
REPORT TITLE: Request to Amend Processing Fee Payment Matrix in Contract Document 2010-003T with GFL Environmental Inc.

FROM: Kealy Dedman, Commissioner of Public Works

RECOMMENDATION

- 1. That the contract for the Maintenance and Operation of Material Recovery Facility (Document 2010-003T) between the Region of Peel and GFL Environmental Inc., dated the 9th day of July 2010, be amended to expand the processing fee payment matrix to include residue rates of between 29.01 - 33 per cent and 33.01 - 37 per cent, in the estimated total annual amount of \$270,000 (excluding applicable taxes and Consumer Price Index); and**
- 2. That the Region's Signing Officers be authorized to execute an amendment to the contract, along with any ancillary documents required, to allow for the expanded processing fee payment matrix as outlined in the report of the of the Commissioner of Public Works, listed on the June 30, 2022 Waste Management Strategic Advisory Committee agenda titled "Request to Amend Processing Fee Payment Matrix in Contract Document 2010-003T with GFL Environmental Inc." on business terms satisfactory to the Commissioner of Public Works and on legal terms satisfactory to the Regional Solicitor.**

REPORT HIGHLIGHTS

- GFL Environmental Inc. (GFL) operates Peel's material recovery facility to process and separate blue box material into marketable commodities.
 - Peel's contract with GFL includes a payment system that is based on the inbound monthly tonnages delivered for processing and the outbound residue rates generated once the material has been processed. Past contract amendments expanded the payment system to address outbound residue rates up to 29 per cent and to include a provision to negotiate a further expansion if residue rates exceed 29 per cent (Resolution 2018-644).
 - In February 2022, the residue rate was greater than 29 per cent and an amendment is necessary to further expand the processing fee payment matrix.
 - The proposed amendment would expand the processing fee payment matrix to include outbound residue rates from 29.01 per cent - 33 per cent and 33.01 per cent - 37 per cent with a linear pricing structure and the addition of Consumer Price Index to align with the previous expansion to the fee payment matrix.
 - Peel's current average inbound contamination rate is 38 per cent and average outbound residue rate is 30 per cent. Staff will be focusing efforts on education and enforcement to address the elevated contamination rate.
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DISCUSSION

1. Background

GFL Environmental Inc. (GFL) operates Peel's material recovery facility to process and separate blue box material into marketable commodities. Peel's contract with GFL began in 2010 and ends in 2024.

In 2018, as part of contract amendments to Document 2010-003T authorized by Regional Council (Resolution 2018-644), the Region and GFL agreed to an expanded processing fee payment matrix to cover outbound residue rates from 21.01 per cent - 25 per cent and 25.01 per cent - 29 per cent and to negotiate in good faith a reasonable further expansion of this matrix if outbound residue rates exceeded 29 per cent.

In February 2022, the outbound residue rates exceeded what is included in the existing contract so a contract amendment is necessary to address the residue rates exceeding 29 per cent.

2. Proposed Amendment to Expand Processing Fee Payment Matrix

Staff have been in negotiations with GFL on further expanding the processing fee payment matrix and have agreed on a reasonable amendment, subject to Council approval.

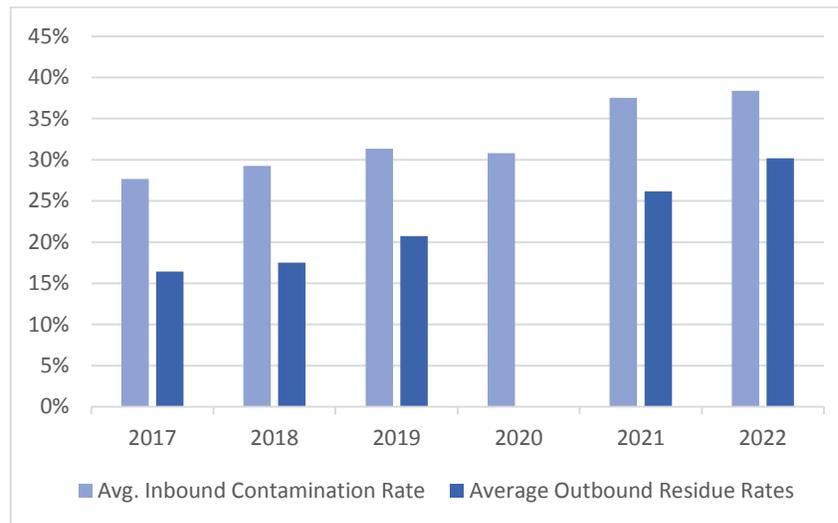
The proposed amendment would see the processing fee payment matrix expanded to include outbound residue rates from 29.01 per cent - 33 per cent and 33.01 per cent - 37 per cent with a linear pricing structure and the addition of price escalations based on the Consumer Price Index.

3. Current Inbound Contamination Rates

The Region has been facing increasing inbound contamination rates. The current average inbound contamination rate is 38 per cent and average outbound residue rate is 30 per cent. The remaining percent gets mixed in with outbound commodities. Figure 1, below, shows the average inbound contamination and outbound residue rates over time with a significant increase in the last two years.

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Figure 1 – Average Inbound Contamination and Outbound Residue Rates 2017-2022*



*Years 2019, 2020, and 2021 do not include a full year of data due to MRF shutdown and COVID-19 operations.

The inbound contamination rate is based on monthly audits conducted at Peel Integrated Waste Management Facility on inbound material that is received for processing. Audits show an increase in construction material, textiles and general garbage.

The outbound residue rate is calculated monthly as the percentage of residue shipped for final disposal (landfill) in comparison to the total tonnage of outbound material shipped each month including residue material, recovered material that is sent to end markets for recycling and adjustments for any contractual performance requirements and for end market bound material that remains in storage awaiting pick up.

4. Measures to Address Inbound Contamination

To address the elevated inbound contamination levels, staff will focus efforts on education and enforcement. Each of these measures is described below.

a. Education

In September 2022, staff will be implementing an educational campaign to address contamination resulting from improper set outs through a direct mailer to 330,000 curbside households. Messaging will be focused on proper sorting and set-out reminders with supplementary messaging available through website, social media, and Connect to Peel. Multi-residential messaging will be incorporated where possible.

Staff will also be implementing monthly communication pieces throughout the year to address contamination from problem materials. Messaging will be focused on proper sorting and the importance of properly sorting problem materials. Each month will have a theme and communications will be distributed through the website, social media, and e-newsletter. Multi-residential messaging will be incorporated where possible.

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b. Enforcement

In May 2022, staff resumed enforcement activities undertaken prior to the COVID-19 pandemic for curbside and multi-residential households as described in the report from the Commissioner of Public Works titled “Curbside and Multi-Residential Enforcement Programs to Reduce Blue Box Contamination” (Resolution 2020-846).

Curbside enforcement entails staff inspecting recycling carts for contamination, leaving door hangers with corrective action, and pushing back carts that contain more than 50 per cent contamination. Enforcement teams consisting of six customer service representatives and a team lead will address each area for three cycles (six weeks) with a check back for one cycle (two weeks). Approximately, 30,000 households will be directly reached annually, however it is expected that households throughout Peel will be mindful of contamination and proper set out once news of the activities of the enforcement team are broadcast.

Multi-residential enforcement entails enforcing the bin locking requirement of the Waste Collection By-law 35-2015, as amended. Locking of multi-residential front-end bins prevents large, non-recyclable items from being placed in the bins, including bags of garbage, which are major contributors to recycling contamination. A dedicated by-law officer will visit each building on a quarterly basis to inspect for locked front-end recycling containers. Corrective action includes a notice-to-comply followed by fines for every subsequent occurrence of an unlocked bin.

5. Next Steps

- Subject to Regional Council approval of the recommended approach staff will work with Procurement and Legal staff to draft and execute the required contract amendment.
- Staff will also implement education and enforcement activities to reduce recycling contamination.

RISK CONSIDERATIONS

Amending the Agreement with GFL to expand the current processing fee payment matrix to include residue rates above 29 per cent would ensure the Region continues to have recycled materials processed with minimal risk of disruption to the Region’s Blue Box collection program.

FINANCIAL IMPLICATIONS

Based on the current inbound tonnages and outbound residue rates, it is estimated that expanding the processing fee payment matrix would increase the annual contract value for processing fees by \$270,000. There is sufficient funding available in the existing approved budget for the contract extension.

CONCLUSION

Staff recommend amending Peel’s contract with GFL Environmental Inc. to allow for an expanded processing fee payment matrix to address increased recycling contamination as

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outlined in the subject report. To minimize the impact of these increased fees and to decrease contamination, staff will implement education and enforcement activities for both curbside and multi-residential households as previously approved by Regional Council.

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Kealy Dedman, Commissioner of Public Works