Agenda – Council – September 29, 2021

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – September 13, 2021

Item No. 3 4R Winnipeg Depots Household Hazardous Waste Producer Responsibility Organization Funding

STANDING COMMITTEE RECOMMENDATION:

On September 21, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the following to Council:

1. That the decision dated September 30, 2015 with respect to Recommendation 1.ii. in Item 3 of the report of the Standing Policy Committee on Infrastructure Renewal and Public Works dated September 21, 2015, be rescinded, namely:

   "1.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 decision dated April 29, 2015 with respect to Recommendation 1.ii. in Item 2 of the report of the Standing Policy Committee on Infrastructure Renewal and Public Works dated April 14, 2015, be rescinded, namely:

   "2.ii. have a positive 10 year net present value to the City;"

3. That the annual summary reporting on the funding and operating costs of Producer Responsibility Organizations be provided to the Standing Committee once changes to the Provincial legislation regarding the Waste Reduction and Pollution Prevention Act (WRAP Act), have passed.

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 Water and Waste, Riverbank Management and the Environment – September 13, 2021

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 21, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On September 13, 2021, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment concurred in the recommendation of the Winnipeg Public Service, with the following amendments:

- In Recommendation 1, add the words “in Item 3” before the words “of the report of the Standing Policy Committee”

- In Recommendation 2, add the words “in Item 2” before the words “of the report of the Standing Policy Committee”

- In Recommendation 3, delete the words “be included as part of the annual report to Council on the Comprehensive Integrated Waste Management Strategy” and replace with “be provided to the Standing Committee once changes to the Provincial legislation regarding the Waste Reduction and Pollution Prevention Act (WRAP Act), have passed.”

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **4R WINNIPEG DEPOTS HOUSEHOLD HAZARDOUS WASTE PRODUCER RESPONSIBILITY ORGANIZATION FUNDING**

Critical Path: **Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
Michael Gordichuk, CCLP, Manager Solid Waste Services	M. L. Geer, CPA, CA, Director, Water and Waste Department	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The 4R Winnipeg Depots accept many divertible materials, some which are partially funded by Product Responsibility Organizations (PROs).

PROs are provincially-administered programs through Manitoba Conservation and Climate (MCC, formerly Sustainable Development – SD) and the Waste Reduction and Pollution Prevention Act (WRAP Act). The PROs receive the environmental levy fees from the point of sale when their applicable products are sold in Manitoba. These fees are used to pay for waste diversion programs such as the 4R Depots.

In 2015, Council approved agreements with various PROs to accept materials at the 4R Winnipeg Depots and to limit costs borne by the City of Winnipeg. When the first 4R Winnipeg Depot came online, the City entered into agreements based upon operating cost estimates for these new facilities.

The 4R Winnipeg depot operations have been a large success but have created additional operating costs in excess of the estimates originally expected. The PRO programs have experienced increased cost with no corresponding increase in funding.

As a result, the operating costs of these programs are outside of the limits approved by Council on April 29 and September 30, 2015 (while remaining within departmental budgets).

MCC has hired consultants to perform a full review of the WRAP Act, recommend changes to legislation and funding and improve waste diversion. It is expected that this review will address the funding issues the City is facing.

Until this review is complete, the Public Service recommends that Council rescind the limits in the PRO agreements so the 4R Winnipeg Depots can continue to accept all materials and divert household hazardous waste from the landfill. No new funding is required at this time to continue the status quo.

RECOMMENDATIONS

1. That the decision dated September 30, 2015 with respect to Recommendation 1.ii. of the report of the Standing Policy Committee on Infrastructure Renewal and Public Works dated September 21, 2015, be rescinded, namely:

    "1.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 decision dated April 29, 2015 with respect to Recommendation 1.ii. of the report of the Standing Policy Committee on Infrastructure Renewal and Public Works dated April 14, 2015, be rescinded, namely:

    "2.ii. have a positive 10 year net present value to the City;"

3. That the annual summary reporting on the funding and operating costs of Producer Responsibility Organizations be included as part of the annual report to Council on the Comprehensive Integrated Waste Management Strategy.

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

Specific changes to the Council-mandated annual costs for managing household hazardous waste (HHW) requires Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

Approval of the above recommendations will allow the 4R Depots to continue to operate status quo providing exemplary customer service while ensuring waste diversion of HHW until more information is available from MCC's study. It is anticipated the results from the study will lead to changes to Provincial legislation and the WRAP Act that will provide increased compensation to the City.

Failure to approve the recommendations would cause a reduction in current service levels with the need to reduce hours and FTEs. This would jeopardize these essential waste diversion programs as these waste materials will continue to be produced and require responsible end of life handling and could end up in the natural environment or the Brady Road Resource Management Facility landfill. These materials represent a significant environmental liability within the landfill as hazardous wastes disposed in the landfill release chemicals into collected leachate which must be treated at the City's sewage treatment plants. Higher levels of chemicals could cause the treatment plant to become out of compliance with license discharge requirements. When disposed of in the landfill, these materials contribute to a lower waste diversion rate. Safe disposal of this material reduces landfill operating costs over the long term.

HISTORY/DISCUSSION

On April 29, 2015, Council approved that the City enter into agreements with the Electronic Products Recycling Association (EPRA) to manage electronic waste under the WRAP Act.

On September 30, 2015, Council approved that the City enter into agreements with the Product Care Association (PCA) and the Manitoba Association for Resource Recovery Corporation (MARRC) to manage HHW products and lubrication oil products under the WRAP Act.

The Council mandates set forth specific cost agreements with each of the PROs based on the best information available at the time to the Public Service, with limited tangible costs and revenues, let alone actual City salary and benefit costs because of unknown staffing requirements.

Between 2016 and 2018, the City of Winnipeg opened three 4R Depots, located at Brady Road Resource Management Facility, 1120 Pacific Avenue and 429 Panet Road. The 4R Depots receive and manage materials within the PRO programs. The PRO programs cover; specified flammable, poison, explosive and corrosive products and containers, paint and fluorescent lights, managed by PCA; specified unwanted electronics and certain components, managed by EPRA; specified lubrication oils along with their filters and containers, and automotive anti-freeze and containers, managed by MARRC. The 4R Depots provide the best avenue for the volume of these materials produced in Winnipeg to be processed in environmentally sustainable ways and to help maintain and continue to work on increasing the waste diversion rate.

On October 2016, the Public Service provided feedback to the Province on the PRO Programs Plans that were up for renewal, expressing the fact that the overall funding was inadequate based on the necessary operating costs to handle the products related to each program and their standard operating procedures, specifically for EPRA and MARCC, but established the theme of underfunding related to this report.

The Public Service met with the Province on June 8, 2017, to express the early indications that the level of funding from the PROs for the operational costs at the 4R Depots was inadequate. The Province was in the process of reviewing the Program Plans of the PROs and would see what improvements could be implemented. These funding disparities were shared with the PROs and their responses consistently indicated that they were providing the maximum available based on legislation and levy fees. No substantial changes were made by the Province.

The Public Service conducted an internal Activity Based Costing (ABC) exercise in 2019 to study the resources and time required to complete regular tasks mandated by each PRO's Standard Operating Procedures to safely and properly handle their products. The results showed, with detail, that there was a discrepancy in the balance between the compensation received from the PROs and the actual costs incurred by the City, where as the City is funding the majority of the costs while operating outside of Council requirements for the total costs. However, the Council-approved annual operating budgets have not been exceeded by these costs.

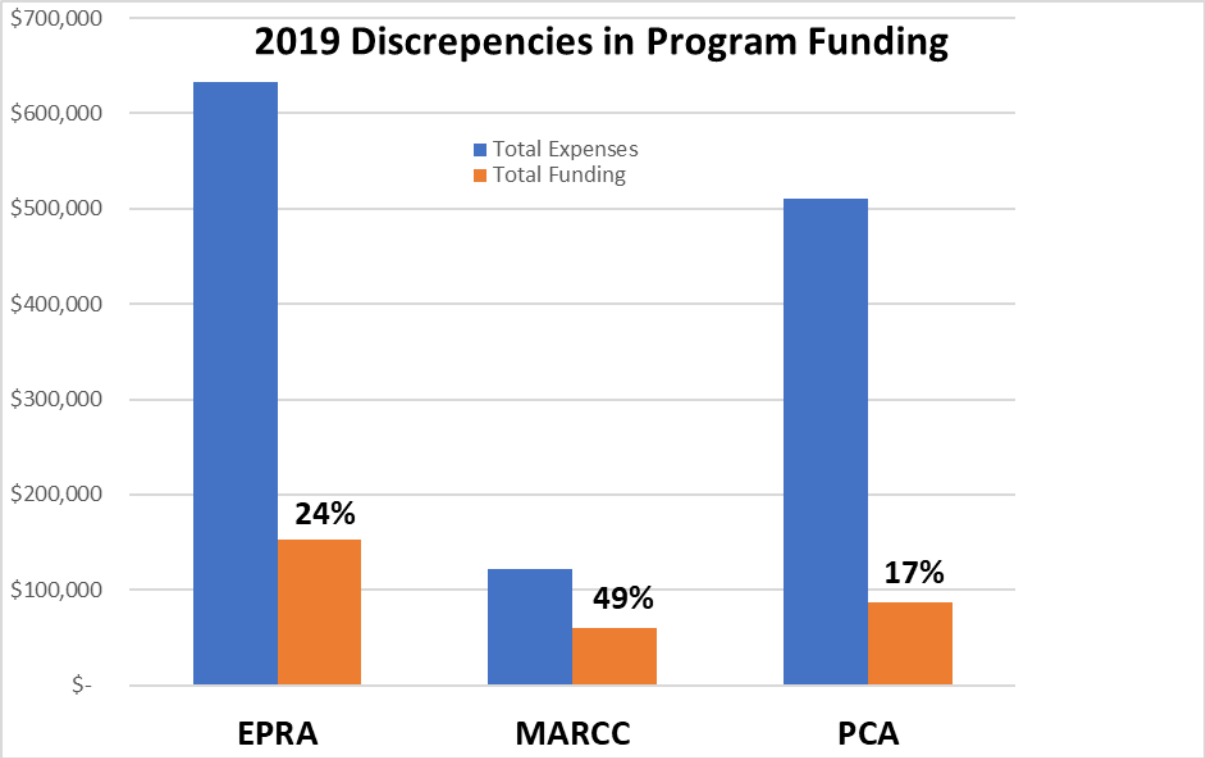
The Public Service presented the cost analysis to MCC. Based on the 2018 costs to handle their allocation of the costs of their materials, PCA funded approximately 23 per cent, EPRA funded approximately 24 per cent and MARRC funded approximately 57 per cent.

The costing was reviewed again in 2020 based on 2019 costs. The results further indicated the shortfall in funding of their allocation of their costs from the PROs. PCA funded approximately 17 per cent, EPRA funded approximately 24 per cent and MARRC funded approximately 49 per cent.

The PCA and EPRA programs operating at the 4R Depots are costing more to operate than anticipated. The annual operating costs (net of revenue) to handle EPRA related products are projected to exceed the Council-directed requirement of a positive 10-year net present value to the City. The overall average cost per depot in 2019 was approximately $159,000.

The net annual operating costs to handle PCA-related products have exceeded the Council directed $40,000 per site per year. The PCA overall average cost (net of revenue) per depot in 2019 was approximately $142,000.

The net annual operating costs to handle MARRC-related products have not exceeded the Council directed $40,000 per site per year, but the City is not funded enough for the costs.



Between August and November, 2020, the Public Service corresponded with MCC, AMM (Association of Manitoba Municipalities), PCA, EPRA and MARRC and presented the high-level results of the 2019 costs vs. funding. Each PRO expressed the belief that costs were unreasonably high and after consultation with their boards, informed the Public Service that there would be no increased funding as they were providing what they could based on program volumes and available budgets from the fees received through the program's levies as mandated by the Province. Increased funding would require additions of eligible products and levy fees through the WRAP Act. They added that no other municipalities are expressing these funding disparities and that the City's costs are high mainly because of higher labour and overhead rates. Note that the PROs can request levy increases to the Province.

AMM commented that most small municipalities likely do not have the capacity to calculate the same cost details, but they have heard that other municipalities are experiencing comparable cost disparities. AMM is prepared to correspond with the Province through the Minister's office about the study review and expedited meaningful improvement.

The expectation of the Public Service is that the Province will update the legislation, including levies, and increase their administration and enforcement of these programs so that all participating stakeholders are operating in accordance with program plans. MCC hired Dillon consulting to conduct a review study in the first quarter of 2021 of all stewardship programs to evaluate for sustainability including legislation, eligible product lists and funding structure.

In consultation with Dillon Consulting, the Public Service summarized the overall issues with the PRO and stewardship models in Manitoba emphasizing the lack of funding, outdated legislation and the fact that the Province's lack of enforcement of these programs has led to inadequate transparency and insufficient accountability for the PROs. Dillon commented that the feedback is similar to what is happening in other provinces.

Following approval of the Recommendations of this Report, interim agreements with the PROs regarding certain depots will need to be entered into to reflect the revised conditions for agreements as current agreements are pending or anticipated to expire while the Provincial review takes place. For the avoidance of doubt, these interim agreements will conform to all conditions as originally imposed by Council when the City's entry into same was originally approved, with the exception of the specific conditions to be repealed if the Recommendations of this Report are approved.

FINANCIAL IMPACT

Financial Impact Statement

Date: July 19, 2021

Project Name:

4R WINNIPEG DEPOTS HOUSEHOLD HAZARDOUS WASTE PRODUCER RESPONSIBILITY ORGANIZATION FUNDING

COMMENTS:

The Public Service is recommending changes relating to the funding agreements with the Producer Responsibility Organizations for program and non-program materials collected at the household hazardous waste buildings located at the Winnipeg 4R Depots. There are no budget amendments required at this time. Changes to future budgets as a result of anticipated funding changes resulting from Manitoba Conservation and Climate's (MCC) review will be part of the City's annual budgetary process.

"Signed by L. Szkwarek, CPA, CGA"

Lucy Szkwarek, CPA, CGA
Manager Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

OurWinnipeg Reference: Section 02-2 Environment – “set long range goals for solid waste diversion”

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report is in accordance with Winnipeg’s Climate Action Plan through Strategic Opportunity #6 Waste Reduction and Diversion, and supports the following key directions:

6.1 Reduce Consumption and Increase Waste Diversion from Residential, Commercial and Industry (Primary Responsibility: Water and Waste Department).

6.2 Advance Winnipeg’s Circular Economy to Support Waste Reduction (Primary Responsibility: Water and Waste Department)

6.4 Support Integrated Resource Recovery Opportunities (Primary Responsibility: Water and Waste Department)

SUBMITTED BY

Department: Water and Waste
Division: Solid Waste Services
Prepared by: Mark Kinsley, C.E.T.
Date: July 19, 2021
File No: G-214