

## **Collection Options for District 2 and District Comparative Analysis**

**Date:** June 26, 2025

**To:** Infrastructure and Environment Committee

**From:** General Manager, Solid Waste Management Services

**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

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This report is about labour relations or employee negotiations.

### **SUMMARY**

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The purpose of this staff report is to provide City Council with their directed review of the financial, regulatory, operational needs and other requirements necessary for the Solid Waste Management Services (SWMS) Division to be able to bring District 2 collection services in-house following the end of the next contracted service agreement on August 2, 2031.

Additionally, City Council requested a report back with an update on the comparison of service standards and metrics between districts for daytime, curbside waste collection, including:

- a. diversion rates
- b. customer counts
- c. customer service reliability (311 Toronto)
- d. liquidated damages
- e. residents' satisfaction
- f. contingency fees of previous contracts; and
- g. waste contamination rates.

## **RECOMMENDATIONS**

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The General Manager of Solid Waste Management Services recommends that:

1. City Council direct that Confidential Attachment 1 to this report from the General Manager, Solid Waste Management Services remain confidential in its entirety, in accordance with the provisions of the City of Toronto Act, 2006, as it involves labour relations or employee negotiations.

## **FINANCIAL IMPACT**

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There will be no immediate financial impact resulting from adoption of this report.

This report details a comparison of the annualized cost estimates of District 2 (D2) operations between contracted services and potential in-house delivery options. In 2031, the annualized costs of contracted services are estimated at \$45.705 million, compared to the in-house delivery option ranging between \$42.157 million and \$44.433 million, and the managed competition option ranging between \$43.116 million and \$45.392 million.

The in-house delivery option includes costs for 155 SWMS positions, comprising 149 full-time equivalents (FTEs), and 6 additional Fleet Services FTEs funded through interdepartmental charges. It also includes 97 new vehicles required to deliver the service, which would be funded by recoverable debt.

Additionally, the in-house delivery option are infrastructure capital cost estimates ranging from \$67.572 million to \$97.181 million to build a new permanent operating yard at 50 Ingram Drive. These Capital Infrastructure Costs could be funded by recoverable debt. These estimates also include an additional 7 positions (2 permanent and 5 temporary) to manage and construct the new operating yard and recruit, onboard and train staff.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information as presented in the Financial Impact section.

## **LABOUR RELATIONS IMPLICATIONS**

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Any direction from City Council to bring collection services in-house following the end of the next contracted service agreement should be contingent upon discussions with Toronto Civic Employees Union Local 416 regarding the operational impacts of the current collective agreement, and how this work would be performed by members of the bargaining unit in an operationally efficient manner.

## DECISION HISTORY

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At its meeting on December 17 and 18, 2024, City Council adopted item 2024.GG18.4 entitled "Award of Doc4553928310 to GFL Environmental Inc., for Curbside Collection Services in District 2 for Solid Waste Management Services". City Council authorized the General Manager, Solid Waste Management Services to award and enter into an agreement with GFL Environmental Inc., being the lowest Supplier meeting specifications for Request for Quotation Doc4553928310, for curbside collection, for curbside collection, transportation and off-loading of materials in the District 2 area in the amount of \$284,250,333 net of all applicable taxes and charges (\$289,253,139 net of Harmonized Sales Tax recoveries) for a period of five (5) years commencing on August 3, 2026 to August 2, 2031 with an option to extend the agreement for an additional two (2) separate one (1) year periods, all in accordance with the terms and conditions as set out in the Request for Quotation and any other terms and conditions satisfactory to the General Manager, Solid Waste Management and in a form satisfactory to the City Solicitor.

The City Council Decision document can be viewed at:

<https://secure.toronto.ca/council/agenda-item.do?item=2024.GG18.4>

At its meeting on April 17 and 18, 2024, City Council adopted item 2024.IE12.1 entitled "Post-Transition of the Blue Box Program to Extended Producer Responsibility and Results of District 2 Service Delivery Options Review". Amongst other decisions, City Council directed the General Manager, Solid Waste Management Services to report back to the Infrastructure and Environment Committee, no later than the first quarter of 2025, with a comparison of service standards and metrics between districts for daytime, curbside waste collection. In addition, include the consideration of the financial, regulatory, resourcing, operational needs and any other requirements in order for the City of Toronto to be in a position to pursue managed competition or bringing collection services in-house in District 2 following the end of the next contracted-service agreement.

The City Council Decision document can be viewed at:

<https://secure.toronto.ca/council/agenda-item.do?item=2024.IE12.1>

At its meeting on October 11 and 12, 2023, City Council adopted item 2023.IE6.3 entitled "Transition of Toronto's Blue Bin Recycling Program to Extended Producer Responsibility". Amongst other decisions, City Council directed the General Manager, Solid Waste Management Services, to report back to the Infrastructure and Environment Committee on the review and analysis of potential service delivery options for District 2, as it relates to the City of Toronto's role in the recycling system in the post-transition phase of the transition of the Blue Box Program to Extended Producer Responsibility.

City Council also directed the General Manager, Solid Waste Management Services to continue to work towards reaching a negotiated comprehensive service agreement with the Issuing Authority, and report back to City Council with the outcomes of any negotiations.

The City Council Decision document can be viewed at:  
<https://secure.toronto.ca/council/agenda-item.do?item=2023.IE6.3>

At its meeting on January 11, 2022, the Infrastructure and Environment Committee received item 2022.IE27.11 entitled "Data Comparison of In-House and Contracted Waste Collection".

The Infrastructure and Environment Committee Decision document can be viewed at:  
<https://secure.toronto.ca/council/agenda-item.do?item=2022.IE27.11>.

## COMMENTS

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### Background

On June 3, 2021, the Ontario Minister of the Environment, Conservation and Parks announced the release of [O. Reg. 391/21: Blue Box](#) to transition the Blue Box Program to a full Extended Producer Responsibility model. This transition shifted the operational and full financial responsibility for the management of post-consumer Blue Box Materials from eligible sources<sup>1</sup> to the producers of paper, packaging, and packaging-like products.

The City of Toronto (the City) transitioned its Blue Bin recycling program to producers on July 1, 2023. To ensure a seamless transition without disruptions or impacts to residents, and at the direction of City Council, Solid Waste Management Services negotiated an agreement (Transition Agreement) with Circular Materials<sup>2</sup> to provide recycling services, including collection, transfer, haulage, and promotion and education, to producers until the transition phase ends on December 31, 2025.

Despite numerous attempts to achieve a workable solution for challenging terms and conditions within Circular Materials' procurement of Blue Box collection, the City and Circular Materials were unable to continue discussions for the City to act as a service provider for recycling collection services beyond January 1, 2026.

The removal of Blue Box collection services from Solid Waste Management Services' portfolio provided an opportunity to reevaluate the Division's current operational model by which the City's four (4) collection districts are split between contracted and in-house (performed by City staff) collection operations.

District 1 (west of the Humber River) and District 2 (Humber River to Yonge Street) are collected by contracted service providers and District 3 (Yonge Street to Victoria Park)

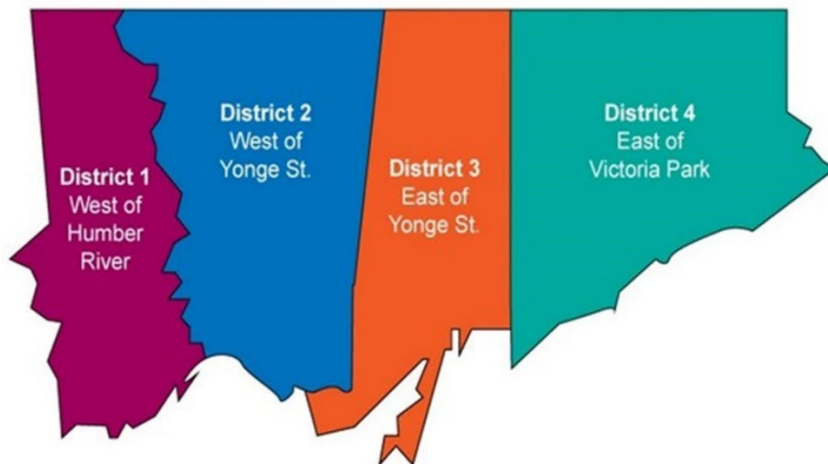
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<sup>1</sup> Includes single-family households, multi-residential buildings, schools, long-term care facilities and retirement residences.

<sup>2</sup> Circular Materials is a Producer Responsibility Organization representing the interests and discharging the regulatory responsibilities of their member producer. Circular Materials is also the Common Collection System Administrator and is responsible for procuring Blue Box Program services.

and District 4 (east of Victoria Park) are collected by City staff. A District map is provided below in Figure 1.

Figure 1 - Map of Daytime Curbside Waste Collection Districts



### **Daytime Curbside Collection Operations in District 2**

City Council, at its May 17, 18 and 19, 2011 meeting authorized Solid Waste Management Services, in consultation with Purchasing and Materials Management Division, to issue a Request for Quotations for the daytime residential collection in District 2. Additionally, City Council requested the Auditor General to consider conducting a post-implementation audit of the awarded contract that focuses on, but not limited to, diversion targets achieved, customer service levels and cost savings.

Following a competitive procurement process, at its meeting on October 24 and 25, 2011, City Council awarded a contract for daytime residential curbside collection services in District 2, commencing on August 7, 2012, to August 2, 2019, with an option to extend the term by two optional 1-year period(s).

The Auditor General's report on the review of the District 2 daytime residential collection contract was subsequently submitted to City Council for consideration at its meeting on April 1, 2 and 3, 2014.

The City's current contract for daytime curbside collection in District 2 will expire on August 2, 2026. City Council directed staff to explore service delivery options for District 2 following the expiration of the current contract, including issuing a competitive tender to the private sector, pursuing managed competition, and bringing collection services in-house to be performed by City of Toronto staff. It was determined that there was insufficient time to secure and retrofit (or build) a collection yard to facilitate a potential transition to in-house operations prior to the contract expiring in 2026.

As a result, at its meeting on April 17 and 18, 2024, City Council directed staff to pursue a competitive procurement of daytime curbside collection services in District 2 to ensure collection services continue following the expiration of the current agreement on August 2, 2026. City Council also directed staff to work in collaboration with the other required City Divisions to consider the financial, regulatory, resourcing, operational needs and

any other requirements in order for the City to be in a position to pursue managed competition or bringing collection services in-house in District 2 following the end of the next contracted-service agreement that expires in 2031.

As staff considered the feasibility of bringing daytime curbside collection services in-house for District 2, several factors were examined, including: new yard considerations; operational requirements; implementation considerations; and financial impact.

## **Options for District 2 for In-House Service Delivery**

There are two (2) potential approaches that could bring in-house curbside collections for District 2 customers: via City Council direction or managed competition. Both options are outlined below.

### ***Option 1: Bring Collection Service Delivery In-House via City Council Direction***

City Council can direct staff to bring daytime curbside collection services in-house where City staff and equipment are used to collect organics, garbage, yard waste, non-eligible recycling and oversized and metal items in District 2.

### ***Option 2: Utilize a Managed Competition Process***

A managed competition procurement process is a variation on a standard procurement that a municipality can use to accept bid submissions from both external bidders (private) and an in-house (public) team. In principle, managed competition is designed to drive competition to result in the most cost-effective service delivery, regardless of service provider. The City must be the successful bidder in order for services to be brought in-house through a managed competition process.

To understand the requirements of a managed competition procurement process, staff retained a consulting firm with expertise in procurement services. Guidelines for a managed competition procurement process were developed by the consultant. The guidelines describe the logistical requirements for a fair and transparent in-house bid submission, including the use of an in-house bid team and a third-party fairness monitor.

Managed competitions may improve the competitive market for private contractors. However, there is a significant financial risk with managed competition. In this scenario, based on the City's current lack of capital assets for solid waste collection, such as fleet, and yards to stage D2 collection operations.

To bring the contracted service back under municipal control, the City would need to acquire or plan for these assets years in advance of the bid process. For example, with the estimated five-to-seven-year lead time required to build a collections yard, the City would need to build the required infrastructure without knowing the outcome of the managed competition process. Therefore, if the City is unsuccessful in the managed

competition procurement and not awarded the contract the City would run the risk of losing millions in infrastructure costs. Additionally, it would not be recommended to have the managed competition process held five-to-seven years in advance of the contract as private sector bidders may not bid or because of the extended timeframe and market uncertainties an elevated risk premium would be built into the price.

In comparison with the option for City Council to direct staff to bring collection services in-house, the managed competition option includes additional costs for the same work. During the bidding process, substantial resources will be required for an in-house bid team, independent consultant and fairness monitor. In addition, if the in-house bid is successful in being awarded the work, resources for administrative oversight and ongoing performance monitoring of the in-house contracted team would yield additional costs for the City. Also, if the in-house bid is successful, collection services would be performed by Solid Waste Management Services staff on a temporary contract, using City equipment procured for the contract, under a contracted services governance structure.

Jurisdictional scans of other Ontario municipalities suggest that these problems have arisen in their experience with managed competition. Of the Ontario communities surveyed, all have either opted not to pursue managed competition before commencing the process or have transitioned away from managed competition after savings and efficiencies failed to materialize after a successful bid. Some of these communities, for example the City of Ottawa used managed competition as an alternative to contracting out service – none have used managed competition as an alternative to bringing services back in house, possibly due to the logistical issues of a successful in-house bid submission resulting in the need to acquire the assets needed to deliver the service.

A managed competition approach involves significant financial risk resulting from the need to invest in capital infrastructure several years in advance of the competitive procurement process with no guarantee of winning the contract. Furthermore, a managed competition procurement process includes significant administrative burden, additional contract administration requirements, and operational limitations. Therefore, staff do not advise the use of a managed competition procurement process.

## **Service Delivery Considerations for Bringing District 2 In-House**

### ***Yard Considerations***

One of the critical factors in determining the feasibility of bringing District 2 operations in-house following the end of the next contracted-service agreement in 2031 is the necessity of locating, acquiring, building, and/or retrofitting an industrial property of sufficient size to accommodate in-house operational requirements within the required timelines. City staff reviewed three options:

- 1) utilizing existing City space,
- 2) leveraging current Solid Waste Management Services (SWMS) facilities and land, and
- 3) acquiring new property.

After consulting with CreateTO and Corporate Real Estate Management, it was concluded that utilizing existing City space or acquiring new property were not viable options due to there being no suitable property with the required space available to house District 2 operations and there is insufficient time to purchase and develop a new property. Therefore, it was determined that utilizing current SWMS facilities and land is the most feasible option within the required timelines. SWMS will continue to work with CreateTO and Corporate Real Estate Management to identify potential sites if directed to implement the workplan.

Ingram Yard and the adjacent Transportation Yard was originally used to house District 2 collections prior to the service being contracted out in 2012. This location was ideal due to its central position within District 2 operations and its proximity to the Ingram Transfer Station for offloading waste material.

Over the years, Transportation Services has needed to expand its use of the site, and as a result there is no space available for SWMS to utilize at Ingram Yard in the current configuration. City staff assessed nearby areas for potential SWMS facilities and identified a parcel of land located at 50 Ingram Drive, which is under SWMS purview adjacent to the Ingram Transfer Station. This parcel of City owned land, which was previously leased as a driving range, remains undeveloped. Utilizing 50 Ingram Drive for D2 operations provides for operational synergies and is an opportunity for long term investment in industrial space to accommodate anticipated growth of operations as the population and Division grows.

After consulting with various City divisions, it was determined that 50 Ingram Drive is planned to be utilized by Engineering and Construction Services for the Black Creek Sanitary Trunk Sewer (STS) Relief System project construction laydown area from 2026 to 2031. Solid Waste Management Services staff worked with an engineering consultant to conduct a feasibility study for developing the site in parallel with, and after, the completion of the Black Creek STS Relief System. Given the tight timeline between the end of the current collection service agreement and the expected completion of the sewer project, staff explored temporary solutions to house District 2 collections until full development of 50 Ingram Drive could be completed.

Ingram Yard was identified as a feasible temporary option for District 2 collections. However, there will be a requirement to construct additional parking at the Ingram Transfer Station to accommodate staff and equipment. Through consultations with Fleet Services, it was determined that the current SWMS and Fleet Services units operating out of Ingram Yard mainly on parks litter collection could be relocated to other available City facilities.

## *District 2 Yard*

- *Phase 1 Temporary Location – Ingram Yard and Ingram Transfer Station*

After examining several scenarios, to accommodate the required timelines, Ingram Yard can be used as a temporary yard allocating some staff parking at the Ingram Transfer Station and utilizing diesel collection vehicles until 50 Ingram Drive can be developed as the permanent solution. The current fleet for in-house operations for D3 and D4 is made up primarily of Compressed Natural Gas (CNG) collection vehicles which require dedicated parking spots to accommodate the filling stations for each vehicle. Utilization of diesel vehicles as a transition measure for District 2 is being proposed to mitigate physical site constraints at Ingram Yard and to negate capital investment to install charging stations for CNG vehicles in a temporary location. In this scenario, CNG fuelling equipment at Ingram Yard would be decommissioned temporarily, and then reinstated in future as part of the permanent District 2 operation to support the Division's commitment to reducing carbon emissions.

- *Phase 2 Permanent Location – 50 Ingram Drive*

Once District 2 moves to the new yard developed at 50 Ingram Drive, the diesel vehicles would be retired at the end of their lifecycle and CNG collection vehicles or preferred fuel alternative being used at the time thereafter. In addition, the property at Ingram Yard would have the ability to function as an operations yard and be able to accommodate additional growth.

### *Assumptions and Constraints*

The proposed site expansion which provides an in-house service delivery model that is aligned with corporate environmental goals is contingent on additional site investigation and supporting final reports. SWMS consulted with an engineering consultant to conduct a feasibility study for 50 Ingram Drive. Upon preliminary review, the development required on the site is feasible, however considering the site is under natural heritage jurisdiction and is a former landfill site, further investigations are required for permitting (e.g. natural heritage system, site plan, etc.), geotechnical study, archeological assessment, traffic impact study and other design considerations. While these could result in additional cost and timeline implications, it is not expected that these investigations will limit the ability for development on the site. Delays in the completion of the Black Creek STS Relief System project are a risk. With the option of District 2 temporarily operating out of Ingram Yard, it mitigates risks associated with any construction delays at 50 Ingram Drive. There may also be an opportunity for SWMS to work with Engineering and Construction Services and Toronto Water to determine if work could be expedited on the Relief System. This could involve additional construction resources, however, through a cost benefit analysis this could be a more cost-effective approach than developing Phase 1.

### *Outcome of Analysis - Yard Timelines and Costs*

The estimated timeline to implement the necessary infrastructure for the temporary solution at Ingram Yard and Ingram Transfer Station is approximately 4.7 years. If work was to commence immediately, the timeline would be from July 2025 to approximately April 2030 for approximately \$15.310 million dollars. To expedite timelines, the project to facilitate the permanent solution at 50 Ingram Drive would begin parallel to the temporary solution in July 2025 and estimated to be completed in October 2032 for approximately \$43.900 million dollars. In addition, 7 staff are required to implement these plans at a cost of approximately \$6.362 million dollars. This timing is contingent on the completion of the sewer by Engineering and Construction Services (ECS), however, the estimation of the target completion date included consideration of potential delays from addressing any site impacts from additional investigative environmental or remediation work. This timeline assumes all investigative work done at 50 Ingram Drive provides a positive conclusion that the site can be expanded.

There is also the option to implement Phase 2 first. This would be done in order to verify the site's ability to be expanded prior to any Phase 1 investments. This will extend the overall project timeline; however, this approach could mitigate potential sunk costs in Phase 1. If after all site investigations, 50 Ingram Drive is not conducive to use as a yard, another potential option is to complete a comprehensive Transportation Services review to determine if there are other locations where the salt dome and related infrastructure could be relocated without impacting operational service levels.

The total approximate project cost is \$67.572 million to \$97.182 million dollars (including the Enbridge Gas CNG fuelling station termination and reinstallation costs of approximately \$2.000 million dollars). Since the use of diesel collection vehicles is being proposed for Phase 1, the CNG fuelling stations would be decommissioned. At this time, it is difficult to determine which CNG equipment, if any, could be repurposed if the current station is decommissioned in five years and remains idle for up to eight years. Given the timeline and the lifespan of the CNG equipment, the cost to reinstall a new CNG station at Ingram Yard will be approximately \$5.500 million dollars. It should be noted that the costs provided above are an estimate and costs can range from -30% to 50%. Figure 2 below outlines the capital project timelines for both the temporary and permanent solution and, for illustration purposes, are overlaid with the District 2 contract end date. Table 1 shows the Capital Cost comparison between a low range of \$67.572 million to a high range of \$97.182 million.

## **Figure 2: Capital Project Timelines**

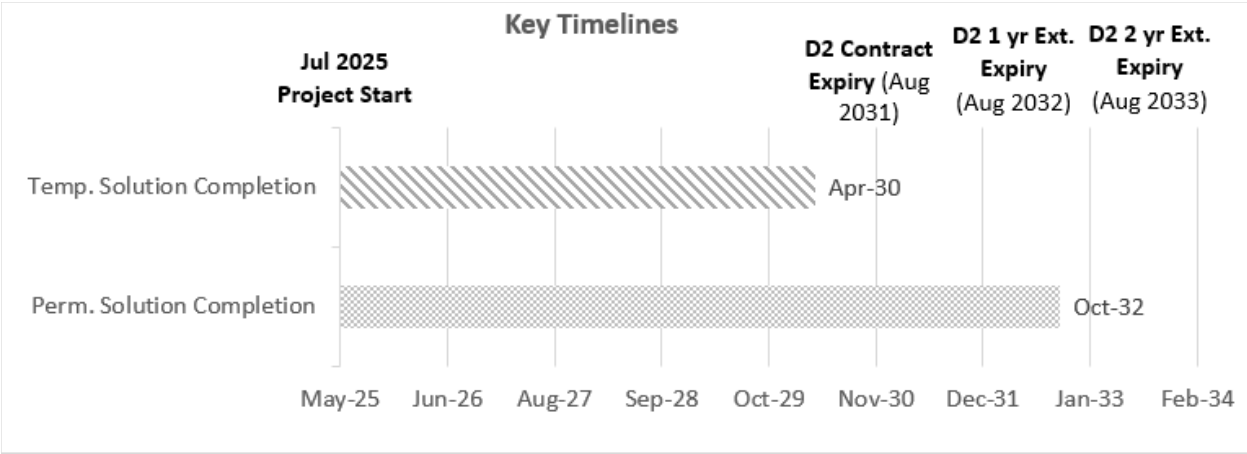


Table 1: Infrastructure Capital Costs

Infrastructure Capital Costs (\$Million)	Lower Range Estimate	Higher Range Estimate
Phase 1 - Temporary Location	15.310	22.970
Phase 2 - Permanent Location	43.900	65.850
CNG Termination Fee	2.000	2.000
Staff Implementation Costs	6.362	6.362
<b>Total Infrastructure Capital Cost</b>	<b>67.572</b>	<b>97.182</b>

**Staffing and Equipment Considerations**

In addition to securing and establishing a suitable site for a new collection yard, other operational requirements and implementation consideration that requires further examination is labour and fleet requirements. City staff reviewed labour and fleet requirements for bringing District 2 collections in-house. It was determined that approximately 118 full time, 27 seasonal Solid Waste Collection Operators, and 10 management and support staff along with approximately 97 collection vehicles would be required to adequately service District 2.

In addition to 155 staffing requirements for District 2 Collection Operations, 7 staff (2 permanent and 5 temporary) will be required to implement the capital infrastructure plans and recruit, onboard and train staff.

**Financial Impact**

In response to City Council's direction in April 2024, SWMS engaged a financial consultant to provide independent third-party financial impact validation of options for daytime curbside collection in District 2 following the expiration of the next contracted

service agreement in 2031<sup>3</sup>. The scope of work required a financial assessment of the implications of three potential scenarios:

- Continuing with Contracted Services: Maintaining a contracted service agreement for managing D2 collection services.
- Transitioning to In-House Operations: Bringing D2 collection services in-house following the expiration of the contract ending in August 2031.
- Implementing a Managed Competition Model: Establishing a new City-led entity to bid on the new contract.

To evaluate the financial impact of these scenarios for the post-2031 period, the financial consultant employed a structured three-step approach, including: reviewing D2 costing analysis from City staff; reviewing City staff's analysis in detail to identify potential gaps and inconsistencies; and providing a summary of their synthesized findings for each option. Table 2 provides the cost drivers for each of the three options under consideration.

Table 2: Cost Drivers for Financial Analysis

<b>Contracted Services</b>	<b>In-House</b>	<b>Managed Competition*</b>
<p>A contracted service agreement for managing District 2 curbside collection services includes a range of cost components, such as:</p> <ul style="list-style-type: none"> <li>• Waste material contract costs;</li> <li>• City contract management staffing costs;</li> <li>• Operating costs (fleet, safety and office supplies, etc.); and</li> <li>• Contract contingency costs (unforeseen events, such as storms).</li> </ul>	<p>Bringing the District 2 collection services in-house following the expiration of the current collection contract includes a range of cost components, such as:</p> <ul style="list-style-type: none"> <li>• Salary, benefits, and other staffing costs (training, safety and office supplies, machinery and equipment, etc.);</li> <li>• Fleet operating and supporting costs;</li> <li>• Additional costs (training, technology and supplies, utilities and equipment), and</li> <li>• One-time capital costs (fleet, infrastructure)</li> </ul>	<p>Creating a new entity to bid on City and private contracts and includes a range of cost components, such as:</p> <ul style="list-style-type: none"> <li>• Contract management - staff costs (salary, benefits);</li> <li>• Contract management - equipment (fleet, safety and office supplies, etc.); and</li> <li>• One-time costs (preparatory costs, external consulting, etc.)</li> </ul>

<sup>3</sup> Contract has two one-year Option Years with the potential for the contract to end in 2033.

\*Additional managed competition costs.

## ***Financial Analysis of Collection Options for District 2***

To analyze the financial impacts of the three potential options for District 2 collection services, the City has relied on a set of key assumptions that remained consistent across all options. These assumptions are listed below:

- Cost projections are based on escalation assumptions relating to items such as cost of living adjustments, fuel costs, and capital equipment costs.
- The next District 2 contract starts in August 2026, at which point all materials are charged the same rate per tonne.
- 1.76% HST is added for applicable cost items. HST is excluded for inter-divisional costs.
- Key inputs for the District 2 analysis stem from the budget figures as well as previous analyses performed by KPMG and the City.

The estimated cost of District 2 waste collection, if the City continues to contract out these services, is \$45.705M in 2031 based on the current contract with estimated inflation.

The estimated costs for in-house service delivery includes:

- Expansion of existing Ingram Yard and Transfer Station and new Yard built at 50 Ingram Drive \$67.572M to \$97.182M which represents a range, where infrastructure capital cost estimate is based on a AACE International Class 4 cost estimate.
- Capital cost for 97 vehicles \$68.553M to be funded by recoverable debt.
- Staffing, fuel, maintenance and other operational costs \$23.248M
  - Staffing 155 positions - \$17.947M
  - Fleet Maintenance, Fuel, Licensing - \$5.0M
  - Additional Costs (Training, Technology, Utilities) - \$0.356M
- Inflation rate used varies by item, from 1.9% for fuel price increase to 5.0% for fleet purchase price increase
- Interest rate used for infrastructure principal and interest payments is 4.5%
- Interest rate used for fleet principal and interest payments ranges from 3.24% for vehicles with 5-year life to 3.93% for vehicles with 10-year life.

A comparative summary of 2031 costs associated with each of the three options that were analyzed is detailed in Table 3A and Table 3B below, showing the low and high range of estimates.

Table 3A: 2031 District 2 Costs Lower Range Estimate

Item (\$Million)	Contracted Services	In-House	Managed Competition <sup>1</sup>	Notes
Operating Costs	\$45.705	\$23.248	\$24.207	In house option includes 155 SWMS positions. and 6 Fleet Services positions
Fleet Purchase Capital Cost <sup>2</sup>		\$13.714	\$13.714	97 vehicles amortized based on useful life.
Infrastructure Capital Cost <sup>2</sup>		\$5.195	\$5.195	20 Year Amortization of useful life.
Total Annual Cost	\$45.705	\$42.157	\$43.116	

<sup>1</sup>The managed competition scenario has one-time costs for preparatory and pre-award costs totalling \$0.569 million.

<sup>2</sup>Fleet capital and infrastructure capital will be funded though debt issuance

Table 3B: 2031 District 2 Costs\* Higher Range Estimate

Item (\$Million)	Contracted Services*	In-House	Managed Competition <sup>1</sup>	Notes
Operating Costs	\$45.705	\$23.248	\$24.207	In house option includes 155 SWMS positions and 6 Fleet Services positions.
Fleet Purchase Capital Cost <sup>2</sup>		\$13.714	\$13.714	97 vehicles amortized based on useful life.

Infrastructure Capital Cost <sup>2</sup>		\$7.471	\$7.471	20 Year Amortization of useful life.
Total Annual Cost	\$45.705	\$44.433	\$45.392	

<sup>1</sup>The managed competition scenario has one-time costs for preparatory and pre-award costs totalling \$0.569 million.

<sup>2</sup>Fleet capital and infrastructure capital will be funded though debt issuance

Table 4 provides an additional reference point for District 2 daytime curbside collection costs, current contract rates and new contract rates beginning in August 2026.

Table 4 - Comparison of 2025 and 2026 District 2 Collection Contract (\$Million)

Existing Contract (August 2025 – July 2026)			New Contract (August 2026 – July 2031)		
With Full Year Recycling (Estimate for Comparison Purposes only)	Without Recycling January 1, 2026 (Base Case)	Without Full Year Recycling	Full Year (August 2026 - July 2027)	Price Increase (2025-2027)	Percentage Increase (2025-2027)
\$26.330	\$22.467	\$19.434	\$38.438	\$19.004	98%

***Action Plan for the City to take on Daytime Curbside Collection in District 2***

For reference, a detailed action plan of the steps necessary to bring District 2 collection operations in-house is included as Attachment 2.

***Workforce Considerations for Implementing the Road Map to Deliver Curbside Collection Services in District 2 with City Staff***

For reference, workforce considerations for implementing the road map to delivery curbside collection services in District 2 with City staff is included in Confidential Attachment 1.

**Daytime Curbside Collection District Comparative Analysis**

**Background**

At the January 11, 2022 meeting of the Infrastructure and Environment Committee, Solid Waste Management Services reported on the "Data Comparison of In-house and Contracted Waste Collection."

More recently, at its meeting on April 17 and 18, 2024, City Council directed the General Manager, Solid Waste Management Services to report back in the first quarter of 2025 with an update on the comparison of service standards and metrics between districts for daytime, curbside waste collection.

The information in the following paragraphs provides an update to the information first shared in the 2022 report concerning data by district on diversion, customer counts, customer service reliability, contamination, and resident satisfaction, among others. All tables, unless otherwise noted, are compiled using 2024 data.

**Diversion by District**

Analysis of tonnage data from the major waste categories (garbage, blue bin recycling, green bin organics and yard waste) collected from residential customers on daytime curbside routes (including single family households, residential units above commercial establishments, and multi-residential curbside cart customers) was used to estimate an approximate diversion percentage collected within each District and is captured in Table 5 below for 2024.

Table 5 – 2024 Diversion Percentage (Rate) by District

<b>2024 kg/household</b>	<b>District 1</b>	<b>District 2</b>	<b>District 3</b>	<b>District 4</b>
Diverted Material – Blue Bin Recycling, Green Bin Organics, Yard Waste	630	532	524	591
Total Material – Diverted material plus Garbage & Residue	1,094	1,018	922	994
Diversion Rate (% per household)	58%	52%	57%	59%

The diversion rates are slightly higher for the in-house collected Districts versus the contracted collection Districts. There could be any number of factors impacting household diversion rates in the different collection Districts such as demographics, purchasing behaviours, as well as dwelling types. District 2 has a higher number of small multi-residential properties collected curbside compared to the other Districts (refer to Table6 below) and generally multi-residential properties have lower diversion

rates than single family dwellings. This may be a contributing factor to lower diversion rates in District 2.

**Household Customer Counts**

The distribution of daytime residential curbside customers is shown in Table 6 below.

Table 6 - Daytime Curbside Customers

<b>Households</b>	<b>D1</b>	<b>D2</b>	<b>D3</b>	<b>D4</b>	<b>Total</b>
Single-family	65,852	149,250	111,027	118,734	444,863
Residential Units above Commercial	93	1,116	487	113	1,809
Multi-residential Curbside Service (units)	1,871	16,571	7,579	1,269	27,290
<b>Total</b>	<b>67,816</b>	<b>166,937</b>	<b>119,093</b>	<b>120,116</b>	<b>473,962</b>

**Customer Service - Number of Service Requests**

Service requests related to the curbside collection of waste are received through 311 and directed to Solid Waste Management Services and service providers to fulfill. Table 7 shows the number of service requests received for all Districts from 2022 to 2023, as well as the service reliability, which is based on the number of service requests compared to the collection touchpoints per year. Data analysis presents high and comparatively similar service reliability amongst all Districts demonstrating resident satisfaction across the city.<sup>4</sup>

Table 7 - 2022-2024 Daytime Curbside Collection Service Requests

	<b>2022</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	# Service Requests	Service Reliability	# Service Requests	Service Reliability	# Service Requests	Service Reliability
District 1	7,029	99.93%	7,705	99.92%	3,043	99.97%
District 2	8,461	99.96%	7,822	99.97%	6,265	99.97%
<b>Subtotal Contracted Collections</b>	<b>15,490</b>	<b>99.95%</b>	<b>15,527</b>	<b>99.95%</b>	<b>9,308</b>	<b>99.97%</b>

<sup>4</sup> Includes all waste-related Service Requests, including missed collections, property damage, complaints, etc.

District 3	7,574	99.96%	7,254	99.96%	11,413	99.93%
District 4	7,955	99.96%	8,789	99.95%	10,482	99.94%
Subtotal In-House Collections	15,529	99.96%	16,043	99.95%	21,895	99.94%

Any complaints received regarding curbside collection are logged as service requests that are sent daily to contracted collection services providers in Districts 1 and 2 for their review to address and issue corrective action. Contracted service providers are able to access the City's database to view and respond directly to service requests. Escalated service requests and complaints are dealt with immediately by communicating with the contracted service provider, thereby avoiding liquidated damages. Contracted service providers are expected to respond to all complaints within set service standards which are the expected timeframes to complete an action and are specific to the type of service request. The same service standards are applied to all requests regardless of service provider (both in-house and contracted service providers). High priority service requests have a service standard of 24 hours (for example, recycling missed).

City staff communicate with the contracted service providers daily to resolve issues as they arise, including to address any repeated issues of non-compliance. Quarterly meetings are held to discuss general customer service trends, advise of any upcoming changes, and any operational issues such as items related to non-compliance as a follow-up to daily communications and as a means to resolve matters without escalation. If reviews of complaints demonstrate they are not complying with service standards, this is also addressed at quarterly meetings.

### ***Service Reliability***

City employees and contractors both play a vital role in service reliability. City employees offer stability, accountability, and a commitment to public service values within a particular governed structure, which can enhance service reliability. Contractors provide expertise and flexibility according to contract requirements, which is especially valuable during peak demand periods. City Divisions operate with limited staffing and resources, rendering them susceptible to challenges during exceptional circumstances that necessitate immediate augmentation of personnel and assets, such as during winter storms. Conversely, contractors, governed by contractual obligations, possess the flexibility to engage temporary staffing agencies to swiftly address staffing shortages, thereby ensuring adherence to contractual commitments.

### ***Liquidated Damages***

The collection contracts for Districts 1 and 2 each contain provisions which allow the City to collect liquidated damages. Liquidated damages are used to recover actual costs and allow the City to recuperate losses if a breach in contract were to occur. To date, there have been no liquidated damages or official warnings administered to the contracted service provider in District 1. District 2 has received 10 counts under the current contract which is less than 1 per year.

**Contingency Fees for Collection Contracts**

District 1 and District 2 collection contracts have terms for set hourly contingency amounts for a maximum of \$1 million per year for the duration of the contract. Contingency is required to allow for operational flexibility in the contracts at a competitive price and is also used to respond to urgent matters that arise such as responding to clean up efforts following a severe storm. The contingency amount used each year for both contracts along with the rationale for use of the contingency are outlined in Tables 8, 9, and 10 below.

Table 8 - Contingency - District 1 – Miller Waste (Contract End Date: June 30, 2023)

Year	Budget (\$)	Actuals (\$)	Rationale
2021	\$ -	\$ 21,943	Additional yard waste service due to collection calendar error
2022	\$ -	\$ 4,766 <sup>5</sup>	RBC Canadian Open (June)
2023	\$ -	\$ -	N/A

Table 9 - Contingency - District 1 – Green for Life (Contract Start Date: July 1, 2023)

Year	Budget (\$)	Actuals (\$)	Rationale
2023	\$ -	\$ 2,140	Additional yard waste service (Dec)
2024	\$ -	\$ 1,732	Additional Christmas Tree collection (Jan), additional yard waste service (Dec)

Table 10 - Contingency - District 2 – Green for Life

Year	Budget (\$)	Actuals (\$)	Rationale
2021	\$ 15,760	\$ 161,868	Oversize items redirected to Ingram Transfer Station due to Dufferin Transfer Station construction (Feb - Dec), additional yard waste service due to collection calendar error (Dec).
2022	\$ 15,692	\$ 43,522	Oversize items redirected to Ingram Transfer Station due to Dufferin Transfer Station construction (Jan – Feb), additional collection due to snowstorm (Feb), Special collection services (April), materials redirected from Ingram Transfer Station for tipping floor inspection (Sept).

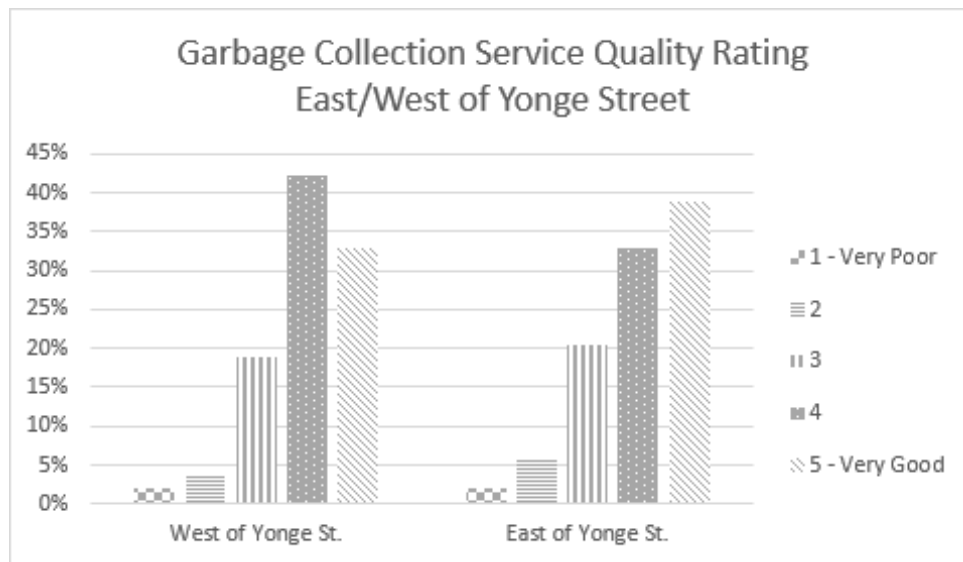
<sup>5</sup> Costs associated with residential collections being completed within a given timeline to avoid road closures and event vehicular and pedestrian traffic.

2023	\$ 17,345	\$ 5,669	Special collection services (Apr), additional yard waste service (Dec)
2024	\$18,039	\$8,320	Special collection services (Apr), flood collection (Jul – Aug), additional yard waste service (Dec).

### ***Analysis of Resident Satisfaction***

City staff analysed raw data from the Citizens First 2023 report, which was based on a survey that was reflective of Toronto’s population according to census parameters (polled 601 Toronto residents.)<sup>6</sup> This information showed that the service quality rating for garbage collection for Toronto continues to be equal between east of Yonge versus west of Yonge. Figure 3 shows that residents east and west of Yonge Street continue to rate their garbage collection service similarly.

Figure 3 – Garbage Collection Service Quality Rating



### ***Comparison of Collections Costs by District***

The operating costs for each District from 2022 to 2024 as well as the year-over-year percentage change is shown in Table 11 below. In Districts 1 and 2 the contracted costs were lower than budgeted in 2022 and 2024. Similarly, Districts 3 and 4 in-house collection costs were lower for 2022 and 2024 than what was budgeted. It is important to note for contracted collection costs, that the main drivers of cost (material volume and the Consumer Price Index) behave and impact costs independently. In addition, volumes can be variable and impacted by factors that could vary between Districts, such as housing demographics, types of household properties, extreme weather events causing increases in material set out or inability to set out materials and other

<sup>6</sup> Raw Data from Citizens First 2023: City of Toronto Jurisdictional Report (Coordinated by City Manager's Office).

unforeseen circumstances. As such, budget allocations are estimates based on variable factors. Cost drivers need to be considered separately when interpreting actual costs.

Table 11 - 2022-2024 Operating Collection Costs\*

	2022 Actuals	2023 Actuals	2024 Actuals	% Change (2023-2022)	% Change (2024-2023)
District 1	\$9,762,287	\$10,187,854	\$10,897,617	4.33%	6.97%
District 2	\$22,533,126	\$23,293,406	\$24,301,924	3.37%	4.33%
Subtotal - Contracts	\$32,295,413	\$33,481,260	\$35,199,541	3.66%	5.13%
District 3	\$24,243,488	\$25,108,599	\$25,634,494	3.57%	2.09%
District 4	\$20,921,674	\$22,095,696	\$22,877,929	5.61%	3.54%
Subtotal - In- House	\$45,165,162	\$47,204,295	\$48,512,423	4.51%	2.77%
<b>GRAND TOTAL</b>	<b>\$77,460,575</b>	<b>\$80,685,555</b>	<b>\$83,711,964</b>	<b>4.16%</b>	<b>3.75%</b>

\*Operating Costs in Districts 1 and 2 include collection contract costs and City staff salaries and benefits for contract monitoring and oversight. Operating Costs in Districts 3 and 4 include City staff salaries and benefits, fleet repair, maintenance and fuel. Operating costs presented above include contributions to the vehicle reserve.

Table 12 - 2024 Cost per Household and Tonnes

<b>Collection District</b>	<b>Cost per household</b>	<b>Cost per tonne (collected)</b>
District 1	\$160.69	\$146.93
District 2	\$145.58	\$142.96
District 3	\$215.25	\$233.53
District 4	\$190.47	\$191.53

### **Salaries**

In-house unionized City staff wages and benefits are governed by Collective Bargaining Agreements (including applicable wage/step increases). Contracted service providers must adhere to the City's Fair Wage policy as set out in the contracts. Specific salaries and benefits for service providers are not publicly available but must meet the Fair Wage rates at a minimum. The in-house City staff and Fair Wage rates are provided below in Table 13.

Table 13 - Hourly Rates for Collections Staff

<b>Base Hourly Rate*</b>	<b>Hours Per Week</b>
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District 1 (Green for Life)**	\$ 25.15	44
District 2 (Green for Life)**	\$ 24.41	44
In-House (City staff)	\$ 33.51	40

\*All 2025 hourly rates exclude benefits

\*\*Minimum based on 2025 fair wage policy rates. Actuals for service providers are not publicly available.

Service providers are meeting the Fair Wage rates at a minimum to remain in compliance with the contracts.

### ***Financial Analysis***

Solid Waste Management Services engaged a financial consultant to provide independent third-party financial analysis validation for the solid waste collection costs associated with each district. The analysis leveraged actual historical costs from 2022 and 2023. It is important to contextualize this data in its historical context with different contracts in place. Future costs across districts will be different given the retendering of collection contracts for Districts 1 and 2 and the implementation of extended producer responsibility.

Similar to the approach used by the financial consultant when evaluating options for District 2, a structured three-step approach was used in their review, including: conducting a comprehensive review of the district costing documentation provided by City staff; reviewing City staff's costing analysis in detail to identify potential gaps and inconsistencies; and providing a summary of their findings for each district.

### ***Waste Contamination Rates by District***

For the January 2022 staff report, staff used 2019 data (two-year delay). This two-year delay is standard as yearly tonnages are not confirmed until late winter the following year. Solid Waste Management Services have not been undertaking curbside single-family Blue Bin recycling inspections since the COVID-19 pandemic interrupted operations in 2020.

Due to the nature of our collection operations, where different customer types are all co-collected on the same routes, it is challenging to determine contamination rates by district using collected tonnage data. Certain customer types, such as multi-residential locations have higher rates of contamination, for reasons unrelated to collection service provider. Solid Waste Management Services undertakes regular waste composition studies, but not all districts are audited due to costs and resource requirements.

Separate waste composition studies are undertaken for single-family households (with a sample size of 200 homes) and multi-residential households (with a sample size of 20 buildings with front-end collection). The waste composition studies provide comparative information on contamination rates between single-family households and multi-residential households. For a variety of structural and behavioural reasons, the

contamination rates in blue bin materials collected from multi-residential dwellings tend to be considerably higher than in single-family blue bin materials <sup>7</sup>.

## **CONTACT**

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## **SIGNATURE**

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Matt Keliher  
General Manager  
Solid Waste Management Services

## **ATTACHMENTS**

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Confidential Attachment 1 - Workforce Considerations for Implementing the Road Map to Deliver Curbside Collection Services in District 2 with City Staff

Attachment 2 - Road Map to Deliver Curbside Collection Services in District 2 with City Staff

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<sup>7</sup> Contamination in multi-residential blue bin material is higher due to a number of factors such as lack of convenience, anonymity, lack of in-unit storage, transiency of population and superintendents, language barriers, and so on.