**Agenda – Council – September 30, 2015**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – September 21, 2015**

**Item No. 3 Agreements for Supply of Collection and Handling Service to the Producer Responsibility Organizations Responsible for Household Hazardous Wastes (HHW) and Used Oil and Associated Products**

STANDING COMMITTEE RECOMMENDATION:

On September 23, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the following to Council:

1. That the City enter into agreements, which outline the terms and conditions under which the services will be delivered with the following Producer Responsibility Organizations (PROs) to manage specific materials under the Waste Reduction and Pollution Prevention Act ("WRAP" Act):

    A. Product Care Association (PCA) representing stewards of hazardous household products.

    B. Manitoba Association for Resource Recovery Corporation (MARRC) representing stewards of used lubrication oil, oil filters, antifreeze and associated product containers

    upon the terms and conditions set forth in Recommendation 1 of the Report entitled "Agreements for Supply and Collection and Handling Service to Producer Responsibility Organizations" adopted by Council on April 29, 2015 (the "Initial Report'), with the following additions and deletions for the foregoing agreements only:

    i. the waiver of Recommendation 1.ii. of the Initial Report, which provides that arrangements must have a positive 10 year net present value to the City;

    ii. the addition of the requirement that the annual costs of each agreement, for each site, are not to exceed $40,000 per year, adjusted annually for inflation.

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – September 21, 2015**

2. That the following be referred to the 2016 Operating Budget Process:

    A. That Council approve an operating budget provision for the City share of the costs for operating the facilities handling the regulated materials.

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the agreements with PCA and MARRC in accordance with terms and conditions similar to those set forth herein and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – September 21, 2015**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 23, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On September 21, 2015, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

# ADMINISTRATIVE REPORT

**Title:** **AGREEMENTS FOR SUPPLY OF COLLECTION AND HANDLING SERVICE TO THE PRODUCER RESPONSIBILITY ORGANIZATIONS RESPONSIBLE FOR HOUSEHOLD HAZARDOUS WASTES (HHW) AND USED OIL AND ASSOCIATED PRODUCTS**

**Critical Path:** **Standing Policy Committee on Infrastructure Renewals and Public Works, Executive Policy Committee, Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| R. Park, C.E.T.<br>Acting Manager, Solid Waste Services | Geoff Patton, P. Eng.<br>Acting Director, Water and Waste Department | Paul Olafson<br>A/CFO | M. Jack<br>COO |

## RECOMMENDATIONS

1. That the City enter into agreements, which outline the terms and conditions under which the services will be delivered with the following Producer Responsibility Organizations (PROs) to manage specific materials under the Waste Reduction and Pollution Prevention Act ("WRAP" Act):
    a) Product Care Association (PCA) representing stewards of hazardous household products.
    b) Manitoba Association for Resource Recovery Corporation (MARRC) representing stewards of used lubrication oil, oil filters, antifreeze and associated product containers

    upon the terms and conditions set forth in Recommendation 1 of the Report entitled "Agreements for Supply and Collection and Handling Service to Producer Responsibility Organizations" adopted by Council on April 29, 2015 (the "Initial Report'), with the following additions and deletions for the foregoing agreements only:

    i. the waiver of Recommendation 1.ii. of the Initial Report, which provides that arrangements must have a positive 10 year net present value to the City;
    ii. the addition of the requirement that the annual costs of each agreement, for each site, are not to exceed $40,000 per year, adjusted annually for inflation.

2. That the following be referred to the 2016 Operating Budget Process:
    a) That City Council approve an operating budget provision for the City share of the costs for operating the facilities handling the regulated materials.

3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the agreements with PCA and MARRC in accordance with terms

and conditions similar to those set forth herein and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

## REASON FOR THE REPORT

Approval of Council is required to enter into agreements with the PROs and to delegate authority to the Chief Administrative Officer, to negotiate and approve agreements with the PRO's, as the next step flowing from the Garbage and Recycling Master Plan adopted by Council in October 2011.

## EXECUTIVE SUMMARY

In order to offer collection services for special wastes to residents at the 4R Winnipeg Depot, agreements must be made with Producer Responsibility Organizations charged by provincial stewardship legislation to manage these materials. The agreements with the Product Care Association and Manitoba Association for Resource Recovery Corporation will require some cost to the City to enable this new convenient drop off service to residents.

## IMPLICATIONS OF THE RECOMMENDATIONS

**Environmental**
An unknown quantity of household hazardous wastes (paints, fluorescent bulbs, flammable and corrosive materials etc.) is disposed at the Brady Road Resource Management Facility (BRRMF) through the residential cart program and materials self-hauled by residents and commercial haulers. These materials represent a significant environmental liability within the landfill.

Hazardous wastes disposed in the landfill release chemicals into collected leachate which must be treated at the City's sewage treatment plants and they release volatile compounds to the atmosphere and contribute to combustive materials and gas within the landfill leading to or exacerbating landfill fires. Higher levels of chemicals in leachate are difficult to treat at the City's sewage treatment plants.

Finally these materials, if disposed of in the landfill, contribute to a poorer waste diversion rate.

**Operational**
The City will collect regulated hazardous wastes at 4R Winnipeg Depots from the public for disposal. Staffing of these facilities is expected to be consistent with the approved Garbage and Recycling Master Plan. Transportation and disposal services will be provided by PROs in accordance with Industry Stewardship Programs approved by the minister as defined under the WRAP Act.

Both PCA and MARRC will compensate the City for the collection and handling services provided by the City as described in the respective agreements. Reporting and auditing of

materials collected will be made to the affected PRO and Manitoba Conservation as required under the PRO agreements and the Industry Stewardship Program Plans.

**Economic**
Currently hazardous wastes that are illegally left by site users at the Brady Road Resource Management Facility must be managed by the City.

In the case of capital costs, the contributions by PCA and MARRC will compensate the City the portion of the capital works required to support the collection service of their respected products, over the duration of the agreements.

In the case of operational costs, the true costs are difficult to know prior to commencement of operation. Estimates by the Public Service based on known collection quantities, expected operational requirements, and labour hourly rates indicates that the costs of the portion of the service attributable to MARRC and PCA will not be fully covered by these PROs.

It should be noted that while costs should be borne by each PRO to be in the spirit of extended producer responsibility (EPR), the costs of operating collection for multiple PROs is only marginally higher than for a single PRO. This is because many of the costs are fixed and staff must be available during all opening hours. Therefore, while the estimated operating costs allocated to PCA and MARRC are not fully covered, the inclusion of these PROs at the 4R Winnipeg Depot does not significantly increase operating costs for the City.

Although the Public Service through extensive negotiations, has obtained agreements in principle with MARRC and PCA for funding, cost estimates and Net Present Value (NPV) calculations indicate there will remain some cost to the City to offer this service to residents:

| PRO | Approximate Average Net Cost per 4R Winnipeg Depot site |
|---|---|
| Product Care Association (PCA) | $35,000* |
| Manitoba Association for Resource Recovery (MARRC) | $5,000* |

*Net costs are dependent on revenues paid by the PROs, which are based on the amount of material collected.

The cost estimates only account for known tangible costs and revenues. The estimates do not account for cost savings outside of Solid Waste Services.

Participation in the programs offered by the PROs is essential to enable the design philosophy of the 4R Winnipeg Depots as “one stop” drop-offs for all residentially generated materials. It is critical to have the stewards, PCA and MARRC, participating in the City’s program to allow residents this unprecedented level of convenience for disposal of used oil, and hazardous wastes.

Solid Waste Services will monitor the costs associated with delivering the services and will continue to work with the Provincial government and the PROs to bridge the gap in the funding for these two collection programs.

**Social and Health**
Currently Winnipeg does not have a comprehensive facility where all materials can be disposed of safely by residents. The collection of hazardous wastes by the City increases the convenience to residents for disposal of these materials, which in turn will lead to reduced stockpiles that are stored in residents' homes. When stored at home, these waste materials can be hazardous to children and pets, as well as to first responders in the event of a fire.

**Regulatory**
Clause 49.a) of the Environment Act License 3081 R for the Brady Road Resource Management Facility explicitly prohibits acceptance of hazardous waste at the landfill. Collection of these materials at the 4R Winnipeg Depot, while having agreements in place with PCA and MARCC will aid in being compliant with this license requirement. All parties to these agreements will be obliged to comply with the Waste Reduction and Prevention Act and its Regulations.

The Public Service is of the opinion that despite the operating cost for providing the collection service of these products, the PROs participation is essential for the ultimate success of the 4R Winnipeg Depot program, therefore the approval of these agreements is necessary.

## HISTORY

On October 19, 2011 City Council adopted the Comprehensive Integrated Waste Management Strategy (Garbage and Recycling Master Plan), including Recommendations 15 and 16 as follows:

> *15. That, subject to the approval of capital budgets, beginning in 2013, up to 4 Community Resource Recovery Centres (CRRCs) be developed in strategic locations, with initial sites at Brady Road Landfill and in the north area of the city (location to be determined), and that an access fee of $5.00 be applied for all material except those covered under other programs, such as household hazardous waste, electronic waste or recycling.*
>
> *16. That non-profit organizations and product stewards be considered for partnership at CRRCs to divert material rather than disposing of it.*

Negotiations with the PCA and MARRC began after their program plans were approved by the Minster of Conservation and Water Stewardship in 2011. Negotiations continued to the present, resulting in an offer from each PRO which would not result in a positive NPV over 10 years to the City.

On July 23, 2014 a letter was sent to the Deputy Ministers of Water Stewardship and Conservation and the Deputy Minister of Children and Your Opportunities Winnipeg from the Chief Administrative Officer of The City of Winnipeg describing the City's difficulties in obtaining an agreement that would provide the City satisfactory compensation for collecting household hazardous materials included in the stewardship programs operated by PCA and MARRC.

On August 21, 2014 a letter was received from the Deputy Minister of Conservation and Water Stewardship explaining that ministry officials had reviewed the PRO's performance and found the organizations to be operating in accordance with PRO's approved program plan.

On April 29, 2015 City Council approved a report titled Agreements for Supply of Collection and Handling Service to Producer Responsibility Organizations. The agreements referred to in this report do not meet the criteria1.i. of that report:

> *"have a positive 10 year net present value to the City*;".

As the agreements with PCA and agreements for future sites with MARRC are not expected to have a positive NPV an additional report is required to approve these agreements.

## FINANCIAL IMPACT

# Financial Impact Statement

**Date:** August 7, 2015

**Project Name:**

**First Year of Program** **2015**

AGREEMENTS FOR SUPPLY OF COLLECTION AND HANDLING SERVICE TO THE PRODUCER RESPONSIBILITY ORGANIZATIONS RESPONSIBLE FOR HOUSEHOLD HAZARDOUS WASTES (HHW) AND USED OIL AND ASSOCIATED PRODUCTS (USED OIL)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | | | | | |
| Less: Existing Budgeted Costs | | | | | |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 10,000 | $ 51,000 | $ 93,636 | $ 137,957 | $ 173,189 |
| Less: Incremental Revenue/Recovery | - | | | | |
| Net Cost/(Benefit) | $ 10,000 | $ 51,000 | $ 93,636 | $ 137,957 | $ 173,189 |
| Less: Existing Budget Amounts | 10,000 | 51,000 | 93,636 | 137,957 | 173,189 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** The City's share of costs for the operation of these facilitites are included in the 2016 to 2018 preliminary operating budget. Costs reflect the staggered opening dates of the planned four depot sites plus an annual inflation rate.

*"Original signed by N. Neumann for"*
Moira L. Geer, C. A.
Manager of Finance and Administration

## CONSULTATION

**In preparing this report there was consultation with:**
Legal Services (as to legal issues)

## OURWINNIPEG POLICY ALIGNMENT

The 4R Winnipeg Depot Program is consistent with:

1.Section 02-2 Environment – "*Incorporate sustainable practices into internal civic operations and programs and services*"
2. Section 02-2 Environment – "*set long range goals for solid waste diversion*"
By providing new and convenient diversion options and a single stop facility for reuse, recycling, special wastes and residual materials, the quantity of materials landfilled or released to the environment, will be reduced.

## SUBMITTED BY

Water and Waste Department
Solid Waste Services Division
Prepared by: A. Singbeil/R. Park
Date: August 17, 2015
File No. G-135