

Multi-Unit Residential Recycling Agreement - Corporate Recycling Service Pricing

ISSUE

As is allowed under the contract between the City and Cosmopolitan Industries (Cosmo), Cosmo brought forward a request to negotiate an amendment to Schedule 9 (Corporate Recycling Services) of the Multi-Unit Residential Recycling (MURR) Agreement. Administration has proceeded with negotiations that have centered on service pricing for the material Cosmo processes as part of Schedule 9. The current Agreement does not specify a price, as the initial assumption was that depot materials would result in positive revenue net of collection and processing costs. Lower value recycling markets and higher than expected contamination rates have led to unforeseen costs in processing this material. Cosmo is requesting an amendment to Schedule 9 to ensure they are adequately funded to process material that comes in from the recycling depots and civic facilities.

RECOMMENDATION

That the Governance and Priorities recommend to City Council that the payment schedule for service pricing be approved as outlined in this report and Schedule 9 of the MURR Agreement be amended accordingly.

BACKGROUND

City Council, at its Regular Business meeting held on July 27, 2020, considered a report of its Governance and Priorities Committee regarding the above, and resolved that the Administration be directed to proceed with negotiations with Cosmo to amend Schedule 9 of the MURR Agreement.

Administration and Cosmo entered into negotiations to discuss Schedule 9 of the MURR Agreement in August. The focus of discussions were on service pricing for material that is processed by Cosmo as part of Corporate Recycling Services.

The contract stipulates that any changes must be mutually agreed, and that the partners will discuss issues and negotiate in good faith. The long term contract was based on commodity pricing assumptions at that point in time.

DISCUSSIONS/ ANALYSIS

Since the beginning of the MURR Program, profits from the recyclable material collected through Corporate Recycling Services (recycling depots and participating civic facilities) have been less than the cost to process and market the material. As a result of unforeseen circumstances, this net financial loss has grown to a point where Cosmo is requesting a revision to service pricing to ensure that they can continue to accept material from the depots.

During negotiation discussions, Cosmo provided documentation of a deficit in the previous fiscal year (2019/2020) that was linked to higher contamination, higher landfilling costs, and struggling recycling markets that were not anticipated at the start of the program. The City and Cosmo determined a mutually agreeable payment schedule based on Cosmo charging the City a preferential rate. Cosmo currently charges a commercial tipping rate of \$85.00 per tonne but has offered a rate of \$61.50 per tonne to the City for 2020. This rate would see an annual inflation of 3.5% each year for the remainder of the contract. This payment schedule would be effective as of October 1, 2020.

Table 1: Service Pricing - Payment Schedule

Year	Variable Processing Charge per Tonne of Material
2020	\$61.500 (effective Date October 1, 2020)
2021	\$63.653
2022	\$65.880
2023	\$68.186

Through a market scan, Administration determined that the proposed rates are lower than current market rates for processing single-stream recycling. It is estimated that landfilling costs for contamination received will be over \$27,000 in 2020, not including transportation costs. The proposed payment schedule ensures Cosmo is adequately compensated for processing the depot material and ensures that it is financially viable for Cosmo to continue to receive and process material from the recycling depots.

Additional information on contamination and tonnage for Corporate Recycling Services is included in Appendix 1.

FINANCIAL IMPLICATIONS

The estimated annual cost for 2020 will be \$20,000 to \$22,000. Assuming utilization rates of the depots continue into 2021 and onwards, the estimated annual cost will be \$80,000 to \$95,000. These costs exceed the 2020 and 2021 approved budget and the 2021 impact will be included in the Administration's budget update to Council in late 2020.

Depot tonnage may fluctuate with future policy changes or closure of one of the recycling depots.

OTHER IMPLICATIONS

Any amendment to Schedule 9 of the MURR Agreement will be in effect until December 31, 2023. The proposed options deal only with the recycling depots and civic recycling portions of the agreement. As such, the multi-unit residential recycling program is not expected to be affected in any way.

There are no privacy, social, or environmental implications identified.

NEXT STEPS

If the recommendation is approved, Schedule 9 will be updated accordingly. The Agreement includes an extension option for Cosmo to renew for a further term of six years should both parties come to mutually agreeable terms. Future negotiations will take place prior to the expiry of the contract in 2023.

APPENDICES

1. Corporate Recycling Information

Report Approval

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