
For Information

REPORT TITLE: Key Waste Management Initiatives Update

FROM: Kealy Dedman, Commissioner of Public Works

OBJECTIVE

To provide an update on staff's assessment of, and planned direction for, key waste management initiatives in light of the *Hazel McCallion Act (Peel Dissolution), 2023*.

REPORT HIGHLIGHTS

- Peel Region is responsible for the collection, processing, and disposal of residential waste in the Cities of Brampton and Mississauga and the Town of Caledon.
 - As the second largest municipal waste program in the province (fourth largest in Canada), Peel takes advantage of economies of scale to generate competitive interest and lower prices.
 - Along with running day-to-day operations, staff implements new programs and policies in accordance with the Council-approved long-term waste management strategy, Council-approved budgets and industry best practices to ensure reliable, cost-effective services over the short, medium and long term.
 - Some of the planned initiatives will require commitments that extend beyond the dissolution date set out in Bill 112, the *Hazel McCallion Act (Peel Dissolution), 2023* so key initiatives have been assessed to determine if they should be paused, adjusted or continued in light of Bill 112, taking into consideration the principles Council endorsed at its meeting of June 8, 2023 to manage through the transition, including the principle to continue to invest in essential services consistent with master plans.
 - This report presents the results of staff's assessment, and the next steps and direction staff intends to take with these initiatives.
 - Staff will continue to report to Committee and Council with initiative-specific updates as appropriate.
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DISCUSSION

1. Background

Peel Region is responsible for the collection, processing, and disposal of residential waste in the Cities of Brampton and Mississauga and the Town of Caledon. Peel Region assumed waste management responsibilities from the local municipalities in 1995 to attain greater efficiency and cost-effectiveness and pursuant to the Council Resolution 94-340 and by-law 114-97 which was made in accordance with the Region of Peel Act, 1994.

Key Waste Management Initiatives Update

On June 8, 2023, Bill 112, the *Hazel McCallion Act (Peel Dissolution), 2023* received Royal Assent. The Act provides that the Regional Municipality of Peel will be dissolved, and the local municipalities will become single-tier municipalities effective January 1, 2025.

Section 5 of the Act requires that the Region ensure its decisions are in the public interest, consistent with the Act and not unreasonably impact any of the three area municipalities. This requirement applies equally to staff decisions made under delegated authority.

In the report from the Chief Administrative Officer, listed on the June 8, 2023, Regional Council meeting titled “Bill 112 – Managing Through the Transition”, Regional Council endorsed principles to guide decisions required to maintain Peel services through the Bill 112 transition period (Resolution 2023-455). The overarching principle states “Through the transition period, when entering into any transaction, commitment, or agreement, including major transactions and those that extend beyond January 1, 2025, as required for the continued delivery of all services, act in the public interest and in a manner consistent with past practices, having regard to the municipal restructuring, and in a manner that does not unreasonably impact another municipality, including continued investments in the principled areas identified.” Principle number 8 “Investments in essential services consistent with master plans” and principle number 12 “The procurement of goods and services as required to deliver and support the uninterrupted delivery of Regional services” support the key initiatives set out in Waste Management’s long-term strategy and discussed in this report.

2. Key Waste Management Initiatives

Staff assessed key Waste Management initiatives to ensure alignment with the transition principles endorsed by Council and section 5 of the Act. As indicated throughout this report, the assessments determined whether staff should continue, adjust or pause each initiative.

Table 1 below provides a summary of each key waste management initiative and details of each initiative follow.

Table 1: Summary of Waste Management Initiatives

Project	Planned Direction and Next Steps
Blue Box Transition	<ul style="list-style-type: none"> - Continue to negotiate with producers’ representatives for the provision of collection services on their behalf until December 31, 2025, including provision of P&E on a cost recovery basis. - Continue efforts to sell Peel’s recycling carts and front-end recycling bins to private vendors.
Waste Collection Contract	<ul style="list-style-type: none"> - Negotiate extension of existing waste collection contracts to September 30, 2026. - Delay the issuance of procurement documents until mid-2024. - Ensure procurement documents are flexible enough to accommodate a range of post-dissolution governance models by considering collection zones that reflect municipal boundaries or otherwise requiring collection contractors to track tonnages by municipality and including suitable assignment language.. - Adjust timing of projects impacted by new collection contracts start date.
Long-Term Organics Processing	<ul style="list-style-type: none"> - Continue preparing procurement documents for long-term organics processing but not issue them at least until the post-dissolution structure and governance model for waste management are known and possibly until after dissolution.

Key Waste Management Initiatives Update

Project	Planned Direction and Next Steps
	<ul style="list-style-type: none"> - Continue with short-term organics processing contracts and extend in accordance with contract terms to ensure there are no service gaps between short- and long-term organics processing contracts.
Mixed Waste Processing	<ul style="list-style-type: none"> - Continue investigating MWP and provide recommendations to WMSAC on whether or not to proceed with pilot. - If recommendation/decision is to proceed with MWP, prepare draft procurement documents but not issue them until the post-dissolution structure and governance model for waste management are better understood.
Financial Plan	<ul style="list-style-type: none"> - Pause work on this initiative at least until the post-dissolution structure and governance model for waste management are known and possibly until after dissolution.
Britannia Landfill Gas to Energy Redevelopment	<ul style="list-style-type: none"> - Continue developing a recommended approach on renewing Peel's agreement with Integrated Gas Recovery Systems Inc. for the redevelopment of the landfill gas to energy infrastructure at the Britannia landfill, including a long-term low-carbon energy purchase agreement. - Report to WMSAC with a recommendation on how to proceed in 2024.
Caledon Landfill Property Acquisition	<ul style="list-style-type: none"> - Continue to engage with the Town of Caledon to finalize agreements for land title transfer and formalize closure of landfill site. - Report to WMSAC for appropriate approval/authority in 2024.

a) Blue Box Transition

As previously reported to Waste Management Strategic Advisory Committee and Regional Council, the financial and operational responsibility for Ontario's municipal blue box programs transition from municipalities to producers over a span of two and a half years, from July 1, 2023 to December 31, 2025. Peel's blue box transition date is October 1, 2024. As also previously reported, staff conducted a competitive procurement process to divest of Peel's Material Recovery Facility (MRF). That process is now complete, and Peel has successfully divested of this asset.

Staff are currently in negotiations with producers' representatives to provide blue box collection on their behalf until December 31, 2025, which is a year beyond Peel's dissolution date of December 31, 2024.

The blue box transition is a regulatory-driven initiative that carries significant financial, social, and operational risks if it is not seamless. For this reason, staff and Regional Council have consistently supported the approach that Peel should provide collection services on behalf of producers for a year or two after transition. Providing collection on their behalf until December 31, 2025 will allow producers sufficient time to retain long-term collection contractors and will allow those contractors sufficient time to procure trucks, which currently have a delivery time of 18-24 months. It will also help ensure a smooth transition without service interruptions, which is in the public interest and the interest of all three local municipalities. Not doing so could result in service gaps and loss of potential revenue.

Talks are also in progress with collection contractors who intend to provide long-term blue box collection services to producers regarding the possible sale of Peel's blue carts. Selling Peel's blue carts will provide Peel with revenue and will ensure producers have collection carts when they take over the program, which is in the public interest and in the interest of the three local municipalities.

Key Waste Management Initiatives Update

i) Planned Direction and Next Steps:

- Continue to negotiate with the producers' representatives for the provision of blue box collection services on their behalf until December 31, 2025. This includes the provision of promotion and education services on their behalf, on a cost recovery basis, until December 31, 2025.
- Continue efforts to sell Peel's recycling carts and front-end recycling bins to private vendors interested in offering long-term blue box collection services for producers.

b) Waste Collection Contracts

As previously reported to Committee and Council, Peel's current waste collection contracts with Emterra, Waste Connections, and Miller Waste, expire in 2024, with two possible 12-month extensions at Peel's sole discretion. The procurement documents for the next collection contracts need to be issued two and a half years ahead of the expected commencement date of those contracts to allow the successful vendors sufficient time to procure trucks, establish yards and hire staff. For an October 1, 2026 start date, procurement documents will need to be issued by mid-2024. Delaying the issuance of procurement documents until mid-2024 allows staff time to build flexibility into the documents to allow for a range of post-dissolution governance models. Building in this flexibility is important since the contracts will have terms of 8-10 years and a total annual value in the order of \$50 million.

Projects with implementation dates that are tied to the collection contracts commencement date, such as the implementation of the new collection container options for townhouse complexes, will be adjusted accordingly.

Extending current waste collection contracts to September 30, 2026, and delaying the procurement of new waste collection services supports the continuity of an essential, well-run, reliable and cost-effective service. It also provides the certainty that comes with having established pricing and competitive rates without interruption during the blue box transition or the Peel dissolution transition and until new contracts can be secured. It is therefore in the public interest and in the interest of the three local municipalities to do so.

Extending the existing collection contracts beyond September 30, 2026 is not recommended due to the age of the current waste collection vehicles.

ii) Planned Direction and Next Steps:

- Negotiate extension of Peel's existing waste collection contracts to September 30, 2026 with appropriate amendments to continue collection of blue box material on behalf of producers until December 31, 2025 as allowed for under existing delegated authority.
- Delay the issuance of the procurement documents for the next waste collection contracts until mid-2024 and the start of the next waste collection contracts until October 1, 2026.
- Ensure procurement documents are flexible enough to accommodate a range of post-dissolution governance models by considering collection zones that reflect municipal boundaries or otherwise requiring collection contractors to track tonnages by municipality and including suitable assignment language.

Key Waste Management Initiatives Update

- Adjust the timing of projects impacted by new collection contracts commencement date, including the rollout of new townhouse waste collection containers.

c) Long-Term Organics Processing

As previously reported to Committee and Regional Council, staff is developing procurement documents for long-term organics processing capacity that accommodates the increased tonnage from growth, enables Peel to expand its green bin program and supports provincial goals for organics diversion. To bridge the gap until the long-term processing capacity is established, Peel has taken proactive measures by conducting a competitive procurement process and awarding short-term organics processing contracts to Walker Environmental (Alltreat Farms) and Generate Resource Recovery (StormFisher) with firm 3-year terms expiring in 2026 and options to extend for at least 4 years which means Peel has access to organics processing until 2030.

Ensuring sufficient and reliable processing capacity for the organics collected through Peel's green bin program is critical in order to maintain uninterrupted organics collection. Continuing with the short-term organics processing contracts and extending them in accordance with the options available in the contracts, is in public interest and in the interest of the three local municipalities as it ensures uninterrupted service delivery to Peel's residents during the transition phase of the dissolution process. If needed to bridge the gap until long-term processing is in place, Peel could negotiate further extensions to these short-term contracts or, alternatively, competitively procure further short-term contracts.

The current plan for the procurement of long-term processing capacity for green bin organics is to allow proponents up to four years to develop a new facility which means the long-term contract(s) must be awarded by 2026, which is four years before the end of the extended short-term contracts. The procurement process itself is expected to take one year, which means the procurement documents must be issued in 2025, which is after dissolution. This allows the procurement of long-term organics processing capacity to be deferred until the post-dissolution structure and governance model for waste management are known and perhaps until after dissolution. Given that a pause is possible and recognizing that the long-term contracts will have terms of up to 20 years with an annual value in the order of \$15-20 million, and that the long-term preferences of Peel's successor organization(s) are currently unknown, staff intend to pause the procurement of long-term processing capacity at least until the post-dissolution structure and governance model for waste management are known and possibly until after dissolution. Staff will, however, continue to prepare procurement documents so they can be issued quickly once a decision is made to do so.

iii) Planned Direction and Next Steps:

- Continue to prepare procurement documents for the long-term green bin organics processing but not issue them at least until the post-dissolution structure and governance model for waste management are known and possibly until after dissolution.
- Continue with the short-term organics processing contracts and extend in accordance with contract terms, to ensure there are no service gaps between short- and long-term organics processing contracts.

Key Waste Management Initiatives Update

d) Mixed Waste Processing

As previously reported to Committee and Council, staff has been investigating the use of mixed waste processing to help reach the targets set out in Peel's long-term waste management strategy and to help multi-residential buildings achieve a 50 per cent reduction and recovery of food and organic waste, as set out in the provincial Food and Organic Waste Policy Statement (2018). Most recently, staff was directed to consult further with third-party operators to gain a better understanding of the costs and cost containment strategies (e.g., sizing, siting, performance requirements, public-private partnerships, risk allocation, etc.) for a mixed waste processing pilot in Peel and is still in the process of doing that.

Staff intends to continue these consultations/investigations and present its recommendations to Committee in due course. Having a plan in place for mixed waste processing is in the public interest and is expected to be of benefit to Peel's successor organization(s) as the information gathered can be used by them on their path forward as they develop plans to meet these diversion targets.

In recognition of the significant costs and risks that a long-term mixed waste processing contract would entail, should the assessment determine that a mixed waste pilot is desirable, staff would recommend that draft procurement documents be prepared but not issued until the post-dissolution structure and governance model for waste management are better understood.

iv) Planned Direction and Next Steps:

- Continue the investigation of mixed waste processing by engaging with vendors in market sounding, analyzing information gathered and providing a recommendation to Committee on whether or not Peel should proceed with a mixed waste processing pilot. This step may include site visits to existing mixed waste processing facilities.
- If the recommendation/decision is to proceed with a mixed waste processing pilot, staff will prepare draft procurement documents but will not issue them until the post-dissolution structure and governance model for waste management are better understood.

e) Financial Plan

As previously reported to Council, staff has been developing a Waste Management Financial Plan to fund the actions included in Peel's long term waste management strategy, as well as address anticipated financial and economic impacts within the next 20 years. A financial model that forecasts Peel's long term waste management costs and funding gaps has been developed and three rounds of public engagement have been completed that sought input on the introduction of user fees for waste management services.

Staff is now analyzing the feedback along with best practices to determine potential fee structures under different scenarios. Completing the planning work will provide valuable information to support decision making by Peel or its successor organization(s). The ultimate funding model and fee structure, however, will depend on the structure and governance of the waste management program post-dissolution, and which long-term diversion programs Peel's successor(s) choose to proceed with. For that reason, staff

Key Waste Management Initiatives Update

will pause any recommendations related to a fee structure at least until the post-dissolution structure and governance model are known and possibly until after dissolution.

v) **Planned Direction and Next Steps:**

- Pause work on this initiative least until the post-dissolution structure and governance model for waste management are known and possibly until after dissolution.

f) **Britannia Landfill Gas to Energy Redevelopment**

To mitigate environmental impacts of landfill gas, as well as produce renewable energy for the grid, landfill gas generated at the Britannia Landfill site is collected and converted to create electricity, which is distributed through Alectra Utilities to the grid. Integrated Gas Recovery Systems Inc. (IGRS) owns and operates the Britannia Landfill Gas Power Plant in Mississauga. Of the three generators initially required to power the site, one remains operational and significant capital investment is required to repower the plant with updated engine generators. Peel's agreement with IGRS expires in 2027. One option is that the agreement with IGRS be renewed for an additional 11 years before redeveloping the facility. If an agreement cannot be reached to power the plant, a second flare will need to be constructed to flare landfill gas collected onsite.

It is in the public interest to continue this initiative because it ensures reliable collection and management of landfill gas. This initiative also ensures the management of landfill gas at this site remains compliant with Ministry regulations during transition and post-dissolution.

vi) **Planned Direction and Next Steps:**

- Continue to develop a recommended approach on renewing Peel's agreement with Integrated Gas Recovery Systems Inc for the redevelopment of the landfill gas to energy infrastructure at the Britannia landfill, including a long-term low-carbon energy purchase agreement.
- Report to Committee with additional details and a recommendation on how to proceed in 2024.

g) **Caledon Landfill Property Acquisition**

Peel and Caledon have been in negotiations for over a decade to officially transfer the title of the Caledon landfill to Peel to allow it to be formally closed in accordance with Ministry regulations and its Environmental Compliance Approval (ECA).

Continuing with the land title transfer will ensure a smooth transition to Peel's successor organization(s), while maintaining compliance with Ministry requirements and mitigating environmental risk.

vii) **Planned Direction and Next Steps:**

- Continue to engage with the Town of Caledon to finalize agreements for the land title transfer and formalize the closure of the Caledon Landfill Site.
- Report to Committee for appropriate approval/authority in 2024.

Key Waste Management Initiatives Update

RISK CONSIDERATIONS

Not proceeding with the planned direction and next steps, as described in the report, may result in service disruptions, increased environmental and financial risk and, in some cases, possible noncompliance with Ministry regulations.

BILL 112 RISKS AND IMPLICATIONS

On June 8, 2023, Regional Council endorsed principles to guide decisions required to maintain regional services through the Bill 112 transition period (Resolution 2023-455). One of the principles is “investments in essential services consistent with master plans,” which includes projects outlined in Waste Management’s long-term strategy.

The Act does add uncertainty so some decisions, especially those that will result in large, long-term commitments, could or should be deferred as long as such deferral does not result in service gaps.

Section 5 of the Act requires Council to “act in the public interest having regard to the municipal restructuring required including acting in a manner that does not unreasonably impact another municipality”, and section 7 gives the Transition Board the power to direct the Region to cancel, modify or not proceed with transactions if they are inconsistent with section 5.

By endorsing the planned direction and next steps as set out in this report, Peel sends a clear signal to the Transition Board of its intended direction on large waste initiatives and in doing so allows the Transition Board to weigh in early if it feels the decision is inconsistent with Section 5, thereby reducing the risk that Peel will begin a significant initiative only to have to change course mid-way.

FINANCIAL IMPLICATIONS

While there are no direct financial implications resulting from the recommendation in this report, staff will monitor the impacts of delaying new contracts and initiatives. Project specific financial implications will be included in subsequent reports as appropriate.

CONCLUSION

Peel Region is responsible for the collection, processing, and disposal of residential waste in the Cities of Brampton and Mississauga and the Town of Caledon. Combining the waste from the three municipalities into a single program makes Peel the second largest municipal waste management program in the province (fourth largest in Canada). Peel takes advantage of these economies of scale to generate competitive interest and lower prices.

The waste management initiatives mentioned in this report include commitments that extend beyond the dissolution date set out in Bill 112, the *Hazel McCallion Act (Peel Dissolution)*, 2023.

Key Waste Management Initiatives Update

Staff assessed these initiatives to determine if they should be paused, adjusted or continued in light of Bill 112, taking into consideration the principles Council endorsed at its meeting of June 8, 2023.

Staff will continue to move forward with the planned direction and next steps as described in the report.

Staff will continue to report to Committee and/or Council with initiative-specific updates as appropriate.



Kealy Dedman, Commissioner of Public Works

Authored By: Cynthia Lucar Diaz, Advisor, Policy Waste Reduction