

**Municipality of Chatham-Kent**  
**Infrastructure and Engineering Services**  
**Public Works**

**To:** Mayor and Members of Council

**From:** Huda Oda, P.Eng., M.A.Sc.  
Manager, Waste Management

**Date:** September 27, 2023

**Subject:** Chatham-Kent's Blue Box Transition Update

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**Recommendations**

It is recommended that:

1. Curbside collection of Blue Box materials from ineligible sources through the municipal contract is discontinued effective January 1, 2024.
2. Promotion and education (P&E) compensation received from the producer responsibility organization(s) (PRO) be allocated to the WDO Recycling reserve to be used for future waste diversion efforts.

**Background**

In June 2021, the Province released the Blue Box Regulation (O. Reg. 391/21) under the Resource Recovery and Circular Economy Act (RRCEA), requiring producers to operate and pay for the collection and reuse, refurbishment, and recycling of Blue Box materials. In April 2022, the regulation was amended to clarify the process for creating the province-wide system for collecting Blue Box materials that will be operated by Producer Responsibility Organizations (PRO) on behalf of producers. The intent of this Extended Producer Responsibility (EPR) model is for producers of Blue Box materials to be fully accountable and financially responsible for collecting and recycling their Blue Box materials when discarded by consumers.

Ontario will fully transfer to the EPR model in January 2026 with the implementation of a standardized Blue Box Program across Ontario. Chatham-Kent is one of 126 communities transitioning to this new model between July 2023 and December 2025.

Circular Materials, the majority PRO in Ontario, will be responsible for collecting and processing Blue Box materials in the Chatham-Kent on behalf of producers starting January 1, 2024. The Blue Box program, including curbside and depot collections, would be delivered without an interruption in service to residential properties.

The new Blue Box Regulation is geared primarily towards residential Blue Box materials and expands the list of eligible sources compared with the previous regulation to include primary and secondary schools, specified public spaces, and non-profit long-term care and retirement homes. Industrial, commercial, and institutional (ICI) sources continue to be excluded from the Blue Box Regulation since these sources are regulated under O. Reg. 103/94: Industrial, Commercial and Institutional Source Separation Programs.

Historically, ICI's participation in the curbside Blue Box program was not well understood due to lack of data. In June 2022, Council<sup>1</sup> approved an Ineligible Sources Data Collection Project to better understand participation in the current municipal collection service, particularly from ICI properties. The project was conducted between October and December 2022.

Council also approved a recommendation in the report<sup>1</sup> giving delegated authority to the General Manager of Infrastructure and Engineering Services (I&ES) to enter into a service agreement with one or more PROs if an agreement was reached.

In December 2022, Council<sup>2</sup> approved awarding the Chatham-Kent waste collection contract to Waste Connections of Canada (WCC), commencing on January 1, 2024, for a five-year term.

## **Comments**

### **Curbside Blue Box Program**

Curbside collection of Blue Box materials was not included in the scope of services under the new waste collection contract as approved by Council in December 2022<sup>2</sup>, and will be the responsibility of the PROs effective January 1, 2024. Opting out of the curbside collection of Blue Box material translates in approximately \$0.5M in savings (based on 2023 costs).

Administration have communicated the decision to Circular Materials, who is in the process of retaining a contractor through competitive procurement to provide curbside collection of Blue Box materials to eligible sources in Chatham-Kent. Submissions were due to Circular Materials on May 12, 2023, and they will notify Chatham-Kent of the service provider once the contract award has been confirmed. A response is yet to be provided despite the January 1, 2024, commencement of transition.

### **Curbside Ineligible Sources**

Under the new Blue Box Regulation, Circular Materials has no legal obligation to collect Blue Box material from ineligible sources during or after transition. Ineligible sources include:

- industrial or commercial properties,
- not-for-profit organizations,

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<sup>1</sup> Chatham-Kent's Blue Box Transition to Extended Producer Responsibility (EPR) Model. See RTC [here](#).

<sup>2</sup> Single-Source Award: R22-117 Chatham-Kent Waste Collection Contract. See RTC [here](#).

- municipal buildings or facilities,
- daycares,
- places of worship,
- campgrounds and trailer-parks without permanent or seasonal households, and
- commercial farms.

Properties with mixed uses such as properties with both a residence with a commercial unit, or Business Improvement Areas (BIA), will have eligible and ineligible portions. Blue Box material generated from the residential portion of a mixed-use property will be eligible for collection, while the material generation from the commercial portion of such a property will be ineligible.

Currently, Chatham-Kent's ineligible sources are serviced if they are located within the curbside collection area and adhere to collection guidelines. To address data gaps related to the number of participants in Chatham-Kent's Blue Box Program, and the quantity and quality of the materials they generate, an intensive ineligible source data collection project was conducted from October 22 to December 20, 2022. A summary of the Project's results is presented in Table 1, and more detailed results are included in Appendix A.

Table 1: Total number of stops grouped by eligibility.

Description	Number of Stops	Percentage (%)
Blue Box Eligible Sources	29,386	93.2%
Blue Box Ineligible Sources	1,749	5.5%
Blue Box Partially Eligible Sources	397	1.3%
<b>Total Stops</b>	<b>31,542</b>	<b>100%</b>

Overall, ineligible sources represent just over 5% of the total curbside stops in Chatham-Kent, or 1,749 stops. Of those, only 445 properties participated at least once during the Project. This number represents 25% of all ineligible stops and 1.4% of the total curbside stops within the current municipally service area. Further, the average bi-weekly participation by the ineligible source group was 11% only.

The Blue Box material generated from participating ineligible sources is estimated to average 152 metric tonnes per year. This represents less than 5% of all Blue Box materials collected at the curb through Chatham-Kent's waste collection contract in 2022. More Blue Box materials are collected through private contracts between haulers and property owners, but the total amount of tonnage collected privately is unknown.

Circular Materials has provided municipalities with the option of servicing ineligible sources through their contractor on the following conditions:

1. Collection would only be provided during the transition period (Jan 2024–Dec 2025 for Chatham-Kent).

2. Municipalities agree to pay the full cost of collecting and processing this material.
3. Municipalities are responsible for negotiating with Circular Materials' collection contractor.
4. After a list of ineligible sources is established for a community, prior to its transition, addresses can be removed from the list, but none can be added.

This approach has presented challenges for municipalities who are expected to negotiate with unconfirmed service providers for the collection from ineligible sources before executing an agreement.

Administration has considered three options for ineligible sources given the results of the project and the parameters of this service during the transition period. The three options are highlighted below, and their implications are summarized in Table 2.

Option 1: Continue servicing ineligible sources through Circular Materials' contractor.

Although Chatham-Kent's Blue Box collection contractor is still unconfirmed, administration has reason to believe that WCC is Circular Materials' successful service provider. Accordingly, administration has approached WCC for a quote on servicing ineligible Blue Box material generators along their existing routes.

If awarded Circular Materials' curbside contract, WCC has offered to continue to service Blue Box materials from ineligible sources during transition at a flat rate that represents an increase of 275% from the current rate in 2024, which would further increase by CPI in 2025. After 2025, the cost is expected to be exponentially higher, since the collection route would need to be separated from the PRO's collection route (i.e., designated for ICI Blue Box recycling collection).

This option has not been budgeted for in the 2024-2027 multi-year operating budget and could translate to a budget increase of approximately 1.5 million dollars over four years. This amount represents a percentage of 0.8% to the tax levy in 2024.

Option 2: Pursue a competitive RFP process.

Competitive bids from other service providers for collection and processing in Chatham-Kent are unlikely given the recent Waste Collection RFP results. Further, this option is impractical given the brief time remaining until transition and the fact that economies of scale cannot be achieved due to the estimated low tonnage of Blue Box material generated from ineligible sources.

Option 3: Discontinue servicing ineligible sources, effective January 1, 2024.

In this option, property owners would bear the full responsibility of arranging for Blue Box material collection, logistically and financially, as prescribed in O. Reg. 103/94.

To communicate this option, administration would send a notification to each ineligible address explaining the change in service and outlining service providers. In addition, the

Municipality's communication outlets such as its website and social media accounts would be leveraged to communicate this message.

It is expected that where private collection is not arranged for existing ineligible participants, most of the Blue Box materials will be disposed of in the garbage stream. As a worst-case scenario, an average of 152 metric tonnes would be added to the landfilled waste stream every year. This represents a cost increase of \$8,900 in disposal fees annually.

Table 2: Summary comparing the options investigated for servicing curbside ineligible sources.

	Estimated Cost	Solution Validity	Serviced Ineligible Sources
Option 1	Approx. \$275,200/year (~\$1,830/tonne <sup>†</sup> )	2024 & 2025 only	Locked based on CM's list
Option 2	Unknown	Flexible	Can be flexible
Option 3	Approx. \$8,900/year	2024 and beyond	N/A

<sup>†</sup>Includes Circular Materials prescribed \$200/tonne processing fee. Compare that with \$345/tonne in 2023.

In summary:

- The participation of ineligible sources in the municipal curbside Blue Box collection is exceptionally low, representing only 1.4% of all curbside stops.
- The estimated annual tonnage generated from these ineligible sources is exceptionally low, representing <5% of all municipally collected Blue Box materials.
- Circular Materials will only allow the service of ineligible sources via their contractor in 2024 and 2025, with no long-term solution.
- The estimated cost of servicing ineligible sources is prohibitive and will surpass, in less than two years, any savings realized by opting out of the curbside Blue Box service (~\$0.5M).
- Economies of scale are non-existent now and unlikely to develop soon.

Therefore, it is recommended that Chatham-Kent discontinues curbside collection of Blue Box materials from ineligible sources as of January 1, 2024.

Acknowledging this decision is difficult and does not promote waste diversion. Ontario municipal staff and industry support groups have expressed concern and criticism of excluding ICI Blue Box materials from the EPR model. Chatham-Kent's administration is committed to advocating the province to develop a practical solution for ICI sectors' materials, where possible, either directly or through industry organizations.

## **Receiving Facility**

Circular Materials has announced that Chatham-Kent Recycling in Merlin will continue to receive eligible Blue Box material generated in Chatham-Kent during transition. However, the material may be processed elsewhere.

## **Blue Box Program at Transfer Stations**

Circular Materials has expressed interest in partnering with Municipalities who provide depot collection as a primary method. Since Chatham-Kent provides depot collection at eight (8) locations for non-curbside residents, administration has been in negotiations with Circular Materials since December 2022 to continue the Blue Box material drop-off service at these depots (also known as transfer stations). Chatham-Kent is taking on the responsibility of the depot operations only, which represents a savings of about \$160,000 in Blue Box material hauling and processing.

At the time of drafting this report, administration has yet to receive an acceptable compensation offer from Circular Materials to recover Chatham-Kent's Blue Box portion of depot operation costs. Negotiations have been slow due to many reasons, including:

- Circular Materials' approach with depot communities has evolved since summer 2022.
- Significant staff turnover within Circular Materials' team(s).
- Shortage of much needed flexibility from Circular Materials in negotiating agreement terms, especially compensation clauses.

Administration is working diligently to negotiate a fair compensation for Chatham-Kent and are committed to reaching an agreement to ensure a seamless transition for rural residents. Once this is achieved, the delegated signing authority, the General Manager of IES, will sign the agreement with Circular Materials.

## **Curbside Blue Box Program Promotion and Education**

During the transition, the Municipality will maintain responsibility for waste guides and calendars, waste website widgets, and related mobile apps (i.e., RecycleCoach). These items will allow a continuity of communication methods to residents. Administration is in discussion with Circular Materials to finalize agreement terms and compensation to maintain responsibility of these items for curbside residents.

## **Curbside Blue Box Program Public Inquiries and Customer Service**

The selected curbside collection service provider will be responsible for providing customer service, including addressing resident issues and concerns related to the Blue Box program.

Chatham-Kent will advertise the contact information of the successful contractor in its typical promotion and education materials, including Chatham-Kent's website. The website will also be updated with information related to the transition and the various responsible parties.

Based on lessons learned from British Columbia's similar transition to producer responsibility of recycling in 2014, the Municipality expects to continue to receive calls and inquiries from residents during and after transition. Administration will redirect these calls and inquiries to the appropriate parties for response.

### **Curbside Waste By-law**

Curbside Waste By-law Number 126-2021 will be amended and presented to Council for approval later this fall to reflect the changes of the new regulation and responsibility of service delivery, starting January 2024.

### **Council Term Priorities**

This report supports the following Council Term Priorities:

			
<b>Deliver Excellent Service</b>	<b>Promote Safety &amp; Well-Being</b>	<b>Grow Our Community</b>	<b>Ensure Environmental Sustainability</b>
<b>2, 3, 4, 5</b>			

### **Consultation**

The Continuous Improvement Fund (CIF)'s Transition Working Group launched in partnership with Association of Municipalities of Ontario (AMO)'s Municipal Resource Recovery and Research Collaborative (M3RC) has been consulted on transition developments and how to best prepare for the transition. In addition, staff from other Ontario municipalities including Dufferin County, Township of Minden Hills, Municipality of Dysart et al, City of Ottawa, and City of London were consulted on their respective experiences to date with respect to the transition.

Legal Services has been consulted on Circular Materials' proposed service agreements, and Financial Services has been consulted on the recommendations of this report.

### **Communication**

If approved, communications to ineligible sources will be achieved through direct mailings to affected properties and owners. Letters will include an explanation of the changes and contact information for vendors as a reference to arrange for private collection of Blue Box materials. In addition, communication through direct mailing to

partially eligible sources (i.e., mixed use properties, BIA's, etc.) will be completed, explaining the changes at these properties.

In preparation for the transition, Waste Management will engage the Customer Service team and Economic Development Services to assist with notifying the affected groups and answering any inquiries or concerns.

General and specific information pertaining to the Blue Box transition and associated changes will be communicated to the public through the municipal website and social media.

### **Environmental Sustainability & Climate Change Implications**

The intention of the EPR model is to improve the end-of-life processing of Blue Box materials. By transferring the responsibility of the cradle-to-cradle utilization of plastics, fiber, cardboard, etc. to the producers, they will have an incentive to reduce packaging in their products and/or improve the packaging quality. This promotes long-term environmental health and sustainability.

The transition to EPR will reduce Chatham-Kent's corporate greenhouse gas (GHG) emissions by an estimated 300 tonnes of CO<sub>2</sub> equivalents (MT CO<sub>2</sub>e), equivalent to the energy consumed by 38 homes in one year<sup>3</sup>. This amount will be transferred to the community's GHG emissions inventory.

### **Diversity, Equity, Inclusion and Justice (DEIJ)**

This report does not have implications related to diversity, equity, inclusion, or justice.

### **Financial Implications**

The financial implications of opting out of the curbside Blue Box collection service are summarized in Table 3.

The Municipality is yet to receive fair compensation for the costs allocated to the Blue Box portion of depot operations. If such compensation is received, it will cover most the Municipality's actual costs.

The Municipality is yet to receive a final compensation figure for the costs related to P&E agreement with CM. However, it is expected that the compensation will cover the direct costs associated with P&E activities.

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<sup>3</sup> US EPA Greenhouse Gas [Equivalencies Calculator](#).



**Table 3:** Summary of financial implications of opting out of curbside Blue Box Service

	Estimated Cost	Cost Avoidance† (2024-2027)
Opting out of the curbside Blue Box service entirely	- \$500,000 * (Based on 2023 budget)	\$3.47M
Discontinuing the curbside Blue Box collection service to ineligible sources	\$8,900/year	\$1.52M
Opting out of Blue Box material hauling and processing from drop-off depots	\$160,000/year (Based on 2023 budget)	\$1.43M

\*This amount represents savings for the Municipality.

†The amounts in this column use the 2022 RFP results to project future costs.

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Attachment: Appendix A: Ineligible Source Data Collection Project Results