

HALTON RECYCLING LTD. CONTRACT

The Solid Waste Management Committee recommends the adoption of the recommendations contained in the following report, December 18, 2003, from the Commissioner of Transportation and Works, with the following additional recommendations:

- 7. The contract with Halton Recycling Ltd. be conditional upon the following:**
 - 1. The necessary work be done to correct any operational conditions which may lead to odour problems and that Town of Newmarket staff or its consultants be part of the process; and**
 - 2. Halton Recycling Ltd. be required on a pro rata basis to contribute to the extension of Harry Walker Drive to Mulock Drive.**
- 8. The Town of Markham be requested to guarantee that it will provide the minimum tonnage required, which is 2,000 tonnes of Source Separated Organics per year, starting September 2004 for a period of five years.**
- 9. York Region will guarantee to the Town of Markham that the Source Separated Organics Program will continue for at least five years starting in September 2004.**
- 10. Staff be directed to renegotiate the put or pay clause and/or the rate for yard waste.**

1. RECOMMENDATIONS

It is recommended that:

- 1. Council accept the proposal from Halton Recycling Ltd. (HRL) to receive and process up to 60,000 tonnes/yr. of household source separated organics starting September 1st, 2004 and approximately 20,000 tonnes/yr. of yard waste starting April 1st, 2004 at their Newmarket facility for a term of two years plus three one year extensions at the discretion of the Region as outlined in this report and conditional upon approval of the required funding in the 2004 Regional budget.**
- 2. The contract include provisions allowing the Region to terminate the contract should HRL fail to complete the proposed environmental upgrades to the facility or maintain compliance with required operational and environmental standards to the satisfaction of the Region.**

3. The Regional Solicitor, in consultation with the Commissioner of Transportation and Works, be authorized to prepare the contract documents.
4. The Regional Chair and Clerk be authorized to execute the contract on behalf of the Region conditional upon approval of the required funding in the 2004 Regional budget.
5. Council request the nine local municipalities to commit by May, 2004 to eliminate the collection of yard waste in plastic bags upon renewal and/or extension of their associated collection contracts for implementation January 1, 2005.
6. Council request the nine local municipalities to finalize and report back to Regional Council by May, 2004 on the design and proposed implementation date of their collection systems for source separated organics with implementation occurring no later than July 1st, 2005.

2. PURPOSE

The purpose of this report is to provide Council with an overview of staff's proposed strategy for the management of household yard waste and source separated organics (SSO) and recommend the award of a processing contract to Halton Recycling Limited.

3. BACKGROUND

On April 12th, 2001, Council adopted Clause 5 of Report No. 4 of the Transportation and Works Committee approving a three-stream waste management system as a step to achieving 50% waste diversion from landfill. On February 13th, 2002, Council adopted Clause 1 of Report No. 2 of the Transportation and Works Committee, as amended by Committee, directing staff to draft a household organic waste processing agreement using Canada Composting Inc.'s facility in Newmarket. Canada Composting Newmarket went into receivership and the Region was unable to conclude the terms of an agreement with the Receiver. The feasibility of purchasing the assets of Canada Composting Newmarket was subsequently explored and rejected (Clause 1 of Report No. 4 of the Transportation and Works Committee adopted by Council June 27th, 2002). In its place, Council directed staff to work with neighbouring municipalities to try and collectively secure local SSO processing capacity. Staff were also asked to hold discussions with the successful purchaser of Canada Composting Newmarket about the possibility of processing the Region's SSO at this facility and report back to Committee on these discussions.

4. ANALYSIS AND OPTIONS

In 2001, Council approved the development of a household (SSO) program but the implementation of this program has been delayed to date by the lack of processing

capacity in Ontario for this material. This report provides an implementation plan for both SSO and yard waste over the short and long term planning horizons.

4.1 Long Term Management of SSO

At Council's direction, Regional staff entered into a joint Request for Proposal (RFP) with the Regions of Peel, Durham and the City of Toronto to develop approximately 300,000 tonnes of new SSO processing capacity throughout the GTA. The RFP was issued in November through the City of Toronto and will close by the end of February 2004. It should be noted that the Region of Peel has since withdrawn from the process due to an internal decision to pursue expansion of their existing composting system. The RFP process will continue but the capacity requirements will be scaled back accordingly.

SSO processing capacity obtained through this joint RFP will not, however, be available in the immediate future due to the time required to complete the necessary site selection and approvals process. This process could take from three to five years depending on the approval process required by the Ministry of the Environment. The results of the RFP will, in the long term, provide York Region with sufficient capacity (i.e., estimated to be 60,000 tonnes/year) to permit implementation of a Region-wide SSO collection program.

Staff will report the outcome of this RFP process to Committee and Council in March 2004.

4.2 Short-term Management of SSO

In the short term, Regional staff propose to receive and process municipally collected SSO and yard waste at the former CCI Newmarket facility. This facility was recently purchased by Halton Recycling Ltd. (HRL). HRL is in the process of making significant capital improvements to the facility in an attempt to address the odour and operational problems encountered by the previous owners. HRL has plans to expand and enclose the waste receiving area and purchase additional buffer land around the facility to reduce the potential for further odour problems. They also propose to improve house keeping and routine maintenance around and within the facility to minimize potential sources of odours. HRL anticipates being operational by the summer of 2004. The City of Toronto recently signed a contract with HRL to receive a portion of their SSO starting in the fall 2004.

Staff have concluded discussions with HRL and are prepared to recommend to Council a contract with the following terms:

- A term of two years with the option for three one year extensions at the Region's option.
- A minimum put-or-pay of 2,000 tonnes per year.
- All yard waste will be received at one or more facilities in York Region and used as a bulking agent in the finished compost at a fixed price of \$60 per tonne.
- Processing fees will be adjusted annually based on CPI.
- HRL will operate the facility to meet all local and provincial regulations including the control of fugitive odour emissions.

- HRL has separately agreed with the Town of Newmarket to contribute to the costs of extending Harry Walker Parkway.

Staff propose authority be given to conclude an agreement with HRL consistent with the above terms to the satisfaction of the Regional Solicitor and Commissioner of Transportation and Works. In addition, it is recommended that the Regional Chair and Clerk be authorized to execute the agreement contingent upon Council's approval of the proposed SSO program budget for 2004.

Regional staff are also holding discussions with the Region of Durham and other private contractors to develop contingency plans to receive and/or process the Region's SSO and yard waste should HRL encounter operational problems with the Newmarket facility.

4.3 Yard Waste Management

Currently, over 20,000 tonnes of residential yard waste is collected and composted in the Region. The Region's current contract with Miller Waste Systems has been extended until March 31st, 2004 to allow time for Council to decide if HRL will be contracted for the processing of yard waste and SSO. HRL is prepared to begin accepting yard waste dropped off at their facility by both municipal contractors and local residents as of April 1st, 2004 to ensure there is no interruption in public service. HRL's proposed price to manage yard waste is \$12/tonne lower than the Region's current contractor.

Additionally, HRL has agreed to accept, at no charge, yard waste dropped off by Regional residents at their facility. Residents dropping off yard waste at Miller Waste Systems facility, by comparison, are currently charged a fee of \$2.00/car up to \$40.00/tonne for large loads. Regional staff propose to assist local municipal staff in promoting the new drop off location and improved services to ensure that the public is made aware of the changes.

Plastic contamination in finished compost represents a serious barrier to contractors trying to product a usable end product from the Region's yard waste. Recent discussions with various yard waste composting facilities has revealed that they would all be willing to offer the Region a reduction in processing costs if the Region would forego collection in plastic bags. HRL is offering a 10% reduction if kraft bags are used. This reduction in cost represents a savings of over \$200,000/year.

In 2002, the Region of Halton eliminated collection of yard waste in plastic bags and effective January 1st, 2004, the Region of Durham and City of Toronto have also banned the use of plastic bags and require that kraft paper bags or rigid containers be used in their place. These recent changes leave the Regions of Niagara and York as the sole remaining regional governments which support collection of yard waste in plastic bags.

Switching to paper bags and/or reusable containers has been shown to have negligible impact on participation rates. A limited number of residents will, however, be resistant to the proposed change and a reasonable level of complaint calls can be anticipated.

Regional staff propose to offer assistance to the local municipalities with the development of a co-ordinated promotion and education campaign to mitigate this issue.

Given the success of kraft collection bags in other municipalities in Ontario and the cost savings, it is proposed that the Region request the local municipalities to modify their collection programs to eliminate the use of plastic collection bags starting January 1, 2005.

4.4 Municipal Collection of SSO

It is proposed that implementation of a Region-wide SSO diversion program be co-ordinated where possible with the extension of existing, or award of new local municipal collection contracts. Collection contracts for the City of Vaughan, Towns of Aurora, East Gwillimbury, Newmarket, Whitchurch-Stouffville and Township of King will terminate in 2004. The Town of Markham's contract will be up for renewal as of November 30th, 2005. Contracts for the Towns of Georgina and Richmond Hill will expire in 2007 and 2009 respectively.

Changes to existing contracts to include SSO collection would in most cases require re-negotiation of the contracts as changes to the design of the associated collection fleet will be required. Moreover, the new Bales Drive waste material recovery facility (MRF) will not be operational until early 2005 and the municipalities may want to change their collection programs to allow for co-collection of blue box material and either garbage or SSO in the same truck.

The local municipalities have not identified how they intend to collect waste under the new three-stream system and have been waiting for the Region to identify when SSO processing and the new MRF will be available. If Council is to award a contract to HRL, as proposed in this report, the local municipalities will have sufficient information to complete their collection system planning and develop new contracts.

In a meeting with staff from the local municipalities in November, it was suggested that the Regional SSO diversion program begin in the Town of Markham in 2004 given that community's current level of interest in such a program. Regional staff further suggest that the remaining municipalities extend their existing contracts until 2005 in instances where the contracts are terminating prior to completion of the Bales Drive MRF and begin implementation of SSO at that time. The extensions would provide Regional staff and their lower tier counterparts with sufficient time to discuss the logistics, timing and cost implications of this proposed schedule. Development of new contracts and procurement of new collection vehicles, for example, would be expected to take at least six to eight months. Staff also propose to offer assistance to the local municipalities with the development of a co-ordinated collection system, promotion and education campaign to facilitate this change.

5. FINANCIAL IMPLICATIONS

The financial implications for the recommendations of this report were reported to Regional Council at its January 22, 2004 meeting In Camera. The Region is currently in

a RFP process with the City of Toronto and Region of Durham for a long-term SSO contract as discussed in Section 4.1 of this report. Public release of the contract unit prices with HRL before the closing of that RFP may jeopardize the Regions' and Toronto's ability to have a fair RFP process and HRL's ability to competitively bid on the long-term RFP. The joint York / Durham / Toronto RFP is scheduled to close on March 4, 2004. HRL's contract prices for the short-term SSO contract with York Region will be made public after the successful conclusion of long-term joint RFP.

The following financial impacts are projected based on a potential implementation schedule, anticipated participation levels and HRL's proposed pricing.

Table 2
Forecasted Net Regional Budget Impact

York Region	Year 1	Year 2	Year 3	Year 4	Year 5
Volume (tonnes)	10,000	20,000	40,000	50,000	60,000
Processing Cost	Note 1	Note 1	Note 1	Note 1	Note 1
Promotion & Ed.	\$750,000	\$200,000	\$100,000	\$100,000	\$100,000
Transfer & Haul**	\$270,000	\$540,000	\$1,080,000	\$1,350,000	\$1,620,000
Reduced Landfill Costs***	(\$726,000)	(\$1,452,000)	(\$2,904,000)	(\$3,630,000)	(\$4,356,000)
Total	Note 1	Note 1	Note 1	Note 1	Note 1

Note 1 – prices will be released after the conclusion of the joint York / Durham / Toronto RFP as noted above

** Based on a budgeted cost of \$27/tonne

*** Based on a budgeted cost of \$64/tonne

At full implementation a mature, Region-wide program is expected to divert up to 60,000 tonnes of SSO annually. The proposed implementation schedule identified in Table 2 above assumes that tonnages received in the first year of the program would be generated primarily by the Town of Markham. Subsequent increases in diversion will be dependent upon the program implementation schedules proposed by the remaining local municipalities and increasing public awareness through ongoing promotion and education.

Implementation of a Region wide SSO program would be expected to increase the Region's average cost per tonne of waste diverted from approximately \$83/tonne in 2003 to an estimated \$119/tonne in 2004. The current waste diversion rate, however, would increase from a year end estimate of 23% to over 41% bringing the Region within reach of its goal of 50% waste diversion. SSO diversion is considered a program enhancement. It should be recognized, however, that the new Provincial government has committed themselves publicly to mandating SSO collection within the next five years.

Program costs are represented as net additional costs since the SSO material would need to be landfilled as garbage if the SSO program is not implemented. Funding for this program would be included in the Regional tax levy. A total of \$1,124,000 has been

included in the 2004 budget to cover processing costs. An additional \$750,000 (\$3/household) has been allocated to related promotion and education activities to assist the local municipalities with implementation of this program. An estimated \$4 million in capital costs would also be incurred by the local municipalities if they chose to provide residents with re-usable containers to collect SSO. Collection costs for the local municipalities would be expected to be approximately \$2,500,000 annually assuming a 10% increase in costs to manage SSO.

It is proposed that HRL be paid \$60/tonne for processing yard waste. This will result in an annual savings to the Region of approximately \$240,000 as of 2005. Elimination of plastic bags from yard waste collection would result in an additional savings of \$10/tonne or approximately \$200,000 per year.

6. LOCAL MUNICIPAL IMPACT

The contents of this report, and in particular, HRL's proposed environmental upgrades and operating plans for the Newmarket facility, have been reviewed with staff from the Town of Newmarket. Representatives from HRL are in discussion with the Town's staff and propose to make a presentation to their council to ensure that any outstanding concerns are addressed.

Extensive discussion and possible provision of Regional support will be necessary for local municipalities to successfully integrate SSO collection and the proposed change to yard waste collection into their existing programs. Co-collection opportunities and changes to collection frequency could reduce overall collection costs. The Towns of Georgina, Richmond Hill and Markham will have to negotiate changes to their existing collection contracts if they are to begin SSO collection prior to the end of their collection contracts. All of the municipalities will need to determine if they will provide SSO collection containers for each household. It is expected that the cost for container for all households in the Region to be in excess of \$4 million. Annual collection costs for the local municipalities are estimated to be approximately \$2,500,000 which represents a 10% increase over current collection costs.

It is proposed that the local municipalities finalize their collection program changes and report to the Region their schedules and plans by the end of May 2004 so that the Region can properly prepare its 2005 budgets and prepare its promotion and education program for the full implementation of the new three-stream collection system for 2005.

7. CONCLUSION

The implementation of a household source separated organic waste program is necessary if the Region is to achieve its 50% waste diversion goal. The program can not be implemented without first acquiring SSO processing capacity. It is anticipated that this required capacity will be secured in the long term through the joint GTA RFP process currently underway. In the interim, it is proposed that the Region contract with Halton

Recycling Ltd. to provide the necessary SSO processing capacity so that the local municipalities can begin to roll out their associated collection programs.

It is further recommended that the local municipalities finalize their plans to collect SSO by May of 2004, including the elimination of collection of yard waste in plastic bags, to facilitate program implementation and minimize costs. Regional staff propose to provide assistance, where requested, in this process.

The Senior Management Group has reviewed this report.