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2026 BUDGET BRIEFING NOTE

Transition of the Residential Blue Box Program to Producers: Cost Savings, Staffing Changes and Ancillary Operational Challenges

Issue/Background:

The Budget Committee has requested the General Manager, Solid Waste Management Services (SWMS) to provide a briefing note on any cost savings, staffing changes, and ancillary operational challenges as a result of the transition of Blue Box collection to the Extended Producer Responsibility (EPR) model.

On July 1, 2023, the City of Toronto's (the City) residential Blue Box recycling program transitioned to the EPR model laid out in O. Reg. 391/21: Blue Box (Blue Box regulation), under the Resource Recovery and Circular Economy Act, 2016 (RRCEA). Under this model, producers of Blue Box materials are financially responsible for the management of packaging, paper and packaging-like products. Management responsibility includes promotion and education, customer service, collection, transfer and haulage, and processing.

Key Points:

1. EPR Cost Savings & Non-EPR Budget Pressures

Prior to the City's transition to EPR in July 2023, the Blue Box program resulted in an approximate \$10 million annual net cost to the City; this net cost resulted from annual operating expenditures of approximately \$57 million, that were partially offset by annual revenues of approximately \$47 million (\$29 million related to funding from producers, and \$18 million from the sale of recyclables). These savings were realized within the 2023 budget.

Under contract to Circular Materials, the City agreed to provide Blue Box services during the Transition Period on a full-cost recovery basis from July 2023 to December 2025. The financial impacts resulting from the City's transition to EPR were incorporated in long term rate modeling that informed SWMS's outlooks and budget submissions related to the 2023 budget year onward.

2. Efficiencies and Staffing Changes

As directed by City Council SWMS has identified and implemented various efficiency measures including:

1. Changing collection weeks in Districts 2 and 3, which has realized a savings of \$2 million per year.
2. Contracting in litter vacuum work saving an estimated \$1 million over 5 years. This allowed for the 42 redundant full-time collection operator positions due to EPR to be realigned to litter vacuum work. As a result, there were no position losses.
3. Within the Haulage and Logistics team 16 staff who were responsible for transporting recycling are now hauling garbage and organics to processing sites versus contractors which saves approximately \$100,000 per year.

3. Ancillary Operational Challenges

Overall, the transition of the residential Blue Box program to EPR has had minimal to no impact to SWMS' ability to collect materials from customers. To maintain operational efficiency there was a need to rebalance collection routes. While the collection day did not change the material being collected did. This change took place January 1, 2026 and all challenges have been addressed.

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