



**Three-Year Strategic Plan
(2016 – 2018)**

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1.0 Purpose of the CIF

The Continuous Improvement Fund (CIF) was developed in partnership between the Association of Municipalities of Ontario (AMO), the City of Toronto, Stewardship Ontario (SO) and Waste Diversion Ontario (WDO). The Fund commenced operations on May 1, 2008, under a Memorandum of Agreement (MOA) signed by the program partners which has since been extended several times. Operation of the CIF fulfills specific directives of Minister Stockwell's original program request letter to WDO (September 23, 2002) requiring establishment of a waste diversion program for Blue Box waste and the obligations of Section 6.6 of the current Blue Box Program Plan (BBPP).

2.0 Our Mandate

The CIF's mandate is to improve the effectiveness and efficiency of Ontario's municipal Blue Box Programs and the Provincial Blue Box system as a whole.

This mandate is fulfilled primarily through the provision of resources such as funding, training and technical assistance to municipalities and stakeholders associated with the operation of Ontario's Blue Box Program. These resources are intended to support initiatives that identify, develop, and apply 'Best Practices' and preferred approaches to program operations in an effort to reduce operating costs and/or improve material capture rates across municipal programs. The CIF plays a key role in fostering and supporting innovation through the development and introduction of technological, market and supply chain based solutions.

Establishment of performance metrics and benchmarking of program operations across the Province is also an important function of the CIF. These efforts ensure that all municipalities have access to the information and resources necessary to maximize the performance of their local Blue Box recycling program and to take advantage of scale efficiencies or other opportunities that might exist across multiple municipalities or 'geographical waste sheds'.

3.0 Guiding Principles

While the operating priorities of the CIF have changed over the years to address new challenges and issues, the overarching guiding principles have remained consistent and are articulated below.

3.1 Guiding Principles

The CIF will continue to demonstrate a bias towards, and seeks to allocate its funding to, projects that:

- maximize individual and systemic program cost-effectiveness, program performance and/or increase diversion of Blue Box materials;

- can be implemented across multiple municipalities and/or represent collaborative efforts amongst multiple municipalities to optimize program performance; and
- generate quantifiable and positive results.

These guiding principles continue to be balanced against an equally important desire to ensure the resources of the CIF are made available in an equitable manner to the majority of Ontario's participating municipalities. Over this three-year mandate of the fund, the CIF will make best efforts to create opportunities for municipalities across the Province to have access to the funds and resources developed by the CIF. To this end, CIF staff will engage proactively with smaller, more rural and northern municipalities to promote the CIF and its services.

The CIF does reserve the right, however, to allocate funds to the set of projects that ultimately will best help it achieve its stated objectives which may mean that it funds projects in only a select number of municipalities/regions in any given year.

3.2 Operating Principles

The CIF will continue to operate under the following core values and principles:

- *Maximizing benefits to the BBPP as a whole:* The CIF will support investments which provide the greatest potential benefits toward increasing cost efficiency and improving individual and collective program performance.
- *Balanced funding:* The CIF will strive wherever possible to preserve fair representation and equitable distribution of its funding while maintaining a high level of rigour in screening and evaluating the projects selected for funding.
- *Transparency:* The CIF will operate in an open and transparent manner to ensure that all funding criteria, decisions and results are well-documented, broadly communicated, readily accessible and consistently applied.
- *Results-based orientation:* The CIF will demonstrate a clear bias toward funding projects that are able to articulate clearly defined performance objectives and return expectations. This does not suggest the CIF will prioritize those projects with the highest anticipated rates of return or those with purely financial return expectations; rather, that the benefits and performance expectations of each project must be clearly documented and understood. It is recognized that in some cases the CIF will play a critical role in working with municipalities to help achieve these performance objectives and expectations or take a leadership role in delivering success.

4.0 Three Year Strategic Priorities

In 2012, MIPC adopted the CIF's recommendations to take a balanced approach to the pursuit of system rationalization (commonly referred to as waste shed optimization or optimization) efforts, the development of a Centre of Excellence and the provision of continued support for cost savings initiatives. These three priorities have served as the basis of the CIF's focus for the past three years and continue to be broadly supported by CIF stakeholders.

CIF Key Priorities for 2016 – 2018

- ❖ *Promote Blue Box System Optimization*
- ❖ *Encourage Cost Containment Initiatives*
- ❖ *Develop Best Practices through the Centre of Excellence*
- ❖ *Build a Waste Composition Audit Database*

The 2016-2018 CIF Strategic Plan (Strategic Plan) builds on the past directives of the CIF partners, successes and learnings of the CIF to date. It also seeks to meet the current and projected needs of municipalities and program operators as they strive to continuously improve their individual Blue Box programs. The Strategic Plan allocates resources in support of program standardization, waste shed optimization and cost containment. It also places continued emphasis on the development of the CIF Centre of Excellence and considers priorities identified by stakeholders during the 2015 CIF consultation process.

4.1 Waste Shed Optimization Will Continue to be a Long Term CIF Priority

The long term success of the Province's Blue Box Program is reliant upon the efficient movement of recyclables from the curb to the Material Recycling Facility (MRF) and finally to the market. Development of an effective supply chain has been an ongoing priority of the CIF. Accomplishing this goal involves successful completion of a number of related tasks including development of modern and strategically placed infrastructure, development of efficient supply chains and harmonization of municipal Blue Box recycling programs.

Within the Province there are natural 'waste sheds' or geographical groupings of municipalities which can achieve economies of scale improvements in efficiency if developed into cooperatives. The CIF has found that system optimization is best achieved by working with interested municipalities within the Province's existing waste sheds. This work requires a long term commitment of resources (typically 3-5 years) because of the degree of complexity involved but can deliver significant improvements in local program effectiveness and efficiency. The CIF currently has initiatives underway in seven distinct waste sheds across the Province and anticipates interest in cooperative waste shed initiatives will continue to grow with the escalating cost of Blue Box diversion and as municipalities become aware of the success of the CIF projects currently underway.

At the August 12, 2015 (amended October 15, 2015), CIF Committee meeting it was also agreed that CIF “Allocate \$1,000,000 per year for 2016-2018 (total \$3,000,000) for support for municipal specific projects resulting from Extended Producer Responsibility (EPR) transition, as required.” The nature of the work that might be undertaken as part of a Provincial EPR transition plan is unknown at this time but could range from divesting of municipal infrastructure to program realignments and modifications to current contracts. Much of this work has been part of the ongoing efforts by CIF towards waste shed optimization and the financial commitment by the program partners reinforces the importance of continuing this work. As a result, waste shed based system optimization will continue to be a core component of the work the CIF engages in over the three year term of the Strategic Plan.

4.2 Cost Containment Places a New Focus on CIF Priorities

The CIF has traditionally made funding of cost saving initiatives an ongoing priority. This focus will remain unchanged over the term of the Strategic Plan. Despite this effort, system costs continue to rise. One of the major drivers of rising costs is the changing packaging stream. The CIF has been active in seeking solutions to changes in the waste stream and various problematic materials. In light of the efforts of WDO’s Cost Containment Panel (Panel) to develop an appropriate methodology to apply the cost containment principles contained in the BBPP to the determination of the annual Blue Box obligation, the CIF anticipates an increased emphasis will be placed on examining and addressing the underlying causes of escalating Blue Box Program costs.

The Strategic Plan will, therefore, include funding to support the recommendations of the Panel. This effort is expected to include informing municipalities and stakeholders of the implications of the Panel’s recommendations and provide assistance in responding to, and complying with, those recommendations. Funding and technical support (e.g., data collection and analysis services) will also continue to be made available to municipalities and CIF partners to assist with examining the implications of problematic materials and ongoing changes in Blue Box packaging. These efforts will include assisting with development of markets and implementing systemic changes in collection and processing systems in support of any necessary infrastructure and program adaptation.

4.3 Development of the CIF Centre of Excellence Will Continue as a Core Service

From the outset of the CIF it was recognized that, in many cases, municipalities may not have access to, nor be able to afford the specialized resources necessary to optimize their programs. By comparison, it was becoming increasingly apparent that the CIF was rapidly developing a world class level of expertise on ‘better practices’ in Blue Box recycling as a result of its work. In 2013, the CIF was directed to develop and

maintain a Centre of Excellence through which to conduct research, disseminate information on Blue Box recycling and provide training to municipalities and industry stakeholders. Current areas of focus include:

- Best Practices compliance & Datacall support
- Development of Best Practices & tool kits
- Research into materials management
- Support for RFP & tender development
- Develop new training initiatives & outreach services
- Waste composition studies & performance audits

Support for the CIF Centre of Excellence continues to gain momentum and expansion of its services covering the identified areas of focus will remain a priority of the CIF over the next three years.

4.4 Equitable Allocation of Funds & Resources

The allocation of funding to individual municipalities and stakeholders and support for research and consulting services offered through the Centre of Excellence is reviewed by its governing body (CIF Committee) to ensure the CIF is addressing its current priorities and directives. The recommendations of CIF Committee are forwarded for approval by the WDO Board in the form of the CIF's annual Operations Plan.

On June 9, 2015, CIF Committee resolved that any new funds provided to the CIF be taken from surplus funds available after the initial allocation of monies against Best Practices scores under the current payout funding model (or equivalent). It was recommended that any additional funds be taken as a percentage from the general obligation or other source as determined by CIF Committee.

The CIF Operations Plan considers the CIF's guiding principles and priorities in addition to input received from municipalities and other stakeholders through the CIF's annual consultation process. The specific mix of funding and services distributed in any given year will depend, in part, on the number and nature of applications for funding and requests for assistance that are received by CIF.

WDO board, at its meeting on September 23, 2015, resolved to have the CIF report directly to the WDO for the purposes of carrying out the terms of the Blue Box Program Plan.

In 2016, it is expected that the allocation of funds in support of the priorities noted in Section 3.0 will be as follows, subject to any impact from the recommendations of the Panel and/or pending legislation:

- Waste shed optimization – 35%
- Cost savings & cost containment – 37%
- Centre of Excellence – 28%

Over the remaining term of the Strategic Plan it is expected that, in the absence of a major change in the Blue Box Program, there will be a continued shift of funding away from waste shed optimization towards cost containment as the CIF's efforts to optimize the waste sheds in Ontario reaches completion.

5.0 Management of the CIF

The CIF is directed by an operational plan developed annually by the Managing Director of the CIF in consultation with municipalities, stakeholders and CIF Committee. The annual Operations Plan is ultimately approved by the WDO Board.

Funding for the CIF is derived from a portion of the annual financial obligation of stewards to municipalities under the BBPP and funds solicited from various project partners. The projected funding requirements of the CIF are articulated in the annual Operations Plan for consideration by the WDO Board.

The CIF currently operates under a three year extension of its original mandate as a result of a resolution passed by WDO at its September 23, 2015, Board meeting. The potential to extend this mandate exists should the CIF continue to demonstrate success in achieving the objectives outlined in this Strategic Plan subject to the approval of the WDO Board and subject to future changes in the BBPP or the Waste Diversion Act (WDA).

The CIF is managed by a team of contract staff whose primary responsibility is to work with municipalities, stewards and the CIF Committee to achieve the objectives of the CIF's Strategic Plan and annual Operations Plan.

5.1 Annual Operations Plan

The CIF's Operations Plan is developed on an annual basis to meet the objectives established in the CIF's Strategic Plan and as agreed to periodically by the program partners and approved by the WDO Board. The annual Operations Plan includes an operating budget for the calendar year in question and recommendations of CIF staff on the anticipated long term funding needs of the CIF for consideration by CIF Committee. This Operations Plan and budget is reviewed by CIF Committee and recommended to the WDO Board for approval.

The CIF Managing Director and the CIF Committee use the long term vision outlined in the three year Strategic Plan to develop an annual Operations Plan which is referred to the WDO Board for approval.

5.2 Project Performance Measurement & Evaluation

A core component of every CIF-funded project is the performance measurement and evaluation mechanism through which the success of each project is measured based on

mutually agreed-upon performance objectives. Specific performance objectives and the process for measuring success is determined on a project-by-project basis by CIF staff in consultation with the project applicant and, where appropriate, CIF Committee or other expert resources. In general, however, performance indicators must address the overarching guiding principles and the mandate of the CIF to improve the effectiveness and efficiency of the Blue Box Program.

CIF staff has developed evaluation and performance measuring criteria for projects aimed at achieving a balanced approach to cost savings, increased recovery and promotion of better practices.

Simple financial payback is generally easier to measure for capital investments. However, for some projects, including capital projects, the benefit may not be measurable directly in financial terms. In most cases, individual projects are selected, measured and evaluated based on their ability to meet current CIF priorities, as noted in Section 3.0, while ensuring the CIF's guiding principles are being followed. Project specific conditions and performance requirements are also frequently established as a condition of funding and may include, for instance:

- Program performance targets (e.g., cost reduction or diversion targets)
- Adoption of new standards or expectations (e.g., harmonization of service delivery)
- Cooperative operational agreements (e.g., joint procurement efforts)

Most projects require submission of a final report documenting the project results and learnings so that the information can be shared publically with other municipalities and program operators.

5.3 Measuring Success

Over the term of the Strategic Plan, the CIF intends to demonstrate that it has:

- Successfully achieved the goals and objectives identified in the Strategic Plan and in the annual Operation Plans;
- Continued strong support from municipal and steward stakeholders for CIF to continue under a similar mandate for an additional three years;
- Continued strong demand for funds supporting valuable projects;
- At least 65% of CIF-funded projects meeting or exceeding performance expectations or supporting longer term performance objectives;
- Continued agreement from both municipalities and stewards that CIF has made prudent investments consistent with its mandate.

The CIF has, and will, continue to report on a regular basis on its progress in fulfilling its mandate and achieving specific goals and objectives.