

BACKGROUND

The purpose of this report is to provide an update on recycling end-markets.

Processing of Blue Box Materials

The mixed blue box materials that are collected or received at the Recycling Centre are processed by a City Contractor. The processing involves separating the recyclable items into specific categories and then shipping this material to end-markets. The City pays this Contractor to sort, process, ship and market the materials to various end markets. End-markets are companies that purchase or accept this processed material for re-use or to make new products.



The City pays the Contractor a rate per tonne to perform the work and shares equally in the revenues received from the sale of recyclable materials (revenue sharing).

Funding for the Blue Box Recycling Program

The Blue Box Recycling Program is funded by three key sources. The tax levy, revenues from the sale of recyclables and funding received from Stewardship Ontario.

Stewardship Ontario is a not-for-profit organization funded and governed by industries that produce or import products and packaging materials that end up in our blue boxes. Stewardship Ontario currently provides municipalities up to 50% funding on eligible blue box costs.

Recent and new legislation have indicated that producers will eventually be fully responsible for the proper management of their products and packaging, including the financial component. However, no specific timeline has been provided on when this change will take effect.

Current End-Markets

China, one of the world's largest importers of recycling materials has imposed bans and restrictions on the acceptance of recyclable materials. These new requirements have impacted global markets and forced suppliers of recyclable materials to look for alternative markets. This situation has unfortunately flooded the markets, reduced demand and lowered the value of recyclable materials.

Although it is very early in the year, the financial impact of decreasing revenues from the sale of recyclables based on the current trend could result in a \$1.1 million shortfall in revenues. The revenue sharing cost with our processing contractor would also decrease and this could create an overall estimated \$550,000 shortfall for the year 2018. This estimate is only based on the first two months of 2018.

The following chart highlights the variability for the sale of recyclables during the same period between 2008 and 2018:

Year	January to February
2008	\$378,000
2009	\$90,000
2010	\$359,000
2011	\$430,000
2012	\$370,000
2013	\$298,000
2014	\$318,000
2015	\$258,000
2016	\$257,000
2017	\$429,000
2018	\$153,000

Revenue from the sale of recyclables were depressed in 2009 following the financial crisis of September 2008. Once markets settled, revenues rebounded.

Commodities, including blue box recyclables have always been sensitive to market conditions. During depressed market conditions, end-markets will purchase the highest quality materials from nearby locations to reduce operating and transportation costs. These are operating challenges that periodically frustrate municipalities, but history has shown the markets eventually stabilize.

Until then, staff will continue to monitor the monthly markets and will provide quarterly updates as part of the operating variance reports prepared for the Finance & Administration Committee.