



**POLICY REPORT
ENVIRONMENT**

Report Date: November 6, 2015
Contact: Albert Shames
Contact No.: 604.873.7300
RTS No.: 11153
VanRIMS No.: 08-2000-20
Meeting Date: November 17, 2015

TO: Standing Committee on City Finance and Services
FROM: General Manager of Engineering Services
SUBJECT: Multi-Material British Columbia Residential Recycling Program

RECOMMENDATION

- A. THAT Council authorize the General Manager, Engineering Services to give notice to Multi-Material British Columbia (MMBC) that the City wishes to:
 - i. Transition recycling collection services to MMBC for single family curbside residences and multi-family buildings on a date to be defined in the transition plan referenced in Recommendation B below, but no later than January 2, 2017 (“the Transition Date”);
 - ii. Terminate the agreement for single family curbside recycling collection, which expires on November 29, 2018, on a date that aligns with the Transition Date; and
 - iii. Terminate the agreement for multi-family building recycling collection on a date that aligns with the Transition Date, or negotiate an extension of the term if the Transition Date is later than the April 30, 2016, expiry date for this agreement.
- B. THAT Council authorize the General Manager, Engineering Services to engage MMBC in developing a plan for transitioning recycling collection services for single family curbside and multi-family building residences to MMBC, based on maintaining current levels of service, with a Transition Date of no later than January 2, 2017.

- C. THAT Council authorize the General Manager, Engineering Services to notify the Musqueam Indian Band that the City of Vancouver will cease to provide residential recycling collection on Musqueam Indian Reserve No. 2 on an effective date that aligns with the Transition Date.
- D. THAT the Mayor send a letter to the Ministry of the Environment requesting the Ministry's assurance that, given that MMBC is an agent of producers and has statutory responsibility for delivering residential recycling services in British Columbia under the BC Recycling Regulation and MMBC's Packaging and Printed Paper Stewardship Plan, and given the scale and complexity of the recycling program in the City of Vancouver, the Ministry will:
 - i) continue the Ministry's active role in producer compliance so that MMBC can maintain the high level of service that Vancouver residents have come to expect; and
 - ii) continue to support the implementation of MMBC's approved *Packaging & Printed Paper Stewardship Plan* to ensure the smooth and effective operation of the MMBC program for residential recycling.
- E. THAT all notifications referred to in Recommendations A through C be in writing in a form approved by the General Manager, Engineering Services and the Director of Legal Services.

REPORT SUMMARY

Multi-Material British Columbia is the non-profit industry association that delivers a province-wide extended producer responsibility program for packaging and printed paper, on behalf of producers, as required under the BC Recycling Regulation. Since May 19, 2014 the City of Vancouver has been providing recycling collection services to City residents as a contractor to MMBC. Under that contract, MMBC provides financial incentives to the City for delivery of those services. However, the financial incentives MMBC provides do not cover the full cost of the services provided by the City.

The City now faces a decision on whether to continue providing single family and multi-family recycling collection services as a contractor to MMBC and fund the net costs through utility charges to residents, or to turn over this responsibility to MMBC who will provide the service at no cost to the public.

There are four key drivers for re-evaluating the City's role in the delivery of recycling services in the future:

- 1) There is a funding shortfall between MMBC's financial contribution and the City's recycling program costs, which is subsidized by ratepayers through the Solid Waste Utility. The current shortfall is \$4.1M per year, and is projected to rise to at least \$5.4M per year, predominantly as a result of replacing the City's recycling fleet and providing City-wide separate glass collection, should the City continue to deliver the service under contract to MMBC.

- 2) The City's fleet of recycling trucks is well past its service life and requires urgent replacement at an estimated capital expenditure of at least \$12M. The annual operating impact of this investment is factored into the \$5.4M shortfall referenced above.
- 3) There is an opportunity to redirect funds that are currently applied to the funding shortfall for residential recycling to other high priority services and Greenest City programs within the City.
- 4) MMBC's multi-family recycling contract with the City, along with the City's agreement with a subcontractor for multi-family recycling collection in the downtown core, False Creek and Kitsilano, both expire on April 30, 2016.

This report recommends terminating the MMBC contract for single family curbside and multi-family collection, and turning over recycling collection to MMBC no later than January 2, 2017. Doing so would provide an opportunity to invest funds currently used to cover the recycling funding shortfall into other program areas such as litter collection, abandoned and illegally dumped waste, new recycling initiatives and other public realm cleanliness initiatives that would advance Greenest City and Healthy City goals.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The extended producer responsibility (EPR) model, which is regulated by the Province, shifts the burden and cost of waste management from local governments to producers has received significant support from Council over the past decade.

The Greenest City 2020 Action Plan for Zero Waste includes actions that advocate for extended producer responsibility for a wide range of product-related wastes, including packaging and printed paper.

On September 12, 2013, Council (In Camera) authorised the City Engineer to advise MMBC that the City is interested in continuing to provide single family curbside and multi-family residential recycling services in the City of Vancouver under contract to MMBC subject to negotiation of a mutually agreeable contractual and financial arrangement.

On November 19, 2013, Council (In Camera) delegated authority to approve the final terms and conditions of, and execution of a Master Services Agreement with MMBC, including Statements of Work for single-family curbside residences and multi-family buildings.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

Over the last 20 years, Vancouver residents have made considerable progress toward reducing waste generated within the City. These strides have been supported by the City of Vancouver's investments in waste reduction, recycling and composting. Waste reduction and recycling are critical to the success of achieving the goals and targets of the Greenest City Action Plan. To support further recycling, the City has endorsed the concept and implementation of extended producer responsibility, which holds producers accountable for recycling the materials that they sell. Despite the enthusiasm of the City for this approach,

Staff have been reluctant to stop providing a City service which Vancouver residents have come to appreciate and rely upon. In particular, the risk of service level reductions, or reductions in levels of recycling, has been a concern for Staff. However, MMBC has demonstrated their ability to implement recycling systems in other municipalities and have achieved high levels of recycling. Based on MMBC's successes in other municipalities, and the potential to reinvest over \$5 million annually within the City of Vancouver to address other Greenest City initiatives, the Acting City Manager supports the recommendations set forth in this report.

REPORT

Background/Context

Multi-Material British Columbia Recycling Program

For many years, municipalities have borne the responsibility and cost of recycling. In 2011, the Province of British Columbia ("the Province") amended the BC Recycling Regulation (the Regulation) to shift the responsibility for delivering and funding residential recycling programs to the companies that produce packaging and printed paper. By requiring producers to pay the cost of recycling, the intent of the Regulation is to encourage these companies to reduce packaging and printed paper and invest in green design.

In response to the Regulation, producers created a not-for-profit industry association called Multi-Material British Columbia (MMBC). As required by the Regulation, MMBC developed a *Packaging and Printed Paper Stewardship Plan* ("the Plan") that sets out its approach to program management. The Plan also includes performance measures that must be achieved by MMBC. The Province approved the Plan in April 2013 and monitors MMBC's performance against the performance measures in the Regulation and Plan.

MMBC provides residential recycling services on behalf of producers by contracting with municipalities, First Nations, private collectors or not-for-profit organizations. To fund the program, MMBC charges fees to its members based on the amount of packaging and paper they sell or distribute to residential customers. These fees are internalized in product prices.

MMBC's Agreement with the City of Vancouver

On November 30, 2013, the City of Vancouver entered into an agreement with MMBC to provide single family and multi-family residential recycling collection services in Vancouver on MMBC's behalf. By signing this contract, the City became a contractor to MMBC, and started providing collection services with funding from MMBC as of May 19, 2014.

The multi-family section of MMBC's agreement with the City expires April 30, 2016 with no options for renewal. The single family curbside section of the agreement expires November 29, 2018 with two one-year extensions at MMBC's option.

Under this contract, the City collects from 109,000 “single-family” curbside units,¹ and 168,000 multi-family households in 4,500 multi-family buildings. The City’s Sanitation Services branch provides collection to the single family households, and approximately 58,000 of the multi-family households in 2,200 multi-family buildings. The City subcontracts with a private sector company to provide collection from 109,000 multi-family households in 2,300 buildings in the downtown core, False Creek and Kitsilano.

Musqueam Indian Reserve No. 2 is included in MMBC’s agreement with the City. Under the City of Vancouver/Musqueam Service Agreement, the City provides recycling collection services to 468 single family curbside units and 76 multi-family units on Musqueam Indian Reserve No. 2 (Village and lease lands).

Strategic Analysis

Drivers for Re-Evaluating the MMBC Contract:

There are four key drivers for re-evaluating the single family and multi-family sections of the MMBC agreement at this time:

1. Funding Shortfall Between MMBC Revenues and Program Costs

Payments from MMBC do not cover the full cost of the City’s collection service delivery. In 2015, the shortfall between MMBC revenues and program costs will be \$4.1M. To cover the shortfall, the City charges ratepayers, on average, recycling utility rates of \$13 per multi-family household and \$18 per single family household.

By 2017, this shortfall is projected to rise to \$5.4M per year as a result of City-wide separate glass collection, increased volume of material, and replacement of the recycling fleet should the City continue to provide recycling services under contract to MMBC. The average utility fees would then increase to \$18 and \$22 per multi-family and single family household respectively.

The City’s utility fees are in addition to the MMBC recycling fees that are embedded in product prices and paid by consumers in British Columbia. If MMBC delivered the program directly, Vancouver residents would receive recycling at no cost to ratepayers.

2. Recycling Trucks

The City currently owns and operates a fleet of 30 recycling trucks which are past their useful service life and in urgent need of replacement. The fleet would also need to be expanded to handle the volume-related impacts of accommodating a separate compartment on the trucks for glass collection, and the additional recyclable materials included as part of MMBC’s program, much of which is high volume material. The capital cost to purchase new trucks needed is estimated to be \$12M. The annual operating impact of this investment is included in the \$5.4M funding shortfall.

¹ “Single family” in this report means any residence with the blue box recycling program, and includes duplexes, triplexes, fourplexes, secondary suites, townhouses, rowhouses and converted houses with more than one unit.

3. Opportunity to Invest Funds in Other Program Areas

There is an opportunity to invest the funds used to cover the funding shortfall for recycling into other program areas. For example, there is rising demand for litter prevention and control, abandoned and illegally dumped waste collection, new recycling initiatives and other public realm cleanliness initiatives.

Since 2014, the number of 311 calls regarding illegal dumping has increased by 32 per cent, and the amount of abandoned waste collected increased by 13 per cent. (Totals of 70,000 items and 2,500 tonnes are forecasted for 2015.) The City is struggling to keep up with this demand, which has resulted in a delayed response time of 10 to 15 days per incident.

Similarly, the City has experienced significant increases in litter-related incidents since 2014, as evidenced by a 50 per cent increase in 311 calls reporting overflowing litter cans, and a 14 per cent increase in calls regarding general litter issues.

4. Expiry of Multi-Family Contracts

The expiry of MMBC's contract with the City for multi-family recycling collection is tied to the April 30, 2016 expiry date of the City's subcontract with Waste Management Inc. for multi-family collection services on the City's behalf. Should the City continue providing collection under contract to MMBC, the City would have to renegotiate a new or extended multi-family agreement with MMBC, and initiate a procurement process for the subcontracted multi-family collection in the downtown core, False Creek and Kitsilano.

Implications/Related Issues/Risks

Financial

During the transition year 2016, the recycling utility fee would remain unchanged and will be brought forward to Council as part of the 2016 Utility Rate report presented in December 2015.

It is expected that the transition to MMBC would be complete by the end of 2016 and once complete, the full savings will be realised and there be no requirement to charge a utility fee for single family and multi-family recycling. Staff have identified several high priority areas to reinvest the funds, including public realm cleanliness, and any investment will be brought forward as part of the annual budget process.

Human Resources/Labour Relations

All permanent staff affected by this change will be re-deployed to new positions and vacancies arising through regular attrition within Sanitation and other Engineering branches. A significant majority of the impacted staff are represented by CUPE 1004. The City has concluded a labour adjustment agreement that sets out the terms and process for re-deployment for affected CUPE 1004 members. The leadership of CUPE 1004 has endorsed this agreement and is presently conducting a final consultation with its membership.

Environmental

Achieving Greenest City 2020 Zero Waste goals. The City can still meet its GCAP Zero Waste goals if MMBC takes over the residential recycling program. MMBC has a statutory requirement to achieve 75 per cent recovery, and reports that it has already achieved 80.1 per cent in 2014. MMBC also incentivizes contractors to collect higher quantities of material. MMBC has agreed to provide recycling data to the City to ensure that recycling levels can be closely monitored and reported to the public.

End-fate of recovered materials. MMBC's Plan includes the statutory requirement that 85-90 per cent of recovered packaging must be sold to recycling markets, and this must be validated by third party auditors.

Service Levels

Staff will work closely with MMBC during the transition planning and service roll out to align MMBC's service levels, collection days and performance with current City service levels or better.

Operational

City staff will work with MMBC to ensure a smooth and seamless transition of service. It is expected that with careful planning and coordination, the transition of service delivery from the City to MMBC will be carried out over a 9-12 month period. This will allow time to move staff to new areas and programs, and to allow enough time for MMBC to introduce its program and the City to wind down its recycling operation.

Transition Planning

Staff and MMBC are aligned in making the transition successful and continuing to provide Vancouver residents with ongoing high quality recycling services. Staff will be working with MMBC to develop and document a detailed transition plan that focuses on the following key interests:

1. Working closely with MMBC to have as seamless a transition of service in order to minimize impacts on the public while maintaining recycling levels.
2. Ensuring the smoothest possible transition for affected staff.

Communications activities by the City and MMBC will form a key component of the transition plan to ensure a seamless transition of service and that citizens are informed of the new service provider.

Legal Implications

MMBC agreement. The agreement with MMBC can be terminated for convenience by either MMBC or the City with six months' notice.

Musqueam Indian Reserve. Musqueam Indian Reserve No. 2 is included in the service area of MMBC's agreement with the City, in agreement with the Musqueam Indian Band. The City may cancel any solid waste services it provides under the agreement on

reasonable written notice. Staff have met with Musqueam Band staff, and will continue to work with the Band through the transition of services to allow ample time to ensure continuity of service on the Reserve through MMBC or another service provider.

Solid Waste By-Law No. (No. 8417). Bylaw amendments will be required to align the Solid Waste By-law with the changes in delivery of recycling collection services. Staff will report back to Council with proposed amendments.

CONCLUSION

Under Provincial legislation, MMBC is responsible for delivering recycling services across the province at no direct charge to residents. While MMBC provides financial support to the City for delivering recycling services under contract to them, the funding provided does not cover all of the City's program costs. The City is faced with further cost increases for the purchase of new recycling trucks and for meeting contractual requirements around the provision of separate glass collection.

The funds used to cover the shortfall between MMBC's funding and program costs could be directed towards other Greenest City priorities such as litter control, abandoned waste collection, additional recycling and public realm cleanliness.

The most fiscally prudent approach for the City is to end its contractual relationship with MMBC and allow them to deliver the service directly to the public. This does not mean the City would be outsourcing recycling. Rather, the City would no longer be a contractor to MMBC for single family and multi-family recycling services, and MMBC would assume full responsibility for these services in accordance with MMBC's *Packaging and Printed Paper Stewardship Plan* and the BC Recycling Regulation.

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