

Update on the Transition of Toronto's Blue Bin Recycling Program to Extended Producer Responsibility

Date: January 16, 2023

To: Infrastructure and Environment Committee

From: General Manager, Solid Waste Management Services

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The confidential attachment to this report contains financial information that belongs to the City of Toronto and has monetary value or potential monetary value.

The confidential attachment to this report is about considerations for the City to continue to provide recycling services to producers and PROs beyond the transition period ending December 31, 2025.

SUMMARY

This report provides an update on the outcome of negotiations with a Producer Responsibility Organization (Circular Materials Ontario) on the City of Toronto's role as a recycling service provider from July 1, 2023 to December 31, 2025. The City of Toronto entered into a contract with Circular Materials Ontario to provide recycling collection, transfer and haulage, promotion and education, and 311 customer services to municipally-serviced residential households, schools, and long-term care facilities for financial remuneration. The City of Toronto, acting as a recycling service provider throughout the EPR transition, will help to deliver a seamless transition to producer responsibility while maintaining the quality of services currently provided to Toronto residents.

Key successes and outcomes of negotiations have resulted in no impact to customer service, no job losses for City staff and full recovery of the estimated recycling costs that the City is expected to incur in its new service provider role. The City is well positioned to take on this role with the necessary waste management infrastructure in place and decades of experience running one of the largest and most comprehensive recycling programs in North America.

Preparation for ensuring a successful transition to becoming a contracted service provider and the business transformation and change management approach to ensuring contract compliance is also discussed in this report.

The report also describes next steps, guiding principles and consideration of potential future roles for the City to continue to provide recycling services on behalf of producers from January 1, 2026 onwards.

Also contained in this report is information on ongoing advocacy efforts, program performance monitoring, and wind-up of the Continuous Improvement Fund¹.

RECOMMENDATIONS

The General Manager of Solid Waste Management Services recommends that:

1. City Council authorize the General Manager, Solid Waste Management Services to participate in processes established by 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 services, based on terms and conditions outlined in Confidential Attachment 1, for the management of blue box materials after the transition phase pursuant to the *Resource Recovery and Circular Economy Act, 2016* or any regulations thereunder (currently December 31, 2025).
2. City Council direct that Confidential Attachment 1 remains confidential in its entirety in accordance with the provisions of the *City of Toronto Act, 2006*, as it relates to commercial or financial information that belongs to the City and has potential monetary value, and it 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 to the Infrastructure and Environment Committee with the outcome of discussions with registered Producer Responsibility Organizations and/or their designate for the post-transition phase from January 1, 2026 onwards.
4. City Council authorize the General Manager, Solid Waste Management Services, the General Manager, Transportation Services, and the General Manager, Fleet Services, or their designate, until December 31, 2028, to negotiate and enter into agreements, or amendments of existing agreements, including non-competitive procurement agreements under Code Chapter 195, Purchasing, for pilot projects necessary for Solid Waste Management Services, Transportation Services, and Fleet Services to accelerate and enhance innovative service delivery initiatives for:

(a) public sidewalk waste bin design;

¹ Continuous Improvement Fund is a funding program that commenced operations on May 1, 2008 with a mandate to improve the effectiveness and efficiency of Ontario's municipal blue box programs. (<https://thecif.ca/about-cif/>)

(b) remote and field-based operational data capture including sensors for waste bins; and/or

(c) vehicle design, operations and associated equipment configuration;

on terms and conditions satisfactory to the General Manager of Solid Waste Management Services, General Manager of Transportation Services or General Manager of Fleet Services, and in a form satisfactory to the City Solicitor.

5. City Council authorize the General Manager, Solid Waste Management Services, or their designate, to negotiate and enter into non-competitive agreements to align the print and distribution of waste collection schedules with the City's distribution of tax and utility bills, provided that all such agreements terminate on or before August 31, 2029 or the date on which the City enters into a new competitive call for the provision of tax and utility printing, mailing and design, and that such agreements have a cumulative contract value that together do not exceed \$1,100,000.00, all with terms and conditions satisfactory to the General Manager, Solid Waste Management Services, and in forms satisfactory to the City Solicitor.

FINANCIAL IMPACT

There are financial implications resulting from this report, as outlined in Confidential Attachment 1 and as included in the 2023 Budget that is already before City Council for approval.

Future financial impact considerations resulting from the City's role beyond December 31, 2025, will depend on the outcome of discussions with Producer Responsibility Organizations that are anticipated to take place throughout 2023, and likely will begin to be estimated in the 2024 Budget.

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

DECISION HISTORY

At its meeting on June 15, 2022, City Council adopted IE30.8 entitled "Entering into Agreements with Producer Responsibility Organizations for the Blue Box Program". Amongst other parts of the decision, City Council authorized 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 to the report (May 11, 2022) from the General Manager, Solid Waste Management Services, 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, the Deputy City Manager, Infrastructure and Development Services or designate, and the Chief Financial Officer and Treasurer 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=2022.IE30.8>

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.

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. On April 14, 2022, the Province adopted [Ontario Regulation 349/22: Blue Box](#) to amend Ontario Regulation 391/21 with additional provisions for producers (collectively, The Regulation).

This report provides an update since the last report to City Council in June 2022, including the outcome of negotiations with Circular Materials Ontario, a Producer Responsibility Organization, and Toronto's role during the transition phase from July 1, 2023 to December 31, 2025. The report also discusses and recommends next steps for the post-transition phase starting on January 1, 2026, and Toronto's potential role in the post-transition phase.

Transition Phase and Post-Transition Phase

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, the Regulation requires that current municipal Blue Box Programs and service levels be maintained. Program changes are permitted only once producers have complete control over all Blue Box Programs across Ontario by 2026, and the province-wide system enters into the post-transition phase.

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 to achieving management targets. In the Fall of 2021, four (4) Producer Responsibility Organizations registered with the Resource Productivity and Recovery Authority (the Authority), the regulatory oversight body, including the Canadian Beverage Container Association, Circular Materials Ontario, Resource Recovery Alliance and Ryse Solutions Ontario Inc. As of September 15, 2022, there now are only three Producer Responsibility Organizations because Circular Materials (parent of Circular Materials Ontario) acquired Resource Recovery Alliance.

Section 50.1(1) of the Regulation requires those Producer Responsibility Organizations that represent a minimum of 66 per cent of Blue Box Material supplied to consumers in Ontario, to submit an Initial Report to the Authority by July 1, 2022 to specify how they intend to comply with the various requirements of the Regulation and ensure availability of the collected Blue Box Materials to producers for processing. Together, Circular Materials Ontario and Ryse Solutions constitute more than the minimum 66 per cent threshold which allowed them to submit their [Initial Report](#) to the Authority on June 30, 2022.

In addition, Circular Materials and the Canadian Beverage Container Recycling Association are partnering to create a beverage container recycling program in Ontario that will incorporate the collection of beverage containers consumed at home and on-the-go. However, the details of how this partnership will work within the existing Blue Box Program during transition phase are not yet known.

Negotiations with Circular Materials Ontario

Circular Materials Ontario is acting as the interim Common Collection System Administrator² and is the sole entity with which all service providers are to negotiate for the provision of Blue Box Program collection and receiving functions during the transition period. Per Council direction, Solid Waste Management Services on behalf of the City of Toronto has been negotiating with Circular Materials Ontario since May 2022. Negotiations occurred in accordance with a Council-authorized non-disclosure agreement between Circular Materials Ontario and the City of Toronto.

Negotiations yielded a Master Services Agreement governing the commercial relationship between Circular Materials Ontario and the City of Toronto and a series of Statement of Work documents detailing how various services are to be provided. The final documents contain terms and conditions acceptable to the City of Toronto. Below is a summary of the various Statements of Work incorporated into the Master Services Agreement:

Statement of Work for Eligible Community Residence & Facility Collection

This Statement of Work details the scope of services related to the provision of bins and collection of Blue Bin Materials from eligible sources, such as single family homes

² Administrator responsible for operating the common collection system for blue box material in Ontario

(residents will continue to use their City-provided curbside collection bins), multi-residential buildings, schools, long term care homes, and retirement residences that currently receive Blue Bin collection services from the City of Toronto. The compensation formula for providing this service is also outlined in the document, including a methodology for the management of Blue Bin Materials from ineligible sources such as commercial businesses that are co-collected with residential materials.

Statement of Work for Receipt and Transfer of Blue Box Material Collected in the City of Toronto

This Statement of Work details the scope of services related to the transfer and haulage of Blue Bin Materials from receipt at the City's transfer stations to delivery to a Circular Materials Ontario contracted processing facility. The process for inbound Blue Bin Material sampling protocol and the City's compensation are also defined in this document.

Statement of Work for Eligible Community Promotion & Education

This Statement of Work details the scope of services related to the City providing Circular Materials Ontario with assistance in the development and distribution of Circular Materials Ontario's promotion and education materials to eligible sources. The City's compensation to provide this service is outlined in the document.

The Master Services Agreement, together with the Statements of Work, comprise the Toronto-Circular Materials Ontario Agreement (the Agreement). The Agreement term runs from July 1, 2023 to December 31, 2025, which is the full duration of the transition period.

City of Toronto's Role during the Transition Period

The Agreement continues the City's provision of blue box collection, transfer and haulage, and promotion and education services for eligible sources until end of 2025. The Agreement reflects status quo operations throughout the transition period. However, being a contracted service provider to Circular Materials Ontario is a new role for Toronto. Staff will internally manage the Agreement to ensure compliance.

A summary of Toronto's role as it relates to blue box collection, transfer and haulage, and promotion and education during the transition period are outlined below. Additional negotiated Agreement details are provided in Confidential Attachment 1.

Contract Management of Collection Services – District 1, District 2, and Front End Load, Curbside Blue Bin Contract

Solid Waste Management Services will continue to manage its private sector contracts for the curbside collection of Blue Box Materials from single family homes in District 1 and District 2 (west of Yonge Street) and front-end load collection from larger facilities city-wide, including multi-residential buildings, schools, and long term care homes.

Residents will not experience any change to their curbside blue box collection program during the transition period.

Collection Services – District 3, District 4, Residential Unit above Commercial

Solid Waste Management Services will continue the status quo provision of curbside collection of Blue Box Materials from single family homes and multi-residential locations with curbside bins in District 3 and District 4 (east of Yonge Street) using in-house staff. Residents will not experience any change to their curbside blue box collection program.

Transfer & Haulage Services

Solid Waste Management Services will continue to receive all Blue Box Materials, collected from eligible sources, at six (6) City-owned transfer stations, including Disco, Ingram, Dufferin, Bermondsey, Victoria Park, and Scarborough. Blue Box Materials will be weighed, tracked by source, loaded onto haulage vehicles, and transported by City staff to Circular Materials Ontario's contracted processor. New business processes are in development to comply with requirements in the Statement of Work for Receipt and Transfer of Blue Box Material.

New operational elements include a contract requirement to isolate and take a sample of collected material from specified collection routes so Circular Materials Ontario can conduct material composition audits. This will enable Circular Materials Ontario to identify routes and their corresponding contamination rates, should they choose to undertake targeted promotion and education outreach activities.

Circular Materials Ontario will require samples from approximately 10 per cent of all inbound recycling loads received at a transfer station from pre-determined routes. Once the samples have been isolated and prepared, Circular Materials Ontario will pick-up the samples from transfer stations to conduct the composition audits at a separate facility.

Promotion and Education Services

Toronto will provide promotion and education initiatives and customer service activities on behalf of Circular Materials Ontario during the transition. The Division is well positioned to continue providing its comprehensive Blue Bin Program promotion and education tools and tactics, including: a dedicated program web page; a public education campaign, Waste Wizard search tool (online and mobile app); collection schedules; recycling guide, Waste Management Guide, posters, social media and bin stickers.

With its well-established 311 service, the City will also continue the provision of excellent customer service to residents through a familiar, customer-focused forum online or through the 311 call centre.

In 2021, as directed by City Council and part of its consideration of the 2022 Solid Waste Management Services Budget, an approach was implemented to distribute 2022 collection schedules with utility bills and to create a separate Waste Management Guide

(Guide) to replace the annual waste collection calendar that was mailed to each household. This reduced costs and the amount of waste produced, while still providing residents with important waste information in a printed format. The same approach has been taken for the 2023 collection schedules and Guide.

Leveraging the efficiency of using the same vendor to print and include the collection schedules in the utility bills, Solid Waste Management Services entered into a separate agreement with the vendor used by Revenue Services for the printing and distribution of the utility bills. The Promotion and Education compensation received from Circular Materials Ontario covers the cost for the continued provision of collection schedules, which include Blue Bin recycling collection and set out information. To maintain the City's efficient processes and costing that has been established, this report seeks delegated authority for the General Manager of Solid Waste Management Services to enter into any agreements with the City's utility bill printer.

Public Space Collection Services

For Toronto, the collection of recyclable materials from parks and litter bins are not eligible sources during the transition phase. In the current Blue Box Program, recycling from parks and litter bins is only considered as eligible sources if the materials are collected on the same route as residential sources. This is not the case in Toronto. Due to access constraints at some parks, Solid Waste Management Services uses a smaller dedicated fleet to collect waste and recyclable materials from parks' bins. This smaller fleet facilitates access to bins located within parks, many of which are not accessible in standard collection vehicles.

City staff will continue to provide collection services for parks and litter bins during transition; however, the City will not receive any financial compensation from producers for this work. Producers will have obligations to expand service in public spaces beginning January 1, 2026, which will include parks, public transit stops and shelters, and street-side recycling bins. It is important to note however, based on the accessibility targets in the Regulation, the number of locations that Producers will be required to service will be less than the existing collection points in the City. In preparation for the transition of public space recycling to producers following January 1, 2026, staff will begin to plan and prepare positions to achieve the best outcome for Toronto, including opportunities to maintain and leverage the public space recycling infrastructure that is already in place.

Solid Waste Management Services will also be seeking opportunities to improve public space waste and recycling collection activities through operational efficiencies, making in-time operational decision using real-time data, or piloting new public bin designs. To allow for the flexibility to explore new opportunities this report seeks delegated authority for Solid Waste Management Services to enter into strategic partnerships with Producer Responsibility Organizations and/or other entities to undertake pilot projects to test the viability of innovative approaches and technologies to improve the customer service experience for residents and for more efficient collection of waste and recycling. This may include working in collaboration with Producer Responsibility Organizations.

Data Reporting Requirements

The City will be required to electronically submit regular summary reports to Circular Materials Ontario via secure file transfer for invoicing and compensation. As such, the City is creating new business processes to comply with the data collection, maintenance and reporting requirements identified in the agreements. The receipt of this data is necessary for Circular Materials Ontario to complete their regulatory reporting requirements to the Resource Productivity and Recovery Authority. The data will capture key collection details (for example material weight, date, vehicle number, et cetera) for recycling collection and management through the City's transfer stations. The City is also required to submit data on the fuel consumed by collection vehicles to enable Circular Materials Ontario to calculate greenhouse gas impacts resulting from Blue Box operations.

Processing Services

Starting July 1, 2023, Toronto will no longer be responsible for outsourcing the processing of Blue Box Materials collected in the city. Circular Materials Ontario has entered into a processing agreement with a private Materials Recovery Facility to process and sort Toronto's Blue Bin Materials.

Collection and Processing of Blue Box Material from Non-Residential (non-eligible) Locations

Under the Regulation, both during transition and after transition, producers are not obligated for the management of recyclables from non-eligible sources currently collected by the City. The City services approximately 7,700 non-eligible customers comprised of small commercial locations, municipal facilities such as community centres, libraries, and civic centres, and other non-residential locations such as shelters and places of worship. As these locations are not designated under the Regulation, the City will not receive financial compensation for the continued provision of recycling collection services to these non-eligible sources.

During transition, the City will continue to collect Blue Box Material from registered non-residential customers. The cost to manage these materials will not be compensated for by Circular Materials Ontario and will be fully borne by the City. 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.

As it relates to the processing of Blue Box Materials during transition, the City will leverage the economies of scale of Circular Materials Ontario's contract with their contracted processor. This enables the City to continue processing of these materials at a competitive cost per tonne. See more details in Confidential Attachment 1.

Reducing Non-Blue Box Materials (as in Contamination) in the Recycling Stream

Detailed in the Agreement are requirements to make best efforts to reduce contamination in the recycling stream to no more than 4 per cent (by weight). This could

involve potentially leaving behind blue bins that are entirely filled with non-Blue Box Materials (for example a recycling bin that is full of construction, renovation and demolition waste) or removing visible non-Blue Box Materials from recycling loads at the City's transfer stations. During the term of the Agreement there are no penalties associated with not meeting the 4 per cent threshold, however the City will be required to prepare a contamination reduction plan and work with Circular Materials Ontario to implement best practices in an effort to reduce contamination.

Business Transformation and Change Management

To ensure staff are ready, and processes and systems are in place for a seamless transition, Ernst and Young was retained to support City staff to manage business transformation and change management processes. Their scope of work includes engaging with Solid Waste Management Services staff and other impacted City Divisions, to plan an approach which will guide the current impacted business processes. It also includes supporting the development of a road map for the post-transition state (post December 31, 2025).

In preparing for the July 1, 2023 transition date, staff have begun preparations to review, update and develop any new business processes or systems required to ensure that the City meet the terms in their agreements with Circular Materials Ontario. This entails convening working groups to develop new business processes by Solid Waste Management operational area (as in collections, transfer and haulage, data gathering and reporting) and impact City Divisions, documenting the new operating procedures and subsequently training staff on the new procedures that will emerge during the transition phase.

Monitoring Waste Diversion Program Performance

The Resource Recovery and Circular Economy Act's legislative purpose is to establish a producer responsibility framework to improve resource recovery and reduce waste.³ The Resource Productivity and Recovery Authority is the regulatory oversight body mandated to ensure obligated parties comply with individual producer responsibility and undertake enforcement actions.

Ontario Regulation 558/22 under the RRCEA establishes an administrative penalties process for the Authority to use to help ensure that producers, manufacturers and importers of designated materials (as in blue box materials, tires, batteries, electrical and electronic equipment, and hazardous and special products) comply with the requirements for the collection and end-of-life management of the materials they supply in Ontario. Administrative penalties provide the Authority with a less cumbersome and arguably more efficient enforcement mechanism than coordinating prosecutions.

As the Blue Bin Recycling Program sets to transition to producers in mid-2023, staff will monitor for program performance and explore how municipal audit data or other data points could be used to monitor changes in the quantity and types of wastes that continue to be managed in the City's waste management system. Performance

³ Section 2 of the *Resource Recovery and Circular Economy Act, 2016*

monitoring will also be extended to all other regulated waste diversion programs (for example household hazardous waste, batteries, electronic waste, et cetera) and any shortfalls in program performance (for example accessibility targets) will be brought to the attention of the Authority, who is responsible for enforcing compliance.

Ongoing Advocacy with Ontario Municipalities

Solid Waste Management Services' staff continue to work collaboratively with other Ontario municipalities to ensure collaboration and alignment on policy initiatives. 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.

Solid Waste Management Services and Association of Municipalities of Ontario staff have been meeting monthly with the Ontario Ministry of the Environment, Conservation and Parks staff, to provide updates on the progress of transition planning. At these meetings, the Province has confirmed its intent that the transition of the first group of municipalities, including the City of Toronto, will begin on July 1, 2023.

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 and/or 2,000 kilograms of plastic film per year (in total) to report on the amount of these materials supplied into the market annually to the Authority. Examples of designated materials supplied to residents by the City include, but not limited to various City guides, utility bills, waste collection schedules, notices and envelopes et cetera.

For the first annual report, Solid Waste Management Services coordinated the collection of data on the amount of designated materials that the City divisions and agencies supplied in 2020, and submitted a report to the Authority on behalf of the City. The City reported a total of 553,815 kilograms of blue box materials supplied in 2020, and was invoiced by the Authority for \$2,105 (\$0.0038 per kilogram). These amounts are appropriate as it reflects amounts reported corporately and not just materials generated by Solid Waste Management Services.

For the 2021 data, Solid Waste Management Services began the process of transitioning the annual corporate responsibility of reporting as a producer to the Environment and Climate Division. The City reported a total of 539,701 kilograms of blue box materials supplied in 2021, and was invoiced by the Authority for \$2,375 (\$0.0044 per kilogram).

As a registered producer of blue box materials, the City will also register with a Producer Responsibility Organization to discharge its management obligations for these material. Fee rates for these services are not yet known.

Amendments to the Continuous Improvement Funds Windup Plan

As part of the transition of municipal blue box programs to extended producer responsibility, the Minister of the Environment, Conservation and Parks directed Stewardship Ontario to submit a wind-up plan for the Blue Box Program to the Authority for approval. The Continuous Improvement Fund, whose mandate is to support municipal Blue Box programs through the provision of funding and technical support, also submitted a wind-up plan that would allow it to support its activities until December 31, 2023 and then wind-up its operations by June 30, 2024. Any remaining funds would then be disbursed to municipalities, municipal recycling associations, and First Nations communities. Following consultation, the Authority approved the wind-up plans with some conditions.

In October of 2022, the Continuous Improvement Fund proposed amendments to the approved wind-up plan given strong municipal interest to continue some of its current work related to supporting municipal waste and recycling programs, as well as supporting municipalities' transition to extended producer responsibility. The proposed amendments would see the Continuous Improvement Fund winding up at the end of 2022, and transferring its resources and assets to a subsidiary of the Association of Municipalities of Ontario. The Continuous Improvement Fund and the Authority undertook consultations on the proposed amendments to the approved wind-up plan between October 4 and November 4, 2022.

Solid Waste Management Services staff submitted comments in support of the proposed amendments (see Attachment 2). The comments noted that the continuation of municipal collaboration, supported by an entity that has the capacity to provide ongoing technical support to municipalities, is essential to ensuring a seamless transition to extended producer responsibility. Cooperative efforts will allow municipalities to proactively plan for potential challenges, such as ensuring producers meet their regulatory obligations, including minimum recycling targets.

On December 7, 2022, the Authority conditionally approved the Continuous Improvement Fund's proposed amendments to the approved wind-up plan. The approval was made conditional on the development and implementation of an opt-out process, which would allow any municipality, recycling association, and First Nations community to choose to receive their share of surplus funds from the Continuous Improvement Fund rather than have their funds be transferred to the subsidiary of the Association of Municipalities of Ontario.

The Continuous Improvement Fund and the Association of Municipalities of Ontario are currently reviewing the implications of the decision of the Authority. It is possible that the Continuous Improvement Fund and the Association of Municipalities of Ontario may determine that it is no longer viable to proceed as planned. If this determination is made, the Continuous Improvement Fund will continue operating until December 31, 2023 and then wind-up its operations by June 30, 2024.

Toronto's Potential Role Post-Transition

The transition of the Ontario-wide Blue Box Program to producers by January 1, 2026, will be a transformative and challenging change, as this marks the start of the

standardized program to be implemented province-wide. Specific details of the standardized program are still unknown however, municipalities can expect a standardized list of Blue Box Materials and a collection frequency of at least every other week.

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 and continue to proactively plan for potential post-transition scenarios so that the City can begin discussions with Producer Responsibility Organization(s) effectively and efficiently.

To ensure a smooth transition and to limit impacts to residents at the curb, staff are recommending to City Council that Solid Waste Management Services be given authority to engage in discussions with Producer Responsibility Organizations and participate in processes to offer continued provision of recycling services on their behalf following the transition phase (January 1, 2026 onwards). The following guiding principles will be used to facilitate discussions with Producer Responsibility Organizations, all while balancing the financial impact to rate and tax payers, and staff.

Guiding Principles already adopted by Council

- Minimize if not eliminate any negative impacts to residents' and rate payer's experience with and access to recycling services.
- The City's high customer service standards should be maintained as much as possible.
- Prioritize protection of the environment by reducing litter and maximizing diversion from landfill.
- Keep Toronto streets safe by prioritizing efforts to reduce traffic-related injuries during collection activities.

Additional Guiding Principles

- Maintain the City's recycling boundaries as much as possible to support a seamless transition.
- Maintain as much as possible recycling being collected on the same day as other waste streams.
- Fee-for-service payment that recovers a minimum of 100% of the City's costs, and includes provision for annual adjustments for CPI and Fuel escalators.
- Leverage system components to achieve best overall result for the City.

Further details on Toronto's potential role during the transition period is outlined in Confidential Attachment 1.

Next steps

Staff will continue preparing for the administration and delivery of the City's contractual obligations under the agreement with Circular Materials Ontario, which comes into effect on July 1, 2023. This includes developing and implementing any business processes and systems through change management practices to ensure staff are trained and

ready to take on their role as a service provider to a Producer Responsibility Organization.

Pending the adoption of this report by City Council, Solid Waste Management Services will continue to engage producers and Producer Responsibility Organizations on the City's role following the transition period and continue to advocate in the best interest of the City of Toronto and its residents using the Post-Transition Guiding Principles.

Solid Waste Management Services will also monitor the various regulated waste diversion programs to ensure that the City's costs are recovered and producers are held accountable for meeting their regulatory obligations, and will continue to advocate to the Ministry of the Environment, Conservation and Parks, and the Resource Productivity and Recovery Authority.

Solid Waste Management Services will report back to the Infrastructure and Environment Committee with a staff report when more information becomes available on the City's potential role in public space recycling collection and its potential role in the post-transition period (January 1, 2026). The report will provide an analysis of Toronto's transition to the new system, including the resulting financial impact and impact to Solid Waste Management Services utility rates.

CONTACT

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SIGNATURE

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Solid Waste Management Services

ATTACHMENTS

Confidential Attachment 1 – Toronto's Role during Transition and Potential Role During Post-Transition
Attachment 2 – City of Toronto's Comments on Proposed Amendments to the Continuous Improvement Fund's Wind-up Plan

