

Entering into Agreements with Producer Responsibility Organizations for the Blue Box Program

Date: May 11, 2022

To: Infrastructure and Environment Committee

From: General Manager, Solid Waste Management Services

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The confidential attachment to this report is about a plan to be applied to negotiations to be carried on by the City of Toronto.

SUMMARY

The purpose of this report is to provide an update on the transition of the City of Toronto's (the City) Blue Bin Recycling Program to producers effective July 1, 2023, in accordance with *Ontario Regulation 391/21: Blue Box*¹ adopted on June 3, 2021, as amended by *Ontario Regulation 349/22: Blue Box*², adopted on April 14, 2022 (the Regulation). This report includes information about the formation and role of Producer Responsibility Organizations, their responsibility for the collection of recyclables from eligible sources, the City's potential future role in the new Blue Box recycling management environment. It also presents considerations and terms and conditions that will guide negotiations, and requests delegated authority to enter into any agreements with Producer Responsibility Organizations on transitioning the City's blue box management responsibilities to producers on July 1, 2023.

This staff report also highlights activities undertaken by staff to prepare for the system changes resulting from transition, including: business transformation and change management preparations, ongoing City-led provincial regulatory advocacy, and monitoring of non-blue box waste diversion programs.

RECOMMENDATIONS

¹ www.ontario.ca/laws/regulation/r21391

² www.ontario.ca/laws/regulation/r22349

The General Manager of Solid Waste Management Services recommends that:

1. City Council authorize the General Manager, Solid Waste Management Services to negotiate and enter into any service agreements or amending agreements with any Producer Responsibility Organization(s) registered with the Resource Productivity Recovery Authority, and/or their designate, for the City of Toronto to be contracted to provide recycling collection and management services, based on terms and conditions outlined in Confidential Attachment 1, for the management of blue box materials until the end of the transition phase pursuant to the *Resource Recovery and Circular Economy Act, 2016* or any regulations thereunder, on terms acceptable to the General Manager, Solid Waste Management Services; Deputy City Manager, Infrastructure and Development Services or designate; and Chief Financial Officer and each in a form satisfactory to the City Solicitor.
2. City Council direct that Confidential Attachment 1 to the report (May 11, 2022) from the General Manager, Solid Waste Management Services remains confidential in its entirety in accordance with the provisions of the *City of Toronto Act, 2006*, as involves a position, plan, procedure, criteria or instruction to be applied to any negotiation carried on or to be carried on by or on behalf of the City.
3. City Council direct the General Manager, Solid Waste Management Services, to report back in early 2023 to the Infrastructure and Environment Committee with the outcome of negotiations and any executed contract(s) that occur with registered Producer Responsibility Organizations and/or their designate for the transition phase from July 1, 2023 to December 31, 2025.
4. City Council authorize the General Manager, Solid Waste Management Services and/or designate to negotiate and enter into any agreements to manage the blue box materials from locations not serviced by Producer Responsibility Organizations on terms acceptable to the General Manager, Solid Waste Management Services and in a form satisfactory to the City Solicitor.
5. City Council support the General Manager, Solid Waste Management Services and/or designate, to enter into discussions with Producer Responsibility Organizations and/or their designate, on their potential interest in using any of the City of Toronto's recycling related infrastructure and assets during the post-transition phase (2026 and beyond) for operational efficiency purposes, and how costs associated with any capital investment would be shared.

FINANCIAL IMPACT

There are financial implications resulting from this report, as outlined in Confidential Attachment 1. Exact future financial impact considerations will depend on the outcome of negotiations with the Producer Responsibility Organizations and/or their designate that will take place throughout 2022, and likely will begin to be estimated in the 2023 Budget.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on October 1 and 4, 2021, City Council adopted IE24.11 entitled "Blue Box Regulation that Transitions the City of Toronto's Blue Bin Recycling Program to Producers". Amongst other decisions, City Council requested the General Manager, Solid Waste Management Services to report back on the status of any negotiations that may occur with registered Producer Responsibility Organizations, as well as the status of the producer rule making and allocation table and their impact on the City's blue box operations during the transition phase from July 1, 2023 to December 31, 2025.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE24.11>

At its meeting on February 2, 3 and 5, 2021, City Council adopted IE19.7 entitled "Extended Producer Responsibility Transition Update - Curbside Collection Strategy", without amendments.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE19.7>

At its meeting on September 30, October 1 and 2, 2020, City Council adopted IE15.4 entitled "Transition of Toronto's Blue Box Program to Extended Producer Responsibility". Amongst other decisions, City Council requested the General Manager, Solid Waste Management Services to report back on impacts to user fees and any change in the Solid Waste user fee program, and on the impact and proposed management of materials and sources not eligible for transition including costs.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE15.4>

At its meeting on December 17 and 18, 2019, City Council adopted EX11.3 entitled "2020 Rate Supported Budgets - Solid Waste Management Services and Recommended 2020 Solid Waste Rates and Fees". Amongst other directions, City Council requested the General Manager, Solid Waste Management Services and/or designate to continue consulting and negotiating with Provincial Officials to ensure inclusion of the City's priorities in any new anticipated waste diversion regulations or policy statements that implement the *Resource Recovery and Circular Economy Act, 2016*, and the *Waste Diversion Transition Act, 2016*.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX11.3>

At its meeting on June 18 and 19, 2019, City Council adopted IE5.10 entitled "Management of Solid Waste Contracts under Transition to a Full Extended Producer Responsibility Model". Amongst other directions, City Council authorized the General Manager, Solid Waste Management Services and/or designate, to negotiate and enter

into any new agreements or amending agreements (including but not limited to amending agreements to receive external funding) necessary for the City's continued waste diversion operations throughout the transition phase under the *Waste Diversion Transition Act, 2016*, based in part on the recommendations on pricing set out in the Confidential Attachment 1 to the report (May 15, 2019) from the General Manager, Solid Waste Management Services, and on terms satisfactory to the General Manager, Solid Waste Management Services and each in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE5.10>

At its meeting on April 25, 2019, the Infrastructure and Environment Committee referred Item IE4.6 entitled "Strategy for Future Solid Waste Management Processing Material Recovery Facilities (MRF) Service Contracts" to the General Manager, Solid Waste Management Services with the request to report to the May 23, 2019 Infrastructure and Environment Committee Meeting.

The Infrastructure and Environment Committee decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE4.6>

At its meeting on April 24, 25, 26, and 27, 2018, City Council adopted Item PW28.8 entitled "State of Toronto's Blue Bin Recycling Program". Amongst other directions, City Council authorized the General Manager, Solid Waste Management Services and/or designate, to negotiate and enter into any amending agreements (including but not limited to amending agreements to receive external funding) necessary for the City's continued waste diversion operations throughout the transition phase under the *Waste Diversion Transition Act, 2016*, based in part on the confidential recommendations on pricing set out in Confidential Attachment 1 to the report (March 22, 2018) from the General Manager, Solid Waste Management Services, and on terms satisfactory to the General Manager, Solid Waste Management Services, and each in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PW28.8>

At its meeting on September 19, 2017, Public Works and Infrastructure Committee adopted item PW23.6, entitled "Municipal Principles to Guide Transition of the Blue Bin Program". This report for information indicated that staff would update Committee and City Council regarding the progress developing an amended Blue Box Program Plan under the *Waste Diversion Transition Act, 2016*; the final amended Blue Box Program Plan submitted to the Minister of Environment and Climate Change for the transition period under the *Waste Diversion Transition Act, 2016*; and regulations or policy statements focusing on designated material and new diversion Program Plans under the *Resource Recovery and Circular Economy Act, 2016*.

The Public Works and Infrastructure Committee Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PW23.6>

At its meeting on July 4, 5, 6, and 7, 2017, City Council adopted Item PW22.4 entitled "New Provincial Waste Management Framework Legislation - Bill 151: *Waste-Free*

Ontario Act, 2016 - Update" and requested that the General Manager, Solid Waste Management Services, report back to the September 19, 2017 Public Works and Infrastructure Committee, on a list of proposed principles that will guide the discussions and negotiations between the City and producers of designated materials collected in the City's waste diversion programs.

The City Council Decision document can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PW22.4>

COMMENTS

Background

The *Resource Recovery and Circular Economy Act, 2016* and the *Waste Diversion Transition Act, 2016*, authorize the transition of the financial and operational responsibility for managing designated packaging, paper and packaging-like products from municipalities to the producers of such products and packaging. This transition changes the existing shared responsibility model for the Blue Box Program into a producer-led responsibility model, often referred to as "full" or "extended producer responsibility".

On June 3, 2021, the Province of Ontario adopted *Ontario Regulation 391/21: Blue Box*, which stipulated the transition timeline and schedule, designated materials, eligible and non-eligible sources, management targets, and detailed the transition of the Blue Box Program to producers. Subsequently, this Regulation was amended with *Ontario Regulation 349/22: Blue Box* on April 14, 2022.

This report provides an overview of the actions and advocacy taken by staff since the last update report to City Council in Fall 2021 and provides an overview of Toronto's potential role during the transition phase from July 1, 2023 to December 31, 2025. The report also presents the key amendments to *Ontario Regulation 391/21: Blue Box*.

Transition Phase and Post-Transition Phase

As a municipality transitions its Blue Box Program, the full financial and operational responsibility for the end-of-life management of their eligible paper, packaging, and packaging-like materials designated materials will transition to producers. The transition to Extended Producer Responsibility will occur in two (2) phases:

- The transition phase: July 1, 2023 - December 31, 2025
- The post-transition phase: January 1, 2026 onwards

During the transition phase, approximately 30 per cent of Ontario municipalities and First Nations communities will transition in each of the three (3) transition years. The Regulation states that current municipal Blue Box Programs and service levels must be maintained throughout the transition phase. Program changes are only permitted once

producers have complete control over all Blue Box Programs across Ontario and the province-wide system is operational in the post-transition phase.

The focus of this staff report is solely on the transition phase. The post-transition phase will not begin until 2026, so producers have time to determine the design of the future system. Once these details become available, staff will report back on the post-transition program details and their implications for Toronto.

Producer Responsibility Organizations

Obligated producers can retain the services of a Producer Responsibility Organization to discharge their obligations under the Regulation, including collection, processing, promotion and education, and achieving management targets. Producer Responsibility Organizations will decide how to meet their regulatory obligations by either tendering or negotiating for service provision with municipalities or private firms.

To be recognized as a producer service organization, a Producer Responsibility Organization must represent at least one (1) producer and be registered with the Resource Productivity and Recovery Authority (the Authority)³. The following four (4) Producer Responsibility Organizations are registered with the Authority.

Canadian Beverage Container Recycling Association

Based in Winnipeg, the Canadian Beverage Container Recycling Association is a not-for-profit industry-funded organization, which includes membership from beverage brand owners and distributors.⁴ While newly established in Ontario, CBCRA has managed and operated a beverage container recycling program in Manitoba since 2010.

Circular Materials Ontario

Circular Materials Ontario, located in Toronto, is a not-for-profit producer responsibility organization that was founded by the following food, beverage, and consumer products manufacturers, restaurants and retailers: Costco Wholesale, Kraft Heinz, Keurig Dr Pepper Canada, Loblaw Companies Limited, Maple Leaf, P&G, McDonald's, Metro, Lassonde, Nestle, Pepsico Canada, Restaurant Brands International, Sobeys, The Clorox Company, Empire Company Limited, and Coca-Cola Canada.⁵ Circular Materials Ontario has indicated that they are the largest Producer Responsibility Organization in Ontario, representing a significant majority of producer obligated tonnage.

³ The Authority is responsible for providing oversight of the Blue Box Program, developing and operating a registry for producers, as well as carrying out compliance and enforcement activities.

⁴ www.cbcr-aacrb.org

⁵ www.circularmaterials.ca/

Resource Recovery Alliance

Resource Recovery Alliance, located in Toronto, is a Producer Responsibility Organization that was created in July 2021 by the waste management company Green for Life Environmental Incorporated. Resource Recovery Alliance will provide administrative and management services to businesses and producer responsibility organizations to ensure compliance with their obligations in the Regulation.⁶

Ryse Solutions Ontario Inc.

Ryse, located in Oakville, is a multi-material Producer Responsibility Organization. Along with Blue Box, it also manages extended producer responsibility programs for tires, batteries, electronics, and hazardous materials. From these programs, Ryse manages waste diversion compliance for 110 companies, including four (4) of Canada's largest retailers and Fortune 500 companies. Ryse was created in 2018 by the waste management company Emterra Group.⁷

Discussions with Producer Responsibility Organizations

Solid Waste Management Services' staff have met with each Producer Responsibility Organization to provide an overview of Toronto's vast Blue Bin Program operations and to educate them on the scale and complexity of our integrated waste management system. Specifically, staff detailed customer counts, eligible sources, collection methods and frequency, blue box tonnages by customer type and diversion statistics, collection districts, transfer station network, service levels, customer service support, and promotion and education.

Staff have expressed the Division's willingness to discuss the City being a potential service provider for some or all aspects of the Blue Bin Program during the transition years, subject to terms and conditions that can be mutually agreed upon. The following potential services could be sought by Producer Responsibility Organizations:

- Blue Bin pilot opportunities
- Collection Services and Contract Management for Collection Services
- Co-collection of commercial businesses with eligible sources
- Providing customer service support to residents (for example, manage collection issues through 311)
- Contract management for Blue Bin container assets: repair and replacement services through existing service contract
- Monitoring and implementing contamination abatement protocols

⁶ www.rralliance.com/

⁷ <https://ryseinc.ca/>

- Negotiating access to the City's recycling assets, infrastructure, and transfer station capacity for consolidating blue box materials
- Providing haulage of blue box materials to a processing facility
- Providing promotion and education services to residents through the transition phase and beyond

Given the time constraints of transitioning Toronto's Blue Bin Program by July 1, 2023, producers may have challenges in procuring services and enough assets to service a city the size of Toronto. However, Toronto is well positioned to continue the provision of these services on behalf of producers, on terms acceptable to the City, to ensure there is no disruption or impact to service levels felt by residents.

Rule Creation and Allocation Table

Part Three of *Ontario Regulation 391/21: Blue Box* provided a framework for the role of rule creators and the creation of an annual Allocation Table. Rule creators were Producer Responsibility Organizations that were tasked with creating rules to govern how producers would be assigned management responsibility for eligible sources. Once complete, these rules were to facilitate and guide the creation of an annual Allocation Table to identify the responsible producer for each eligible source in Ontario. The rules were also to stipulate how the Allocation Table was to be maintained and updated yearly.

To become a rule creator, a Producer Responsibility Organization had to meet the following criteria:

- represent one or more producers of blue box material supplied to consumers in Ontario in 2020
- register with the Authority as a rule creator before November 1, 2021
- represent one or more producers that supplied a combined minimum of 20,000 tonnes of blue box material to consumers in Ontario in 2020

Three (3) Producer Responsibility Organizations met these criteria, including Circular Materials Ontario, Resource Recovery Alliance, and Ryse Solutions.

The Regulation specified that Producer Responsibility Organizations were to submit the first Allocation Table to the Authority by July 1, 2022. However, there was a provision that if a single or more than one (1) Producer Responsibility Organization represented a combined minimum of 66 per cent of all obligated blue box materials supplied in Ontario, they could submit the Allocation Table as early as January 1, 2022.

Circular Materials Ontario and Ryse Solutions agreed upon a set of rules that they were prepared to submit to the Authority in late January 2022, but were requested to pause their submission by the Ministry of the Environment, Conservation and Parks. While Circular Materials Ontario and Ryse Solutions believed they met the minimum 66 per

cent tonnage threshold required under the regulation to submit the rules, the Ministry stated that it wanted to work with the three (3) rulemaking Producer Responsibility Organizations to attempt to reach consensus on the rules and related commercial agreements. At the same time, all three (3) Producer Responsibility Organizations submitted individual letters to the Minister with a request to amend different aspects of the Regulation, including removal of all reference to the Allocation Table and rules as they were ultimately seen as unworkable and considered by the Producer Responsibility Organizations to be a hindrance from moving forward with planning for transition.

Advocacy to the Ministry of Environment, Conservation and Parks

In anticipation of potential changes to the Regulation, Toronto increased its advocacy efforts with the Ministry of the Environment, Conservation and Parks, both individually and with other Ontario municipalities, to ensure that the transition schedule was maintained.

On April 5, 2022, a joint letter from Mayor John Tory, Mayor Jim Watson (City of Ottawa), and Mayor Ed Holder (City of London) was sent to the Honourable David Piccini, Minister of the Environment, Conservation and Parks regarding their concern with a potential delay in the transition of the Blue Box Program. The letter highlighted that, jointly, our populations represent nearly 30 per cent of the province's population and that transition must be seamless for residents and must not be delayed. Please see Attachment 2 for a copy of the joint municipal letter.

On April 13, 2022, Solid Waste Management Services staff sent a similar letter to Serge Imbrogno, Deputy Minister of the Environment, Conservation and Parks. The letter highlighted the City's concern with a potential delay in transition and highlighted the need to move ahead with the rulemaking process as outlined in the original Regulation to achieve this end. The letter also stressed why Toronto's transition date cannot be delayed and that significant time is required to successfully transition a city the size and complexity of Toronto. Please see Attachment 3 for a copy of the letter from Toronto.

Advocacy with Other Ontario Municipalities

Solid Waste Management Services' staff continue to work collaboratively with other Ontario municipalities to ensure municipal and residents' needs are met. Through ongoing advocacy work with the Association of Municipalities of Ontario, the Municipal Resource Recovery and Research Collaborative, and the Regional Public Works Commissioners of Ontario, municipal priorities and positions are communicated to the Ministry of the Environment Conservation and Parks, the Authority, Producer Responsibility Organizations, and industry associations, as required.

Staff continue to be active members of the Continuous Improvement Fund and the Municipal Resource Recovery and Research Collaborative Transition Working Group and each of its five (5) subcommittees, including: Contracts, Collections and Communications, Fair Compensation, Data Reporting and Monitoring, and Post Collection. With municipal representation from across the province, the Working Group has provided a useful platform for information-sharing and the creation of transition

supports, such as promotion and education materials, potential terms and conditions for commercial agreements, and aggregated data analysis and reports.

The City of Ottawa and the City of London are also transitioning their Blue Box Programs to producers on July 1, 2023. Accordingly, Solid Waste Management Services' staff are in communication with their staff counterparts from these cities to facilitate information sharing, lessons learned, and to determine areas of alignment. While it is recognized there are unique challenges and regional differences between the three (3) cities, there is alignment on certain guiding principles and positions. Staff will continue to work together to prepare for individual municipal negotiations with Producer Responsibility Organizations.

Ontario Regulation 349/22: Blue Box

The work undertaken by the Minister and the three (3) rule-making Producer Responsibility Organizations resulted in the adoption of an amending regulation (*Ontario Regulation 349/22: Blue Box*), which was approved by the Executive Council of Ontario on April 14, 2022 without public consultation. The Province has categorized these amendments as administrative in nature. While the amendments to the Regulation may not directly impact the City and do not impact the transition timeline, they will change how the producers organize themselves for the transition and future system. To simplify the assignment of responsibility for eligible sources, all producers will be responsible for servicing all eligible sources in the province through their contracted Producer Responsibility Organizations. The details of the key amendments and presumed implications for Toronto can be viewed in Attachment 4.

Municipalities advocated to participate in this process, given that Producer Responsibility Organizations were proposing changes be made to the Regulation, but municipalities were not included in the discussions. Staff's understanding is that the amendments were based on the discussions between the Ministry and the Producer Responsibility Organizations.

Revising the Regulation has caused a delay in producer implementation planning by nearly three (3) months. However, despite this lost time, the City's preparations are well underway for this transition and staff will ensure that this lost time will not impact residents' experience with their recycling services.

City of Toronto's Role during the Transition Phase

While producers are required to maintain all existing blue box service levels currently being provided to eligible sources throughout the transition phase, producers have complete autonomy to determine which service provider will manage the designated materials on their behalf, including contracting with a municipality and/or a private waste management firm.

Municipalities do not have the option to choose which Producer Responsibility Organization(s) will take over management responsibilities for delivering Blue Box recycling services to eligible sources. The Producer Responsibility Organizations will determine among themselves which Producer Responsibility Organization(s) are

delegated to provide blue box services in Toronto and they in turn will decide what role the City will play, if any, in the delivery of recycling services as of July 1, 2023.

To ensure a smooth transition and limit impacts to residents at the curb, staff are recommending to City Council that Solid Waste Management Services negotiate with Producer Responsibility Organization(s) for the continued provision of all recycling management activities and services on their behalf during the transition phase. Potential service provisions to be negotiated are outlined in this report under the section titled "Negotiating a Blue Box Related Contract(s)".

With a transition date of July 1, 2023, and currently operating with limited information, the transition of the Blue Box Program to producers will be a transformative and challenging change. However, staff have been preparing for the transition since late 2019, just shortly after the Minister of the Environment, Conservation and Parks announced the wind-up of the Blue Box Program Plan. City staff continue proactively planning for potential transition scenarios so that the City can negotiate with its assigned Producer Responsibility Organization(s) effectively and efficiently. Toronto's potential role during the transition period is outlined in Confidential Attachment 1.

Negotiating a Blue Box Related Contract(s)

During commercial negotiations with Toronto's Producer Responsibility Organization(s), staff anticipate negotiating a contract that encompasses several Blue Bin Program service areas, including:

- Uninterrupted curbside collection from single-family households, residential units above commercial locations, and multi-residential buildings on City services
- Parks and public space collection by in-house staff (not an eligible source until post-transition)
- Customer service (311 call centre)
- Promotion and education (posters, information guides, direct mail, advertising, integration of messaging into waste diversion outreach programs, et cetera)
- Access to assets and transfer station network (to consolidate materials from collection vehicles before shipment to processor)
- City-owned curbside collection Blue bins
- Material Recovery Facility contracts

Staff have been gathering contractual and in-house service data to support negotiations with Producer Responsibility Organizations. Information gathered includes, but is not limited to: contract details, financial impacts, staff impacts, service level details, budget implications, information and technology impacts, integration with and/or impact to other service areas, and terms and conditions.

Management of Recyclables from Non-Eligible Sources

Both during transition and after transition there are locations that producers are not responsible for with respect to the management of recyclables. These non-eligible sources include industrial, commercial and institutional establishments, municipal facilities such as community centres, libraries, and civic centres, and non-residential locations such as shelters and places of worship.

The City services approximately 7,600 non-eligible customers comprised of small commercial locations, City facilities, charities, institutions, and religious organizations, and manages approximately 12,000 tonnes of recycling and 3,500 tonnes of old corrugated cardboard from these locations. As these locations are not designated in the Regulation, the City will not receive financial compensation for the continued provision of recycling collection services to these non-eligible sources. These locations are currently co-collected with eligible sources such as multi-residential buildings or single family homes that are collected along the same collection routes.

The management of these materials will be discussed during negotiations with Producer Responsibility Organizations to determine whether the economies of scale can be leveraged as part of any negotiations.

Monitoring Producer Responsibility Organizations' Diversion Performance

The legislative purpose of the *Resource Recovery and Circular Economy Act, 2016*, was to establish a producer responsibility framework that would result in an increase in resource recovery and a reduction in the creation of waste.⁸ Producer Responsibility Organizations are required to comply with the minimum management targets listed in the Regulation. The Authority will ensure Producer Responsibility Organizations are held accountable to their requirements through compliance monitoring and enforcement mechanisms.

Furthermore, staff will monitor the residential waste and organics streams to determine what impacts, if any, are experienced after the transition begins and beyond. Through seasonal waste audits, staff will monitor changes to the composition and quantity of designated materials remaining in these streams. In theory, with more materials accepted in the Blue Box Program post transition, Toronto should see a reduction of these items in the waste and organics streams, as compared to pre-transition baseline audits.

Waste audits will provide some insight into how residents are responding to the new system and whether increased and targeted promotion and education tactics are required. Staff will continue to work with their municipal partners to share audit information to understand if impacts are felt system-wide or are specific to Toronto.

⁸ Section 2 of the *Resource Recovery and Circular Economy Act, 2016*

Business Transformation and Change Management

To ensure a seamless transition from the current Blue Box Program to the future Extended Producer Responsibility state under the new Blue Box Regulation, the City retained the services of Ernst and Young consultants and GHD. Their role is to assist the City of Toronto and the Solid Waste Management Services Division to manage the business transformation and change management of this project. They are to develop and plan the best approach to guide and assist Solid Waste Management Services' staff as they transition the current business operations and develop a roadmap to the future state within the given timelines.

Since the breadth of anticipated impacts to the City's business operations resulting from the transition of the City's Blue Bin Recycling Program to producers will extend well beyond Solid Waste Management Services, staff have identified other business areas that will be impacted by the change. These include, but are not limited to: 311 for customer service support; Municipal Licensing & Standards for bylaw enforcement; Strategic Communications to communicate Promotion and Education information to residents; Long Term Care Facilities' collection; Transportation Services for litter bins in the public realm and right-of-way enforcement; People & Equity for increased labour relations consultations; Fleet Services for vehicular assets; and Parks, Forestry & Recreation for access to litter bins in parks.

The Ernst & Young Consultants and the Extended Producer Responsibility (EPR) Project Team will be meeting with Change Champions from other City divisions in the coming weeks, to assess their level of engagement and potential impact to operations.

Annual Reporting Requirement as a Producer of Blue Box Materials

The Regulation requires municipalities – including their agencies -- that supply a minimum of 9,000 kilograms of paper products (bills, mailers, promotion material etc.) and/or 2,000 kilograms of plastic film per year (in total) to report on the amount of these materials supplied into the market, to the Resource Productivity and Recovery Authority (the Authority). The list of eligible materials supplied to residents by the City includes, but is not limited to:

- Printed Paper: i.e. Community Consultation Notices, Winterlicious Guide, Toronto Visitor Map, Fun Guide, Waste Management Guide and Collection Schedule, annual reports, etc.
- Flexible Plastic: i.e. plastic bags, bubble envelopes
- Rigid Plastic: i.e. single use water bottles
- Metal: i.e. reusable metal water bottles with logo
- Compostable Products: i.e. compostable cutlery

For the first annual report, Solid Waste Management Services has coordinated the collection of data on the amount of designated materials that the City divisions and agencies supplied in 2020 and reported on behalf of the City.

Based on the data provided, the Authority will invoice the City a registry fee calculated by multiplying the total supply data in kilograms by \$0.0038 per kilogram. The City reported a total of 553,815 kilograms of blue box materials supplied in 2020 and will be invoiced for \$2,105 which will be absorbed by the Solid Waste Management Division's budget in 2022.

Wind-up of Blue Box Program and Datacall

The current recycling program for blue box materials operated by Stewardship Ontario on behalf of stewards under the Blue Box Program Plan and *Waste Diversion Transition Act, 2016* will transition to the new regulatory framework for resource recovery starting on July 1, 2023 through to December 31, 2025.

Under the current system, the Resource Productivity and Recovery Authority Datacall is the source of data for determining the net blue box system cost and for allocating funding under the Blue Box Program Plan. Each Ontario program (municipality, recycling association or First Nation) providing recycling services must complete the Datacall to be eligible for blue box funding.

Since Toronto's transition date is July 1, 2023, the year 2023 will be the last year the City receives funding under the old Blue Box Program Plan. Payment for the final year will be pro-rated on the number of days in the program. In Toronto's case, the City will be paid for 181 days out of the 365 or 49.65% of the costs included in the 2023 Steward Obligation, and the final cost data will be uploaded to the Datacall as it is currently the practice. Payment under the current system is based on data from Datacall results from 2 years prior. Thus the 2021 Datacall is the last version that the City will be required to complete.

The Resource Productivity and Recovery Authority has set the 2022 Blue Box Steward funding obligation using a new simplified methodology that will ensure higher payouts to municipalities, First Nations and recycling associations participating in the Blue Box Program. The new simplified methodology set the Steward Obligation at 50 per cent of reported net costs and eliminates cost reduction formulas previously applied. The calculation of net cost to determine Steward Obligation now has three (3) inputs: gross cost incurred by participating municipalities as reported in 2020 Datacall, prior year adjustments (limited to two prior years) and the 3-year average revenue.

This change in funding obligation methodology benefits the City of Toronto, as a higher percentage of costs will be recovered. For example, in 2020 the net cost for the Blue Box Program reported to the Authority was \$60,465,883 and the revenue we will receive for the data submitted for 2020 (according to the Municipal Funding Allocation Model (MFAM)) will be \$29,129,565 representing 48% of the costs, higher than the historical average of 42%.

Additionally, as part of the Continuous Improvement Fund Wind Up Plan, any remaining funds (previously used to improve the effectiveness and efficiency of municipal Blue Box Programs) is being disbursed to municipalities to assist in preparing for the transition of Blue Box Programs to producers. For Toronto, the surplus funding received was \$173,963.

Update on batteries, tires, electrical and electronic equipment, and hazardous special waste diversion programs

Prior to the adoption of the Blue Box Regulation, the Province of Ontario transitioned several other waste diversion programs to Extended Producer Responsibility under new regulations. The programs that have already transitioned are the following: tires, batteries, electrical and electronic equipment and hazardous and special waste.

The programs have transitioned smoothly with no noticeable changes to residents. Attachment 5 provides an overview of the program transitions and timelines.

In addition to the City's Blue Bin Program transitioning in 2023, starting on January 1, 2023, producers are required to have systems in place to collect and manage lighting (such as light bulbs, fluorescent tubes, and lamps) at the end of life, pursuant to [Ontario Regulation 522/20: Electrical and Electronic Equipment](#).

Next steps

Despite the unknown design and operational details of the future Blue Box Program, and the challenge of negotiating a commercial agreement with many service provisions in just over a year, the City is well resourced and prepared for negotiations and ultimately, transition. This is due to the delegated authority granted to the General Manager by City Council to negotiate and enter into new or amending agreements necessary to ensure the City's ability to continue waste diversion operations through to December 31, 2025.

Solid Waste Management Services will continue to engage with the Ontario Ministry of the Environment, the Resource Productivity and Recovery Authority, producers, and Producer Responsibility Organizations to advocate on behalf of residents and in the best interest of the City of Toronto.

Solid Waste Management Services will report back to the Infrastructure and Environment Committee in early 2023 with a staff report that will detail the outcome of negotiations and the resulting executed agreement, with its Producer Responsibility Organization(s) on the City's future role in the system during the transition years. The report will also include a more detailed analysis of Toronto's transition to the new system, including the resulting financial impact and impact to Solid Waste Management Services utility rates.

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ATTACHMENTS

Confidential Attachment 1 – Toronto's Potential Role during Transition

Attachment 2 – Joint letter from Toronto, Ottawa and London to Honourable David Piccini, Minister of the Environment, Conservation and Parks

Attachment 3 – City of Toronto Letter to Serge Imbrogno, Deputy Minister of the Environment, Conservation and Parks

Attachment 4 – Comparison of *Ontario Regulation 391/21: Blue Box* and *Ontario Regulation 349/22: Blue Box*

Attachment 5 – Overview of Non-Blue Box Waste Diversion Programs