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# The Regional Municipality of Durham Report

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To: Works Committee  
From: Commissioner of Works  
Report: #2024-WR-6  
Date: May 8, 2024

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**Subject:**

Sole Source Agreement with Circular Materials for Collection, Haulage, Processing and Marketing of Blue Box Recyclables Collected at the Regional Municipality of Durham Waste Management Facilities

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**Recommendation:**

That the Works Committee recommends to Regional Council:

- A) That staff award a sole source agreement to Circular Materials for the collection and management of Blue Box recyclables at Regional Municipality of Durham Waste Management Facilities from July 1, 2024, to December 31, 2025, with three optional one-year extension periods. The estimated revenue to the Regional Municipality of Durham for 2024 is \$212,820 (or \$425,280 annually), totalling \$1.9 million over the contract term, including optional extensions; and
  - B) That the Commissioner of Finance be authorized to execute the necessary documents related to this sole source agreement.
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**Report:**

**1. Purpose**

- 1.1 The purpose of this report is to seek Regional Municipality of Durham (Region) Council approval to negotiate and award a sole source agreement with Circular Materials (CM) for a term effective July 1, 2024, to December 31, 2025, with three optional one-year extension periods. The agreement will ensure continuous funding and environmentally responsible collection and recycling of blue box materials collected at Regional Waste Management Facilities (WMFs).

## 2. Background

- 2.1 The Region accepts blue box recyclables from Durham residents at three Waste Management Facilities in the City of Oshawa and the Townships of Scugog and Brock. The Region also provides curbside blue box collection services in the eight lower-tier municipalities.
- 2.2 In June 2021, the Province of Ontario released Regulation 391/21 Blue Box under the Resource Recovery and Circular Economy Act, 2016 (the Regulation), which shifts the financial and operational responsibility for recycling from municipalities to the organizations that produce packaging, paper, and packaging-like products (Producers), with the Regulation taking full effect on January 1, 2026.
- 2.3 On July 1, 2024, the Region will transition its curbside Blue Box collection program to Producers. During the transition period, from July 1, 2024, to December 31, 2025, Producers must maintain the same number of collection sites as the former Blue Box program.
- 2.4 Circular Materials (CM), the administrator of the new Blue Box program is a Producer Responsibility Organization (PRO) contracted by Producers to oversee Blue Box collection, management, promotion and education services for eligible sources under the Regulation.
- 2.5 In 2023, the Region diverted approximately 530 tonnes of blue box recyclables at Regional WMFs, which accounts for approximately seven per cent of all materials diverted from disposal at the WMFs.

## 3. Previous Reports and Decisions

- 3.1 Regional Council at its meeting of June 14, 2017, received Committee of the Whole Report #2017-COW-178, an update on the Regional Municipality of Durham's Participation and Opportunities to Influence the Implementation of the Waste Diversion Transition Act, 2016, the Resource Recovery and Circular Economy Act, 2016, and the Ministry of the Environment and Climate Change's Strategy for a Waste-Free Ontario: Building the Circular Economy.
- 3.2 Regional Council at its meeting of January 30, 2019, approved [Committee of the Whole Report #2019-COW-3](#), "2019 Solid Waste Management Servicing and Financing Study."

- 3.3 Regional Council at its meeting of January 29, 2020, approved [Committee of the Whole Report #2020-COW-2](#), "Solid Waste Management: 2020 Strategic Issues and Financial Forecast."
- 3.4 Regional Council at its meeting of April 29, 2020, endorsed [Report #2020-COW-15](#), "Council Resolution - Blue Box Transition Date", a resolution on the transition to full Extender Producer Responsibility, and authorized staff to forward a copy of the report to the Minister of the Environment Conservation and Parks and Association of Municipalities of Ontario.
- 3.5 Regional Council at its meeting of April 24, 2024, endorsed [Report #2024-WR-3](#), "Sole Source of Promotion and Education Services to be Provided by The Regional Municipality of Durham for Circular Materials Ontario for the Blue Box Program under Extended Producer Responsibility", authorizing the Region to enter into an agreement with Circular Materials related to ongoing promotion and education efforts.

#### **4. General Market Analysis**

- 4.1 Currently, there are three registered Blue Box Producer Responsibility Organizations in Ontario, including Circular Materials (CM), Ryse Solutions Ontario Inc. and H2 Compliance Canada Inc., which have entered into agreements with Producers to operate the new Blue Box program on their behalf. CM, Ryse Solutions, and H2 Compliance Canada Inc. have a System Access Agreement (SAA) in place to appoint CM as the administrator of the new Blue Box program.
- 4.2 As the administrator of the new Blue Box program, CM has appointed Reverse Logistics Group (RLG) as the Operator. As the Operator, RLG will procure and manage collection and receiving facilities for Blue Box materials, including curbside and depot collection.
- 4.3 RLG will be responsible for the collection, transfer, processing, material marketing, education, and all associated equipment required to continue blue box collection at the WMFs.
- 4.4 The contract is for an initial term of 18 months, coinciding with the transition period of the province moving to the extended producer responsibility program. There is an option to extend the agreement by three, one-year periods by mutual agreement.

4.5 The proposed agreement with CM includes a provision for RLG to pay the Region to provide waste education and promotion services related to recycling at Waste Management Facilities on its behalf.

## 5. Financial implications

5.1 In 2023, Producer funding accounted for approximately 55 per cent of WMF operating costs reported to the Resource Productivity and Recovery Authority (RPRA), as outlined in Table 1 below. The program operated at a net cost of \$160,949 to the Region.

**Table 1: 2023 Depot Blue Box Program Costs**

<b>Blue Box Depot Cost/(Revenue)</b>	<b>Total</b>
Depot Operating Cost <sup>1</sup>	\$363,994
RPRA WMF funding received	(\$203,045)
<b>2023 WMF Net Cost</b>	<b>\$160,949</b>

<sup>1</sup> – Excludes promotion and education costs.

5.2 The Region will receive funding from RPRA for January 1 to June 30, 2024. The program will transition to Producer responsibility on July 1, 2024.

5.3 CM will be the only administrator of the new Blue Box program for Durham Region. As such any agreement with Producers must be negotiated with CM. Durham Purchasing By-law 16-2020, Section 7.2 permits entering sole source contracting in circumstances where there is no competition.

5.4 Under the proposed agreement with CM, the Region will receive approximately \$212,820 net revenue for July 1, to December 31, 2024, as outlined in Table 2 below:

**Table 2: 2024 Circular Materials Depot Blue Box Program Funding**

<b>2024 Estimated Circular Materials Funding</b>	<b>Total</b>
Depot operations	(\$85,260)
WMF Promotion and Education	(\$129,300)
Non-eligible (non-residential) source deduction	\$1,740
<b>Total</b>	<b>(\$212,820)</b>

- 5.5 Future payments from CM will be subject to annual Consumer Price Index (CPI) and monthly Diesel Fuel Index adjustments (excluding WMF promotion and education funding, which is tied to the number of households), as well as deductions based on tonnes of material collected from non-eligible (non-residential) sources.
- 5.6 In 2025, the Region's estimated annual gross revenue from Circular Materials is \$425,280, as per Table 3 below. The funding to be received is anticipated to offset the program's operating costs.

**Table 3: 2025 Estimated Circular Materials Depot Blue Box Program Funding**

<b>2025 Estimated Circular Materials Funding</b>	<b>Total</b>
Depot operations funding	(\$170,520)
Promotion and Education funding	(\$258,600)
Less 2025 non-eligible source deduction	\$3,840
<b>Total</b>	<b>(\$425,280)</b>

## **6. Relationship to Strategic Plan**

- 6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 1: Environmental Sustainability
    - 1.2 Increase waste reduction and resource recovery
  - b. Goal 5.1 Optimize resources and partnerships to deliver exceptional quality services and value.

## **7. Conclusion**

- 7.1 It is recommended that Regional Council authorize staff to negotiate and execute a sole source contract with Circular Materials for the collection and management of Blue Box recyclables at the Regional Waste Management facilities, from July 1, 2024, to December 31, 2025. The total revenue to the Regional Municipality of Durham is estimated at up to \$1.9 million over the contract term if extension terms are applied. This will ensure service continuity for the Regional Municipality of Durham's residents, continuous program funding, and the proper collection and

management of blue box materials at the Regional Municipality of Durham's Waste Management Facilities.

- 7.2 Regional staff will continue discussions with Circular Materials to determine if Circular Materials will choose to maintain depot collection services after the Regulation takes full effect on January 1, 2026.
- 7.3 This report has been reviewed by the Finance Department and the Commissioner of Finance concurs with the financial recommendations.
- 7.4 For additional information, contact: Andrew Evans, Director, Waste Management Services, at 905-668-7711, extension 4102.

Respectfully submitted,

**Original signed by:**

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Ramesh Jagannathan, MBA, M.Eng., P.Eng., PTOE  
Commissioner of Works

Recommended for Presentation to Committee

**Original signed by:**

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Elaine Baxter-Trahair  
Chief Administrative Officer