



CONTINUOUS IMPROVEMENT FUND

2016 CIF Operations Plan



Published December 2015

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1 – Introduction

The Continuous Improvement Fund (CIF or Fund) is a partnership between the Association of Municipalities of Ontario (AMO), the City of Toronto, Stewardship Ontario (SO) and Waste Diversion Ontario (WDO). The CIF commenced operations on May 1, 2008 under a Memorandum of Agreement (MOA) signed by the program partners which has since been extended several times.

The Fund's mandate is to improve the effectiveness and efficiency of Ontario's municipal blue box programs. This mandate is fulfilled through the provision of funding, technical support and training to aid municipalities and program stakeholders in the identification and development of best practices and technological and market based solutions that lead to program improvements.

The CIF's Operations Plan is developed on an annual basis to meet the objectives set out in the Fund's Strategic Plan and as agreed to periodically by the program partners and approved by the WDO Board (see Appendix 9.2). The 2016 Operations Plan (Plan) continues to reflect MIPC's directives of 2011 to focus on system rationalization and develop a Centre of Excellence. At the same time it continues to reflect the program partners' desire to balance those directives with the CIF's ongoing efforts to identify and fund opportunities to contain costs and generate savings through program improvements.

2 – Operating Directives

The CIF's original Strategic Plan (available on CIF's website <http://cif.wdo.ca/>) was developed in 2007 prior to initiation of the Fund. The emphasis of the plan was to develop projects according to the funding proportions as outlined below:

- Implementation of best practices – 50%
- Investment in innovative initiatives – 25%
- Promotion & communication, knowledge sharing – 10%
- Project management and support – 10%
- Emerging technologies – 5%

In 2009, the CIF Committee expanded upon the plan by establishing the following priorities:

- 70% of the funds were to be spent on efficiency projects (i.e. lowering / controlling costs).
- 30% of the funds were to be spent on effectiveness projects (i.e. increasing Blue Box material capture).
- Efficiency projects should focus on material recovery facility optimization & rationalization and new technology.
- 60% of the effectiveness funding should focus on ways to increase the collection and processing of packaging materials not currently collected in municipal Blue Box programs but are part of the packaging waste stream.
- Provide higher levels of project funding to early adopters of improved processes and technologies to encourage municipalities to make these program changes.

In July 2011, the partners approved additional funding for the CIF and an extension of the program to the end of 2013. At the same time MIPC adopted a resolution directing the CIF to cease distribution of funds on the basis of the principles identified above. Instead, funds were to be allocated based on the merits of regionalization projects and the development and operation of a knowledge based centre of expertise to promote best practices (Centre of Excellence), to develop training and to address materials management issues. MIPC further directed the CIF to undertake a province wide analysis of Blue Box processing infrastructure (the MIPC Provincial Blue Box Processing Infrastructure Study), close the Fund to new applications, reject all non-infrastructure related applications under consideration and set aside \$10 million in funds to support the outcomes of the study.

In 2012 the partners provided additional funding to the CIF for 2013 and authorized a three year extension of the Fund's mandate to the end of 2016 which was to be implemented through renegotiation of the current MOA. That same year, the CIF completed the Provincial Blue Box Processing Infrastructure Study (MIPC Optimization Study) on behalf of MIPC and provided MIPC with recommendations for allocation of the remaining funds. MIPC subsequently adopted the CIF's recommendations, which included taking a balanced approach to the pursuit of optimization efforts, development of the Centre of Excellence and continued support for cost savings initiatives.

Since that time, the CIF has continued to work to implement MIPC's directives while operating under one year extensions of the 2011 MOA. On September 23, 2015, WDO rescinded its delegated authority over CIF from MIPC and resolved to have CIF report directly to the WDO Board.

This year's Plan continues to reflect the program partners' desire to balance optimization efforts and development of a Centre of Excellence with pursuit of cost containment strategies. The Plan continues to emphasize allocation of funding to support program standardization, system optimization and cost savings in accordance with the CIF 2016-2018 Strategic Plan and considers priorities identified by stakeholders during the AMO spring 2015 consultation process. Identified stakeholder priorities include provision of additional funds to assist municipalities with any transitional issues that may arise from the new legislation; funding for waste composition studies; training and coordinated action in support of multi-residential diversion; further development of standards and best practices in curbside and depot operations; and further research into activity based cost analysis of materials management.

3 – 2015 in Review

2015 proved to be another successful year for CIF with the highest number of funding requests in the past three years. Continued progress towards system rationalization, commonly referred to as “waste shed optimization”, and achievement of the Fund’s highest level of customer satisfaction and support to date were key highlights of this operational year. 2015 was also dominated by growing concerns over market stability for core materials such as glass. Renewed commitments were made by municipalities towards research and capital investments in their processing facilities in an effort to contain operating costs in the face of weak market prices and increasing challenges with the cost of recycling new forms of packaging.

3.1 Current CIF Priorities Are Supported by Municipalities

Each year CIF staff reaches out to municipalities and stakeholders to seek feedback and input into the setting of CIF priorities. This information aids in developing the following year’s budget and operating plan. Funding opportunities offered under the 2015 CIF Operations Plan resonated strongly with municipalities suggesting this process continues to work well.

The funding opportunities provided in any given operating year are traditionally offered by the CIF through an annual Request for Expressions of Interest (REOI) and this year’s REOI proved to be one of the most successful funding platforms developed to date. The 2015 Operations Plan proposed a funding budget for the REOI of \$5.465 million with the expectation that many municipalities would be unable to commit to major capital investments because, in many cases, they are dealing with significant council turnover from the 2014 elections. In reality, the 2015 REOI process received 74 applications requesting \$17.2 million in funding for projects representing a total project value of \$40 million.

The number and value of the submitted applications demonstrates a continued commitment by municipalities and other stakeholders to build on the success of current optimization efforts and development of an effective Centre of Excellence. Applications by funding category included:

Table 1 – 2015 REOI Results

Item	2015 Budget	Project Value	Funding Request	Funding Approved
System Optimization	\$1,200,000	\$22,008,207	\$10,230,438	\$380,489
Cost Saving Initiatives	\$2,500,000	\$4,888,383	\$2,560,696	\$1,210,074
Problematic Materials	\$500,000	\$9,758,957	\$2,404,903	\$962,570
Blue Box Harmonization	\$300,000	\$1,182,758	\$576,170	\$446,330
Centre of Excellence	\$965,000	\$2,188,863	\$1,428,883	\$617,387
Total	\$5,465,000	\$40,027,168	\$17,201,090	\$3,616,850

+Note: Project Value, Funding Request and Funding Approved excludes taxes

A total of \$3,616,850 million in funding to 45 projects was provided through the 2015 REOI process. The approved projects ranged from waste composition studies and materials market research, to ‘nexgen’ processing equipment to address problematic materials like mixed broken glass. Many of the projects funded were directly linked to municipal efforts to develop multi-municipal initiatives and harmonized programs. Approximately \$2.5 million (including taxes) in funding was provided towards 20 cost savings related initiatives. This latest block of investments is expected to deliver combined savings and avoided costs of up to \$3.2 M/yr with an ROI of approximately 2.6 years.

It should be noted that the large difference between the value of the consolidated funding request and final amount approved by CIF Committee is primarily due to deferral of several significant capital projects under consideration by municipalities that were not ‘shovel ready’. If these optimization projects are pursued, they are expected to require consideration in the 2016-2017 funding windows.

3.2 Waste Shed Optimization Efforts are Progressing

2015 saw continued progress in the CIF’s waste shed optimization efforts. At the present time the CIF has six initiatives across the Province at varying stages of development. These efforts require long term (typically 3-5 year) commitments of staff time and other resources. These initiatives do not necessarily lead to cost savings. They do, however, have the potential to support long term cost containment within the Provincial Blue Box Program and are consistent with the WDO directive of December 2012 to MIPC requiring development of a proposal on how to implement the efficiency improvements identified in the MIPC Optimization Study.

3.3 The Fund Continues to Deliver Cost Savings and Other Benefits

In 2013, a five year performance review of the fund was completed at the request of CIF Committee (*"2008-2013 CIF Review"*, CIF Committee, June 18, 2013). In September of 2015, a follow up review was completed to capture data from the balance of 2013 and the entirety of the 2014 operating year. During the two year window, CIF investments supported waste shed optimization in five areas of the Province; provided funds to test new technologies to improve fibre and glass quality, made investments to promote best practices in the operation of small municipal depots and program promotion & education efforts, and through the CIF Centre of Excellence, provided educational and technical resources to municipal staff and contractors delivering the Blue Box program. These investments have resulted in improved management and competition for contracted services, greater recovery efficiencies and reduced costs.

The review identified that the CIF had funded 28 cost savings related initiatives with a projected annual savings of \$2.8 million/yr and an average return on investment below five years. The projects in question included installation of 12 new or improved transfer and compaction systems in a continuing effort to reduce costs and GHG emissions through improved transportation efficiencies and supply chain optimization. Diversion related initiatives were projected to increase the capture of Blue Box recyclables by 13,000 tonnes per year.

As of October 31, 2015, the CIF has invested \$52,331,958 million into the Provincial Blue Box Program and leveraged over \$73.7 million in additional investments to support 624 projects.

3.4 Progress is Being Made in Addressing Problematic Materials

Following up on concerns raised by industry stakeholders in 2014, the CIF renewed its efforts to pursue options to stabilize the failing glass market in Ontario. Proposals to introduce new competition into the market place were received and considered by CIF Committee for the second year in a row and an investment of \$1.2 million was made at three municipal MRFs to improve finished glass quality. At Committee's direction, staff updated a strategic options paper, developed in November 2014, on the current glass market and forwarded it to WDO with a request that it be shared with the Ministry of Environment and Climate Change (MOECC) to ensure all parties are aware of the serious nature of this market's ongoing instability.

Work also continued on the CIF activity based cost allocation initiative. This multi-year project is intended to assist stakeholders in understanding the actual cost to manage various materials in the system so they can determine the best management strategy for each and better understand the impact of packaging design on rising system costs. Key 2015 initiatives included examining the cost and diversion implications of managing flexible film through curbside versus depot based programs and an analysis of the cost of managing hot beverage cups in various processing systems.

3.5 Outreach and Training Opportunities Are Increasing in Popularity

The CIF continues to enjoy a regular following of over 1,000 subscribers to its newsletter “Connections” and almost four times as many users of its web site services. Considering there are only 226 Blue Box programs reporting to the WDO Datacall, this level of traffic is significant. While 85% of subscribers reside in Ontario, the CIF routinely receives inquiries from across North America and Europe highlighting the unique value the fund offers all waste management professionals.

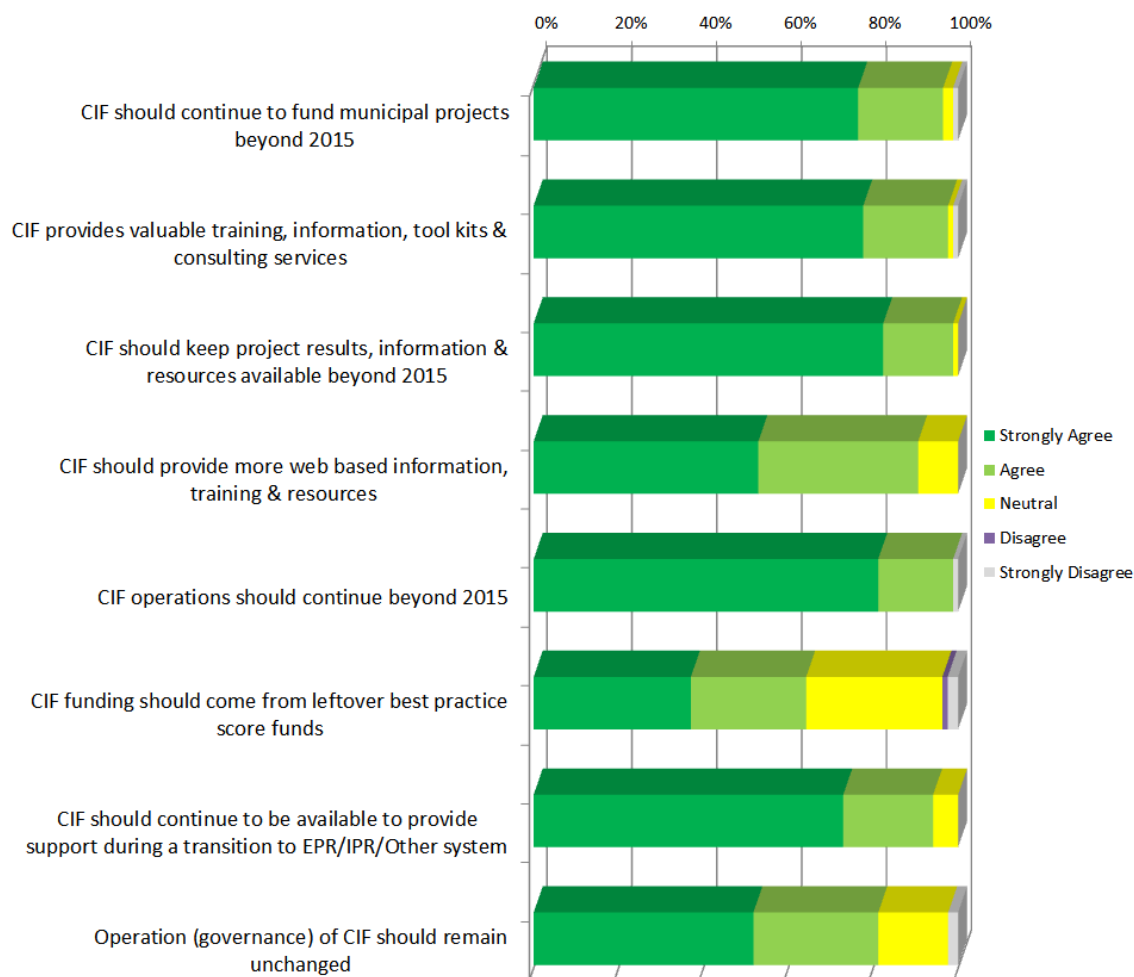
Specialized training was delivered in 2015 to a total of 131 municipal attendees as part of the CIF’s commitment to developing core competency amongst program operators on topics including: Small Municipal Depot Operations, Applying Promotion and Education Fundamentals, MRF Preventative Maintenance and Municipal Recycling RFP Development. The CIF’s annual Ontario Recyclers Workshop continued to draw solid attendance (142 participants). It’s important to note that these sessions are recorded and available on line and our ‘hit counts’ show they are regularly accessed in the weeks after the event. CIF outreach sessions were delivered in six communities across Ontario to a record 130 attendees. Individual meetings were held with an additional 48 municipalities and topical presentations were delivered at four different municipal conferences.

With the current CIF MOA reaching an end, CIF staff also took the opportunity to survey municipalities about the value of CIF, interest in extending operations and appropriate use of the remaining funds. Comments received during the outreach sessions included:

- Municipalities remain happy with current CIF focus and want the Fund to continue;
- People see CIF as a primary source of technical and policy support and information;
- 2016 budget priorities should not change dramatically; but with
- Preference to extend CIF and spread remaining funds out during any possible transition to a new legislative system;
- Fund CIF from unallocated Best Practices monies.

Eight-five respondents also completed the formal follow up survey. Table 2 below summarizes the findings.

Table 2 – 2015 CIF Outreach Survey



3.6 New Resources are Delivering Additional Value

Working with our municipal partners, CIF completed another 57 projects as of October 31 of this year and expects to close an additional 20 by year end. This combined total includes 17 small municipal Promotion and Education projects designed to upgrade program communications, improve diversion levels and reduce contamination while developing a set of better practices tools that the CIF can offer through social media sites, like Pinterest, to other small communities.

Recognizing that nearly 2/3 of Blue Box related services are contracted out to the private sector, the CIF continued to develop its capacity to support municipal efforts to procure and manage these services more effectively through the development of best practice compliant Requests for Proposals (RFPs), contracts and contract management. In 2015 the CIF assisted

seven municipalities with the development of RFPs and the negotiation of contracts that reduced costs in some cases by over 25% or resulted in more favourable terms.

This year, in response to stakeholder concerns, the CIF funded work to develop new materials marketing resources. The new resources are intended to help stakeholders maximize profits from the sale of their Blue Box commodities. The CIF also continued its work to develop standards and better practices in curbside, processing and depot operations to aid municipalities in understanding the key cost drivers of their operations. These efforts included the development of a 'clear bag' program implementation kit and the second phase of its depot operations kit. Over 150 organizations utilized the CIF's best practice related templates resulting in continued year over year improvements in municipal best practice scores and Datacall compliance.

Once again the CIF led a popular co-operative procurement process for blue boxes, carts and bags. In addition to the cost savings achieved through bulk purchase of containers, the initiative eliminated the need for participating municipalities to invest in individual procurement processes. Municipal participation remains strong, especially for the purchase of blue bags and boxes. Approximately 15,000 bags and over 50,000 boxes have been purchased by municipalities through the current two year CIF bulk purchase order. Fifteen municipalities also completed related promotional campaigns curbside and in multi-residential environments to capture more material through the distribution of additional containers as part of the CIF's ongoing drive to support the better practice of matching container capacity to generation volumes in the household.

Overall, 2015 proved to be another very successful year with ever increasing levels of positive feedback being received from the CIF's municipal stakeholders and consistently strong levels of participation in the Fund's offerings.

4 – 2016 Fund Priorities

The 2016 CIF Operations Plan builds on the success of the 2015 Plan by continuing development of initiatives in support of stakeholder's identified priorities. As in previous years, they include individual or collective grant opportunities that:

- Encourage system optimization
- Generate cost saving initiatives
- Contain system costs; and
- Facilitate Blue Box harmonization

Centre of Excellence activities that include:

- Best Practices compliance & Datacall support
- Development of Best Practices & tool kits
- Research into materials management
- Support for RFP & Tender development
- Develop new training opportunities
- Outreach Services
- Performance Auditing
- Waste Composition Studies

Strategic priorities will include standardization of depot operations and service contracts. Further work on determining material specific activity based costs will continue as part of the CIF ongoing cost containment efforts. In response to feedback from participants of the 2015 CIF spring consultation process, additional funds will be provided for waste composition studies, new training opportunities, depot optimization, coordination of multi-residential initiatives and support to municipalities dealing with transitional issues resulting from any new legislation and/or ministerial directives.

5 – Grant Opportunities

5.1 System Optimization

The CIF currently has waste shed optimization initiatives of varying sizes underway in seven locations across the Province. These initiatives are consistent with the plan developed by CIF in response to the WDO directive of December 2012 to MIPC requiring development of a proposal on how to implement the efficiency improvements identified in the MIPC Optimization Study. Funding applications under this category will support work already underway or seek to develop new initiatives consistent with the objective of system optimization. Projects that involve multiple municipalities demonstrating an interest in exploring opportunities to work together to improve operational efficiencies will be given priority. Table 3 summarizes identified waste shed initiatives, the current stage of development and projected funding requirements. It should be noted that some aspects of these initiatives are already funded in previous years.

Table 3 – Funding Projections By Waste Shed

Location	Current Status	2016	2017	2018
NW ON 1	Wrap Up	\$50,000		
NW ON 2	Approvals	\$10,000	\$1,500,000	\$250,000
NE ON	Implementation	\$75,000	\$10,000	\$10,000
E ON 1	Implementation	\$50,000	\$10,000	
E ON 2	Implementation	\$5,000	\$5,000	
E ON 3	Options Development	\$50,000	\$2,000,000	\$100,000
Cent ON	Options Development	\$125,000	\$25,000	\$10,000
Total		\$365,000	\$3,550,000	\$370,000

+Note: Values represent the anticipated year in which funding will be solicited. Expenditures may occur over several years.

Interest in cooperative wasteshed initiatives 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. The 2016 CIF Operations Plan provides a total of \$1.2 million in funds to continue development of wasteshed optimization throughout the Province.

5.2 Cost Saving Initiatives

The annual budget for cost savings activities continues to be oversubscribed year over year demonstrating the ongoing commitment of municipalities to investments that reduce system costs. The 2016 Operations Plan anticipates a continued interest from municipalities in this area of program improvement and includes an allocation of up to \$1 million to support these efforts. Projects submitted under this category must be capable of demonstrating a clear payback within less than eight years.

5.3 Cost Containment Initiatives

The packaging stream continues to evolve and change at an ever increasing pace placing municipalities under pressure to make ongoing system investments to address resulting issues. Applications submitted under this category will typically involve implementation of viable program level solutions to address these issues. Fundable initiatives can include efforts that enhance the recovery of glass, plastics and other packaging, reduce contamination and improve the processing and the marketability of problematic materials.

In many cases, the investments do not have viable paybacks and do not meet the funding requirements of Section 5.2 but involve situations which, if left unchecked, will result in higher, long term costs and are thus valid 'avoided costs' initiatives. Nonetheless, they may be of sufficient political value to program partners to warrant CIF support and are considered for funding on a case by case basis. The 2016 Operations Plan includes \$300,000 in funding to respond to these pressures.

5.4 Blue Box Harmonization

One of the key challenges with the Blue Box program in Ontario is the diversity in service levels and materials collected between municipalities. This variation leads to confusion amongst residents and hampers inter-municipal cooperation. Harmonization, which refers to the move towards a consistent Blue Box program across Ontario, requires amongst other things, the development and delivery of consistent contracts, services and high quality promotion and educational materials.

The 2016 Operations Plan seeks to provide continued support for multi-municipal projects of this nature. It includes funding of up to \$100,000 to assist municipalities to work with their neighbours to develop consistent services and joint initiatives such as multi-municipal service agreements and joint promotional campaigns to address strategic priorities such as coordinated multi-residential services.

5.5 Transitional Support in Response to New Legislation

During the 2015 spring consultation, municipalities also made it clear that they wished to see the CIF put aside additional funds to support them should they need to make changes to their programs as a result of any new legislation and/or ministerial directives related to the Blue Box Program Plan. In response to this request, CIF Committee, at their June 18, 2015, meeting, directed staff to allocate \$1 million/year in additional funding for this purpose for the next three years. One million has been included in the 2016 CIF Operations Plan and an additional \$2 million reserved for this purpose.

5.6 Individual and Collective Grant Budget Summary

Table 4 below summarizes grant opportunities available to individual stakeholders and groups seeking to work together on topical or geographically related initiatives consistent with identified stakeholder priorities.

Table 4 – 2016 Open Grant Budget

Item	2016 Budget
System Optimization	\$1,200,000
Cost Saving Initiatives	\$1,000,000
Transitional Support in Response to New Legislation	\$1,000,000
Cost Containment Initiatives	\$300,000
Blue Box Harmonization	\$100,000
Total	\$3,600,000

+Note: Disbursements include tax

6 – Centre of Excellence

In 2011, MIPC agreed to support development of a Centre of Excellence (CofE) as a means of disseminating and building on the knowledge and experience gained through the CIF and to provide added value to both municipalities and stewards. Each year interest in the CofE continues to grow. As in past years, the CofE will continue to focus on identification and development of best practices, management of problematic materials, training opportunities and assistance with procurement and management of contracted service. The 2016 Operations Plan allocates \$965,000 in supporting funds as outlined below.

6.1 Better Practice Compliance and WDO Datacall Support

Completion of the annual WDO Datacall can be challenging to even the most experienced municipal staff. As in past years, the 2016 Operations Plan will include provision of consultant and/or CIF staff support to assist program administrators with Datacall and Best Practice compliance related issues on an ‘as requested’ service. A total of \$50,000 has been included in this year’s Plan for this purpose.

6.2 Development of Better Practices and Tool Kits

Identification of better practices and continued efforts to encourage the adoption of those practices by municipalities remains an ongoing priority for the CIF. In 2015, the CIF completed a guide on the application of clear bags for waste collection as a better practice in driving Blue Box diversion rates. Development of a guide on better practices in depot operations is currently underway. Applications to develop, prove out and promote best practices will be considered under this category. A budget of \$100,000 has been set aside to support these projects and others that might be proposed by stakeholders.

6.3 Research into Materials Management

As identified in Section 5.3 above, overcoming the issues associated with the ever changing packaging stream remains a priority for all program stakeholders. Potential solutions that address cost effective diversion and management of multilaminates, expanded polystyrene and glass in addition to degrading material quality issues all remain priority concerns. In 2014, the CIF also completed a preliminary analysis of the cost impact of the changing waste stream. Further analysis is planned in 2016 to assist stakeholders in accurately determining the activity based cost of managing various materials in the current Blue Box system. The 2016 Operations Plan includes \$100,000 to facilitate this work.

6.4 Support for RFP and Tender Development

Almost 70% of municipal services are contracted out to the private sector making effective procurement and contract management an ongoing priority for the CIF. The CIF continues to look for opportunities to engage with municipalities to develop best practice compliant RFPs and tenders and to assist municipalities in bringing competition to their bid processes. Applications under this section potentially include hiring consultants to assist with RFP and/or contract development, developing better template language and working with the private sector to reduce barriers to competition within geographical areas. Up to \$75,000 has been included in the 2016 Operations Plan to support this important work.

6.5 Training Initiatives

As more and more of municipal operations are contracted out, the role and skill set requirements of municipal staff has been changing. To date, the CIF has developed training curriculum on topics including *Small Municipal Depot Operations*, *Applying Promotion and Education Fundamentals*, *MRF Preventative Maintenance*, and *Contract Management and RFP Development*. The development of new training opportunities that strengthen program administrator and operator competency remains a top priority for CIF. Proposals to develop and effectively deliver training on a provincial or local level will be considered including development of on-line services in response to a long standing request from remote location and rural program operators. The 2016 Plan includes a budget of \$200,000 to develop and deliver these initiatives.

6.6 Outreach Services

Traditionally the CIF has delivered two, one-day workshops (Ontario Recyclers Workshop or ORW) and a series of outreach sessions throughout the spring. These sessions will continue to be the CIF's mainstay point of contact with municipalities. The ORWs are open to all stakeholders and typically attract approximately 130 participants in person or via webcast. The primary focus of the sessions is to:

- deliver updates from program partners;
- report out on CIF projects; and
- provide timely information on topical waste management issues.

The spring CIF outreach sessions, which are delivered jointly with AMO, serve as an opportunity to engage with municipalities in face-to-face discussion about local issues and the operation of the CIF. This information is used to develop priorities for the Fund's upcoming budget cycle. These sessions have proven to be very popular, attracting municipal staff that does not normally attend the CIF's ORWs. The sessions are also used to deliver basic training and timely information about the Blue Box Program Plan (BBPP), WDO Datacall and current political and operational trends. Participants, who are typically not full-time waste management

professionals, gain a better understanding of the importance of issues such as best practice compliance and cost containment and their implications to local municipalities. This information ultimately allows municipalities to make more informed and better business decisions.

This year's Plan includes a number of important changes. CIF staff plan to deliver one annual workshop rather than two events and instead focus efforts on development of the Fund's on-line and web-based services. Delivery of the spring outreach services will remain unchanged.

In support of these initiatives, the CIF will consider proposals to develop value-added informational and/or training modules that can be delivered as part of these events and/or on-line services. The 2016 Operations Plan includes \$140,000 to continue delivery of these outreach services and for provision of related project support on an as-needed basis.

6.7 Performance Auditing and Waste Composition Studies

Regular performance auditing is a key aspect of good program management. Since 2012, the CIF has provided funding for waste composition studies and program auditing. Municipal support for these initiatives has been very strong and the CIF has received numerous requests to continue providing funding for these services. The 2016 Operations Plan will, therefore, include up to \$100,000 in support of the completion of additional performance audits and \$200,000 for waste composition studies with preference given to communities and program activities which have not been considered in previous years.

6.8 Centre of Excellence Budget Summary

The 2016 Operations Plan allocates up to \$965,000 to continue the development of a knowledge-based Centre of Excellence. The CofE's 2016 initiatives are summarized in Table 5.

Table 5 – 2016 Centre of Excellence Budget

Item	Proposed 2016 Budget
Waste Composition Studies	\$200,000
Training Initiatives	\$200,000
Outreach Services	\$140,000
Performance Auditing	\$100,000
Development of Better Practices and Tool Kits	\$100,000
Research into Materials Management	\$100,000
Support For RFP & Tender Development	\$75,000
Best Practices Compliance & Data Call Support	\$50,000
Total	\$965,000

+Note: Disbursements include tax

7 – Fund Administration

The following section of the 2016 CIF Operations Plan provides an overview of the Fund’s current financial status and administrative performance.

7.1 Fund Income

Table 6 summarizes contributions and income received to date from various sources. From 2008 to 2010, the CIF received 20% of the obligated steward payments to municipalities. For 2011, the CIF received 10%. For 2012, the CIF received a flat rate of \$4,450,757 representing approximately 5%. For 2013, the CIF was provided with \$4.62 million (5%) in additional funds and a mandate to continue operations for an additional three years to the end of 2016. For 2014, the CIF was provided with \$2 million in new funds. It is important to note that while the current Memorandum of Agreement under which the CIF operates ends December 2015, grant payments to municipalities will continue until the remaining projects are completed.

Table 6 – CIF Income Sources

CIF Funding: Actuals & Projected 2008 – 2015			
	2008-2013 Consolidated Actual	2014 Actual	2015 Projected
MIPC Funding	\$62,476,032	\$3,157,279	\$2,079,956
Investment Income*	\$1,850,349	\$315,192	\$235,555
E&E Fund** Closure & Other	\$1,115,734	\$0	\$965,507
Cumulative Total	\$65,442,115	\$68,914,586	\$71,230,097

*Investment income corrected in 2014 to match Stewardship Ontario audited data

** Effectiveness and Efficiency Fund

A summary of the CIF project funding commitments and expenditures projected to year end 2016 is presented in Table 7 below. It is important to recognize that funding commitments do not necessarily represent final project expenditures. It is not unusual for smaller projects such as recycling plans and communications strategies to come in under budget and, in some cases, for projects to be entirely withdrawn by the proponent. Only after the projects in any given year are fully closed can the final expenditure for that year be reconciled by CIF staff.

Table 7 – CIF Expenditures

CIF Grants and Expenditures: Actuals & Projected 2008 - 2015			
	2008-2013 Consolidated Actual	2014 Actual	2015 Projected
Admin & Project Support	\$4,615,308	\$652,843	\$632,917
Grants	\$43,090,133	\$3,067,809	\$3,765,901
Centre of Excellence	\$555,913	\$761,141	\$1,106,233
MIPC Reserve, WDO & AMO Transfers	\$4,695,967	\$1,157,279	\$579,956
Cumulative Total	\$59,957,321	\$57,596,393	\$64,681,400

* Unspent portion of \$3 million in funds allocated by MIPC for its own purposes.

The CIF Committee requires that there is sufficient administrative oversight and support for the Fund until all funds are expended. While it is possible that the CIF will receive additional monies in future years, this is neither guaranteed nor has it been assumed for the purposes of administering the Fund.

The financial analysis provided in Table 8 presents a proposed strategy for the allocation of the remaining funds through to the end of 2018. Subject to negotiation of a new Memorandum of Agreement between the parties to the CIF, sufficient funds will be held back to operate the Centre of Excellence through to 2018 and to cover administrative costs associated with the wind down of Fund operations over a period of up to 18 months thereafter and report out on remaining project results.

Table 8 – CIF Fund Analysis

Projected Expenditures				
	2015	2016	2017	2018
Fund Balance beginning of year	\$10,318,193	\$7,514,204	\$2,333,933	(\$2,960,339)
Total Revenue	\$2,701,062	\$168,806	\$73,164	\$0
Total Project Approvals	(\$3,765,901)	(\$3,600,000)	(\$3,600,000)	(\$3,600,000)
Centre of Excellence	(\$1,106,233)	(\$965,000)	(\$965,000)	(\$965,000)
Admin & Project Support	(\$632,917)	(\$784,077)	(\$802,436)	(\$820,978)
Fund Balance end of year	\$7,514,204	\$2,333,933	(\$2,960,339)	(\$8,346,317)

*net of arbitration transfer plus investment income

In 2010 MIPC withheld \$3 million in funds from the CIF for its own purposes. At the end of 2015 it is projected that there will be \$1,245,967 million remaining. These funds are allocated at the discretion of MIPC. In 2015 CIF Committee also directed staff to reserve \$1 million/yr for three years to support municipalities dealing with transitional issues resulting from any new legislation or ministerial directives related to the Blue Box program. Three million has been set aside in the CIF long term budget for this purpose.

In summary, the budget for 2016 provides \$4.565 million in new grant opportunities to support the priorities established by the Fund partners and stakeholders.

8 – Summary

As of October 31, 2015, the CIF has funded 624 projects with a combined value of over \$126 million. Through these projects the CIF has made strategic capital and research related investments that have had a significant impact on the long term effectiveness and efficiency of Ontario's Blue Box program. The 2016 Operations Plan will build on this success through the investment of a further \$4.565 million in project funding and continued development of the Centre of Excellence.

9 – Appendices

- 9.1 Consolidated Financial Statement
- 9.2 Governance
- 9.3 Fund Administration
- 9.4 Conflict of Interest
- 9.5 Funding Guidelines
- 9.6 Appeal Procedure

Appendix 9.1 2009 to 2015 CIF Financial Statement

The following table summarizes financial statements received from Stewardship Ontario. It shows invoiced expenditures received to date and does not include outstanding commitments on open grants.

	Year ended Dec. 31, 2010 (Actual)	Year ended Dec. 31, 2011 (Actual)	Year ended Dec. 31, 2012 (Actual)	Year ended Dec. 31, 2013 (Actual)	Year ended Dec. 31, 2014 (Actual)	As of Sept 30, 2015 (Actual)
Income Sources						
Cash forward	\$25,091,110	\$39,111,467	\$37,042,720	\$35,905,645	\$31,879,964	\$29,216,831
Municipal contributions	\$16,410,098	\$ 9,013,449	\$4,450,752	\$1,168,014	\$3,307,279	\$1,815,508
Interest	\$359,599	\$ 446,394	\$401,906	\$326,196	\$314,074	\$212,818
Other				\$221	(\$1,157,279)	
E&E Fund transfer*	\$1,112,947					
Total Income	\$42,973,754	\$48,571,310	\$41,895,378	\$37,400,076	\$34,344,038	\$31,245,157
Expenditures						
Administration	\$586,042	\$594,196	\$533,014	\$485,282	\$480,653	\$979,569
Promotion	\$94,699	\$33,523	\$20,235	\$36,211		
Project Support	\$259,524	\$356,083	\$94,024	\$118,406	\$172,189	\$131,456
Best Practices	\$2,421,299	\$ 9,147,539	\$4,278,401	\$4,204,375	\$4,194,960	\$2,009,651
Innovation	\$261,182	\$698,573	\$661,396	\$268,548		
Emerging Technologies	\$62,783	\$369,607		\$989		
Communications	\$176,758	\$329,069	\$100,320	\$139,301		
Centre of Excellence			\$302,343	\$267,003	\$251,998	\$192,890
AMO Transfer					\$27,407	
Total Expenditures	\$3,862,287	\$11,528,590	\$5,989,733	\$5,520,115	\$5,127,207	\$3,313,566
Year End (Cash Basis)	\$39,111,467	\$37,042,720	\$35,905,645	\$31,879,961	\$29,216,831	\$27,931,591

*Effectiveness and Efficiency Fund

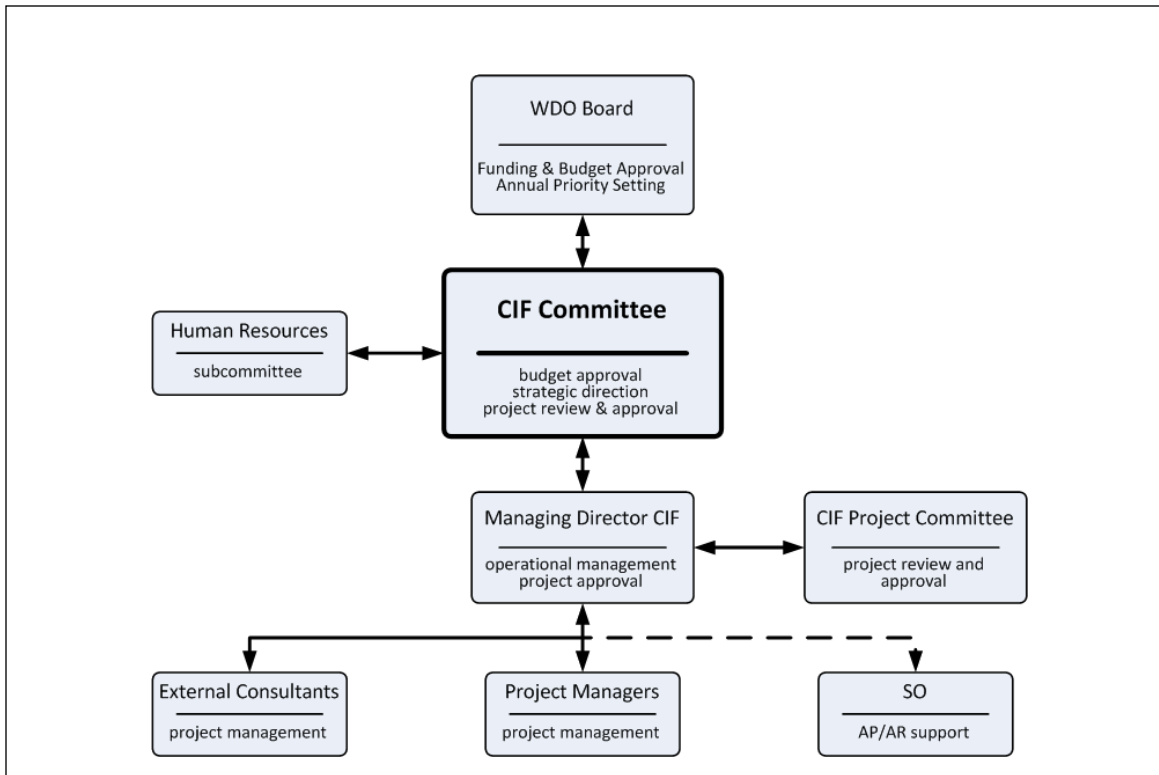
Appendix 9.2 Governance

The CIF fulfills the requirements of Section 6.6 of the Blue Box Program Plan and the Minister’s original Program Request Letter to the WDO for a Waste Diversion Program for Blue Box Wastes that:

- 7 (c) *“The proposed funding rules under the program will include ...a funding performance incentive to encourage program efficiency and effectiveness.”*
- 8) *“The program will include a plan, with funding provisions, outlining research and development activities to support and increase the effectiveness and efficiency of Blue Box diversion.”*

The CIF operates as a committee of WDO and is, therefore, governed by any relevant guidelines and rules established by WDO, subject to any policy the CIF Committee adopts within its delegated authority. WDO is responsible for setting the overall authorities and approving strategic priorities and budget for the CIF. The CIF Committee develops and recommends strategic priorities and the annual budget for approval by the WDO board. The CIF Committee also recommends large projects for approval by the WDO and provides direction to the CIF Project Committee and to the CIF Director who operates the program on a day-to-day basis (see Chart 1).

Chart 1 – CIF Organizational Structure



The CIF Committee membership is established as follows:

- One voting representative from the Association of Municipalities of Ontario;
- One voting representative from the City of Toronto;
- Two voting representatives from Stewardship Ontario;
- One voting independent member-at-large selected by voting members;
- One non-voting independent Chair selected by the voting members;
- One alternate member from Stewardship Ontario;
- One alternate member representing the City of Toronto and the Association of Municipalities of Ontario;
- The Chief Executive Officer of Waste Diversion Ontario as an observer; and
- The CIF Managing Director as an observer.

The membership of the Committee for 2016 is shown below.

Chart 2 - 2016 CIF Committee Membership

Representing	Member
Chair	TBA
Association of Municipalities of Ontario	Ken Brothers Monika Turner (alternate)
City of Toronto	Vince Sferrazza
Stewardship Ontario	Sherry Arcaro Cullen Hollister David Pearce (alternate)
Member at Large	TBA
WDO Observer	Mary Cummins
CIF	Mike Birett

The term of the municipal and steward members are reviewed and appointed annually by their respective organizations. The Chair and member-at-large are nominated and appointed annually by the other members.

The Committee will make its decisions based on a majority vote basis. The CIF Committee will vote on issues as required and the passing/adoption of a resolution requires that:

- Four of five voting members vote in favour of the resolution if all members are present;
- A simple majority of members vote in favour if not all members are present but when a quorum is present; and
- A quorum of Committee members is when at least four voting members are present.

The “Alternate member”, as noted in Chart 2, will attend in the absence of a Committee member. The Committee member who cannot attend can assign his voting privilege (proxy) to the Alternate member or another member of the Committee with advance notice to the Committee Chair. The Committee will use the WDO By-law related to meeting attendance.

The Human Resources Subcommittee is comprised of the CIF Committee Chair, Stewardship Ontario’s Executive Director (or delegate) and the Association of Municipalities of Ontario’s Executive Director (or delegate).

A CIF Project Committee has been established to assist with the development of the CIF program and evaluate projects. The members of the CIF Project Committee are as follows:

- Two municipal members from the Association of Municipalities of Ontario;
- One municipal member from the City of Toronto;
- Two Stewardship Ontario members
- CIF staff; and
- Other experts as required (project specific).

The membership for the CIF Project Committee for 2016 is shown below.

Chart 3 - 2016 CIF Project Committee Membership

Representing	Member	End of Term
Chair	Mike Birett	NA
Association of Municipalities of Ontario	Erwin Pascual Linda Churchill	Dec 2016 Dec 2016
City of Toronto	Annette Synoweic	Dec 2017
Stewardship Ontario	Sherry Arcaro Cullen Hollister	Dec 2016 Dec 2017

The term of the municipal and Stewardship Ontario members on the Project Committee is two years with an option to extend. The Committee makes its decisions on a consensus basis.

Appendix 9.3 Fund Administration

At the time of publication of this document, the WDO Board was developing a new Terms of Reference for the continuation of the CIF. This section is therefore under review and will be amended when the Terms of Reference have been finalized.

WDO Responsibilities

WDO is responsible for:

- Approving, on an annual basis, the CIF budget and program objectives and priorities;
- Delegating operational control and financial expenditure control of the Fund to the CIF Committee;
- Reviewing and revising, as necessary, the CIF Strategic Plan; and
- Hearing and deliberating funding appeals from applicants as outlined in Appendix 9.6.

CIF Committee Responsibilities

The CIF Committee is responsible for ensuring that the CIF is in compliance with its obligations under the Blue Box Plan, WDO directives and overseeing the operations of the Fund.

In particular, the CIF Committee has a responsibility to:

- Establish an annual budget and program priorities for approval by WDO;
- Develop and implement projects and funding opportunities to improve the effectiveness and efficiency of municipal Blue Box diversion programs and monitor the effectiveness and efficiency of those initiatives;
- Seek to ensure that programs developed under CIF affect Ontario's marketplace in a fair manner;
- Resolve disputes between a funding applicant and the CIF Director or CIF Project Committee;
- Ensure the effectiveness of the approved projects is being monitored;
- Approve projects within designated budget limits; and
- Access the accomplishments of the CIF and make recommendations to the WDO on the continued operation of the CIF.

The CIF Committee is also responsible for managing its own affairs including:

- Appointing the Chair and Members-at-Large;
- Constituting the Human Resources Subcommittee;
- Developing the Fund's strategic plan;
- Recommending the annual CIF Operations Plan and budget for approval by WDO;
- Monitoring the Fund's performance against the Strategic Plan, Operations Plan and budget; and
- Maintaining the integrity of the Fund's internal financial, operating and administrative controls and management information systems.

The CIF Committee is also responsible to identify risks associated with the Fund's activities and to take all reasonable steps to ensure the implementation of appropriate systems to manage these risks.

Each Committee member has a fiduciary responsibility to act in the best interests of WDO while carrying out these obligations. Members are under a fiduciary duty to carry out the duties of their office honestly and in good faith, in the best interests of WDO and with the care, diligence and skill of a reasonably prudent person.

Each Committee member has a responsibility to:

- Become generally knowledgeable about the business of recycling and waste diversion;
- Maintain an understanding of the regulatory, legislative, business, social and political environments within which WDO operates;
- Prepare for and attend meetings;
- Participate fully and in a meaningful way in the CIF Committee's deliberations and discussions;
- Establish an effective, independent and respected presence and a collegial relationship with other directors;
- Be vigilant to ensure that the Fund is being properly managed and is in compliance with its obligations;
- Act with integrity;
- Use his or her ability, experience and influence constructively;
- Be available as a resource to the CIF Committee and staff;
- Respect confidentiality;
- Advise the Chair before introducing significant and previously unknown information at a CIF Committee meeting; and
- As necessary and appropriate, communicate with the Chair and the CIF Director between meetings.

The CIF Committee Chairperson will participate in the Human Resources Subcommittee. This subcommittee is responsible for the hiring and performance reviews of the CIF Director.

Committee members who are not employees of SO, WDO, AMO or any municipality in Ontario will be eligible for an honorarium and expenses for each meeting as per the current CIF Expense Policy.

CIF Director Responsibilities

The responsibilities of the CIF Director are to:

- Develop and implement projects consistent with the strategic priorities identified by WDO and CIF Committee;
- Evaluate and approve projects within the Committee's priorities and the established approval limits outlined in the Project Approval Limits table below;
- Report to the CIF Committee and WDO Board as required with appropriate notice;
- Hire, manage performance and supervise staff;
- Ensure project reporting and evaluation is completed;
- Develop and administer an annual operations plan and budget;
- Prepare agendas and minutes for the CIF Committee and Project Committee;
- Facilitate CIF Project Committee meetings;
- Manage stakeholder relationship development;
- Represent the CIF at conferences and public functions;
- Process appeals for rejected projects;
- Develop benchmarks, milestones and evaluation criteria;
- Negotiate with project partners and stakeholders;
- Manage and review consulting agreements;
- Participate in the coordination of all project logistics; and
- Report regularly to the CIF Committee on the activities of the Fund.

Stewardship Ontario Responsibilities

The responsibilities of Stewardship Ontario to the CIF are to:

- Supply all financial accounting services including management reports as required by the CIF Director;
- Invest CIF reserves to maximize interest revenue according to the policies and procedures required by the Stewardship Ontario Board and financial auditors.

CIF Project Committee Responsibilities

The responsibilities of the CIF Project Committee are to:

- Evaluate and recommend projects for approval by the WDO within the CIF Committee's priorities and the established approval limits outlined in the table below;
- Promote the CIF to stakeholders, municipalities and industry;
- Operate on a consensus basis for decision making; and
- Liaise with the CIF Committee as requested.

Chart 4 - Approval Limits

Item	CIF Director	Project Committee	CIF Committee
Projects	< \$50k per project	< \$250k per project	> \$250k per project
Contracted Staff	< \$150k per contract	< \$250k per contract	> \$250k per contract
Outreach Services	< \$50k per purchase order	< \$250k per purchase order	> \$250k per purchase order

Appendix 9.4 Conflict of Interest

All staff, members of the CIF Committee and Project Committee are bound by the same set of confidentiality and conflict of interest rules as established by Waste Diversion Ontario and set out in its By-Law Number 2008-1 “A By-law Relating to the Code of Conduct of Waste Diversion Ontario”.

Appendix 9.5 Funding Guidelines

In October 2014, CIF Committee adopted an updated set of guidelines for the evaluation of funding applications. The approved system more closely aligns the CIF project evaluation process with current CIF funding directives.

The current evaluation system considers applications under three primary categories including: Cost Savings, Diversion and Centre of Excellence.

Cost Savings and Diversion applications are based on the following criteria:

- Criterion 1: Increased Cost Effectiveness
- Criterion 2: Increased Blue Box Diversion
- Criterion 3: Regionalization Benefits
- Criterion 4: Payback Period and Return On Investment
- Criterion 5: Project Implementation Measures/Aspects

Applications submitted under the Center of Excellence category are evaluated under the following criteria:

- Criterion 1: Applicability and Potential
- Criterion 2: Project Implementation Measures/Aspects

Under each criterion are a series of sub-criteria which are evaluated on a scale of -5 to +5 based on the proponent's submission. The CIF seeks clarification from the proponents if necessary in an effort to ensure that the project is fairly evaluated.

There are three mandatory conditions that must be met for a project to receive funding:

- An appropriate payback period (for Cost Savings projects);
- An overall Consensus Criterion Score of at least 25; and
- The project must not have been started before the application was submitted.

Cost Saving Projects must have a payback period of less than eight years. Applications submitted under the Diversion and Centre of Excellence categories may involve projects where accurate calculation of a payback is difficult (e.g., promotion and education, best practice compliance). Projects of this nature that pass all other mandatory criteria will continue to be recommended for funding as in past years.

The evaluation form is completed by staff and a recommendation made to the CIF Director, CIF Project Committee or CIF Committee depending on the required approval authority. Funding recommendations at a level higher than the minimum amount, for any category, are based on

the total score received in the evaluation process for the project in question. The CIF provides incentives for early adopters of new ideas, technology and best practices. Additional points are awarded under selected criteria to recognize this effort. Notwithstanding the aforementioned guidelines, CIF Committee may elect to award funding solely on the merits of the project as outlined by the proponent.

For more information on the CIF application process, refer to the CIF website found at:
<http://cif.wdo.ca/>

Appendix 9.6 Appeal Procedure

A proponent who wishes to appeal a decision regarding a project or the amount of funding approved must provide a written justification addressed to the CIF Director. The appeal must be dated within 30 days of the date of reception of a formal written notice of rejection or of receipt of the project decision. All notices of rejection must clearly spell out this appeal process. The appeal will be examined as follows:

- CIF Director decisions are appealed to the CIF Project Committee;
- CIF Project Committee decisions are appealed to the CIF Committee;
- CIF Committee decisions are appealed to the WDO Board; and
- WDO Board's decisions are appealed to binding arbitration as established under the arbitration rules of the Province of Ontario. Each party is responsible for their own costs of arbitration.

In all cases, staff, the CIF Committee and WDO board will work with the appellant to clarify the decision and review any additional information to mitigate the issue.

CIF Fund Partners:

