full producer responsibility and to seek direction from Council on continued blue box services for IC&I users. Mississippi Mills will be transitioning the Blue Box program to full producer responsibility under the Resource Recovery and Circular Economy Act. This transition does not affect the provision of the garbage collection services provided by the Municipality. Regulations under this act define residential sources as eligible for transition to full producer responsibility. Once Mississippi Mills transitions in July of 2023, the requirement to fund and operate the blue box program for these eligible materials will be placed upon the Producer Responsibility Organizations (PRO) as identified under the regulations of the Act. The largest PRO by market share – Circular Materials Ontario – is the program administrator and is responsible for securing collection, receiving, and processing contracts as well as developing program plans and overseeing the blue box program for the province. Options for non-eligible IC&I sources include continuing to provide these services at a cost to these users through the Waste Levy, or as of July 1, 2023, notifying these users that they would be responsible for arranging for collection of blue box materials themselves.

Respectfully submitted by,

Reviewed by:

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