

**We'll Begin Again Soon...**



# Welcome Back!



# Afternoon Agenda

- Panel 3: Managing Programs Through Uncertainty
- *Afternoon Break*
- Panel 4: Material Management for Market Success
- *Concluding Remarks & Wrap-Up*

## Panel 3: Managing Programs Through Uncertainty

Dave Faris Yousif, CIF

# What Will EPR/IPR Mean for Your Program?

- Managing uncertainty
  - Need to know what to plan relative to contracts, costs, asset management, changes to service levels, administrative requirements & more
  - Need to prepare public leaders & provide guidance to residents
- Approach
  - Establish baseline financial & operational assessments
  - Analysis & evaluation of available options



# Panelists

- Sandra Brunet, City of Barrie
  - *City of Barrie EPR/IPR Transitional Support*
- Bradley Cutler, CIF Project Manager (on behalf of Huron Shores)
  - *Full Cost Accounting Supports Decision Making in Huron Shores*
- Catherine Habermebl, Region of Niagara
  - *MRF Opportunity Review*



# **City of Barrie EPR/IPR Transitional Support CIF Project #1041**

Sandra Brunet, BSc.,  
Manager of Environmental Operations  
City of Barrie

# Project Goal

**Project Goal:**  
Assess the potential  
operational & financial impact  
of the **a-BBPP** or from the  
implementation of **IPR**

## More information:

[Sandra.Brunet@barrie.ca](mailto:Sandra.Brunet@barrie.ca)

[www.barrie.ca](http://www.barrie.ca)

Project led by: RSM Canada | Tax, Audit and Consulting

## Operational Impacts:

- Potential for increased funds for the City of Barrie's Blue Box program
- Potential increased operational & financial risks to the existing collection program



# Background & Context

1. Extended Producer Responsibility (**EPR**) or Individual Producer Responsibility (**IPR**) model requires Producers to cover the “full cost”
2. Municipalities currently paying approximately \$130 million = ~50% of net Blue Box system cost
3. Current draft A-BBPP = draft transition plan
  - Municipalities would have first right-of-refusal for Blue Box collection only
  - Municipalities would potentially receive 100% compensation for PPP recycling if they meet SO contractual agreements.
  - Deviations could result in reduced financing



# WHY This Project?

*The need  
to manage*



# Why this Project?

City provides garbage, organics & recycling collection through an integrated contract

Transition may require separating integrated collection contracts

SO contractual agreements will require operational benchmarks to be met

Potential for increased operational & financial risk on the City

Do the benefits of the a-BBPP exceed the costs? What risk does the City face?

The answer depends on a host of factors

# Why this Project?



- Decreased recycling system net costs
- Decreased uncertainty
- Changes to service levels



- Increased collection costs for non-recycled material
- Potentially increased landfill costs
- Changes to service levels



# Our Approach

**1. Identify possible scenarios given the draft a-BBPP in order to compare against the status quo**



**2. Undertake data collection to assess the operational & financial impact of each scenario**

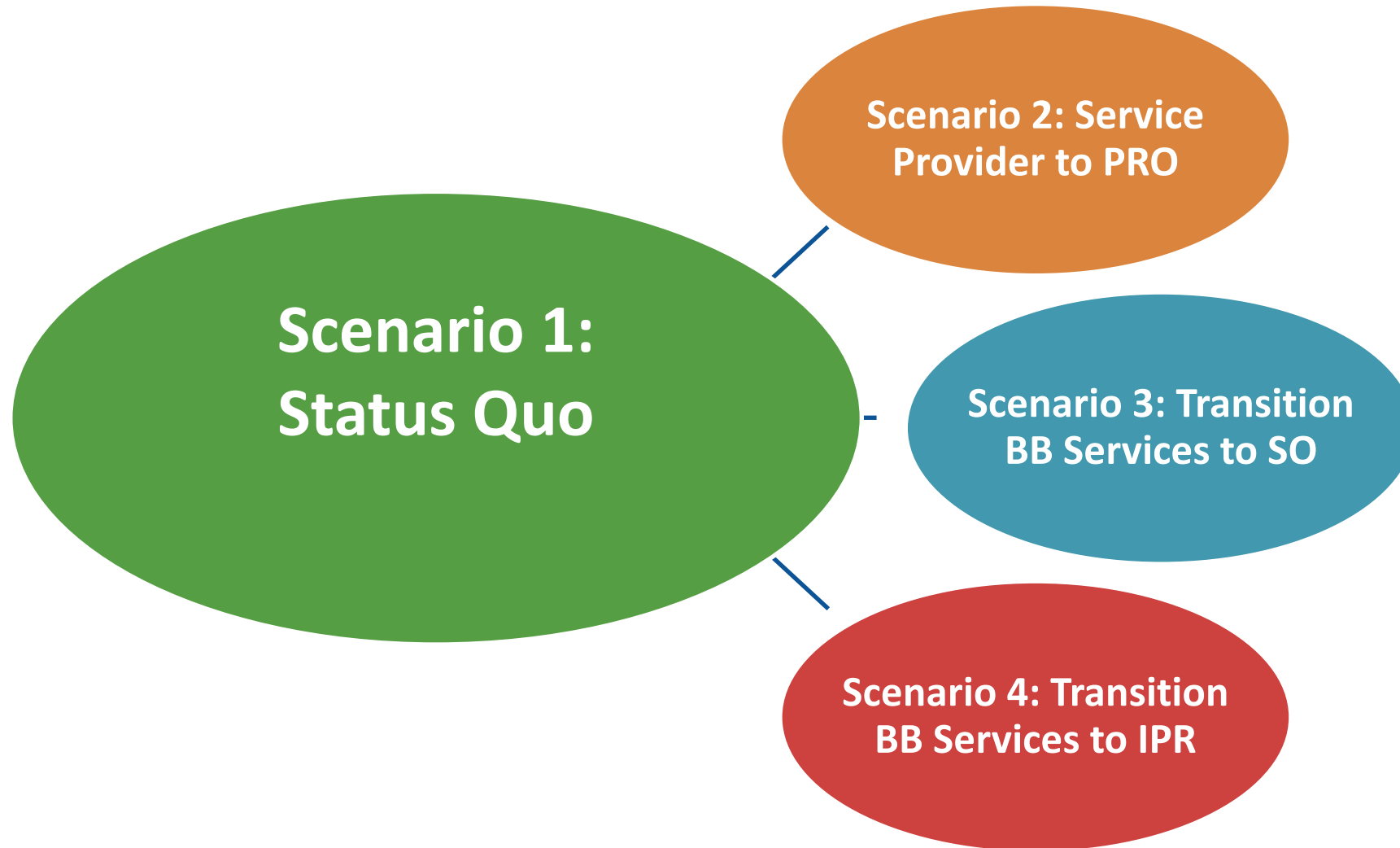


**3. Develop a financial & operational models of status quo**



**4. Assess status quo against the operational changes & financial impacts of each scenario**

# Scenarios Selected for Examination



# Data Collection



# Scenario Comparison Framework

## Change in service operations

- Service levels
- Current contracts
- Other services
- Materials accepted
- Impacts to other services

## Change in operational costs

- Collection
- Landfill
- Staff/training
- Depot

## Change in financing

- Increased funds for collection services

**Pathway forward  
given changes to  
A-BBPP**

## Risk factors

- Contaminant levels
- Illegal dumping
- Public perception
- Recyclables placed in garbage
- Loss of control



# Outcomes

1. Identification of the financial & operational impacts of each scenario
2. Identification of the risk factors for each of the scenarios
3. Assessment of options
4. Recommendation for the preferred option with associated risk assessment



# **A Trial of CIF Cost Accounting Tools**

## **CIF Project #1034**

Bradley Cutler, CIF  
on Behalf of the Municipality of Huron Shores

# Project Highlights

- Project goal: Determine full cost to provide service under various policy or regulatory changes in a small northern rural municipality
- Impacts:
  - Cost comparison to evaluate offers
  - Quantify the costs of undiverted material
- More information:
  - [sandra@huronshore.ca](mailto:sandra@huronshore.ca); [bcutler@thecif.ca](mailto:bcutler@thecif.ca)
  - [huronshores.ca](http://huronshores.ca)



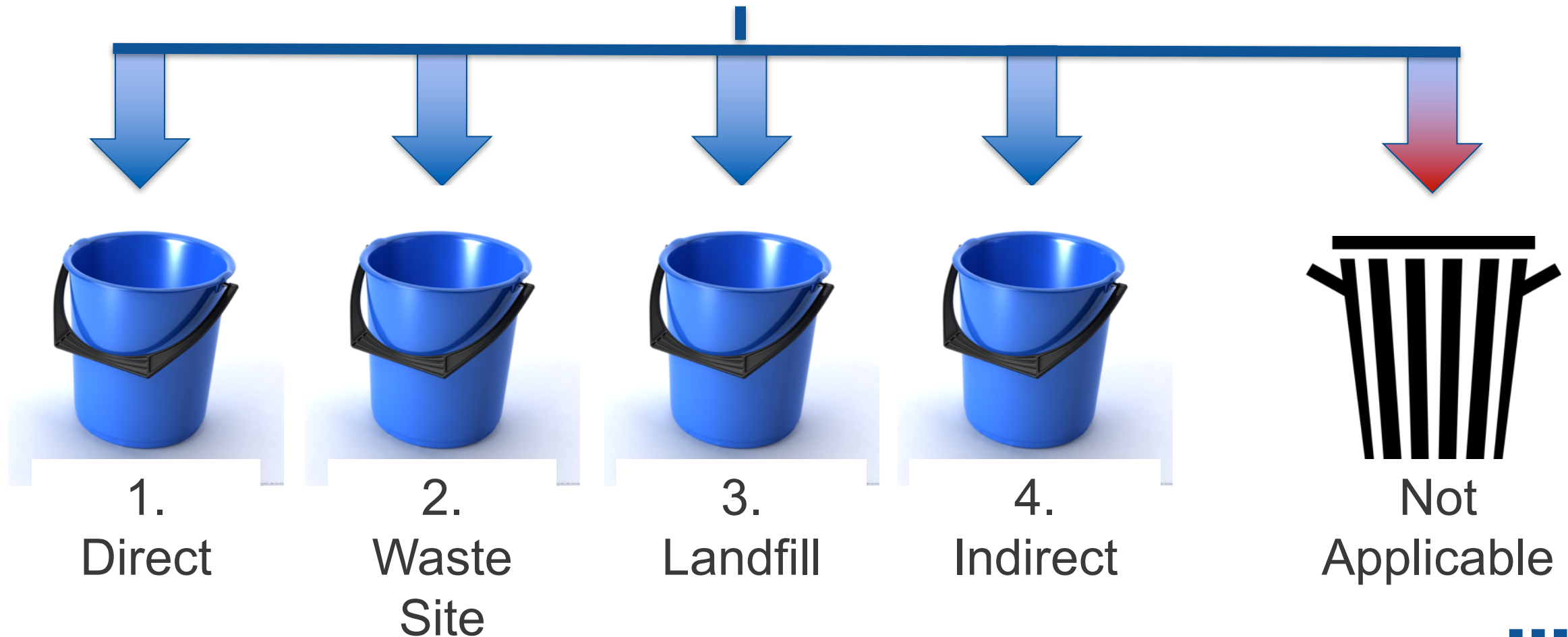
# Why this project?



**Small municipalities want quick, easy to use decision making tools!**

# The Full Cost Accounting (FCA) Bucket Approach

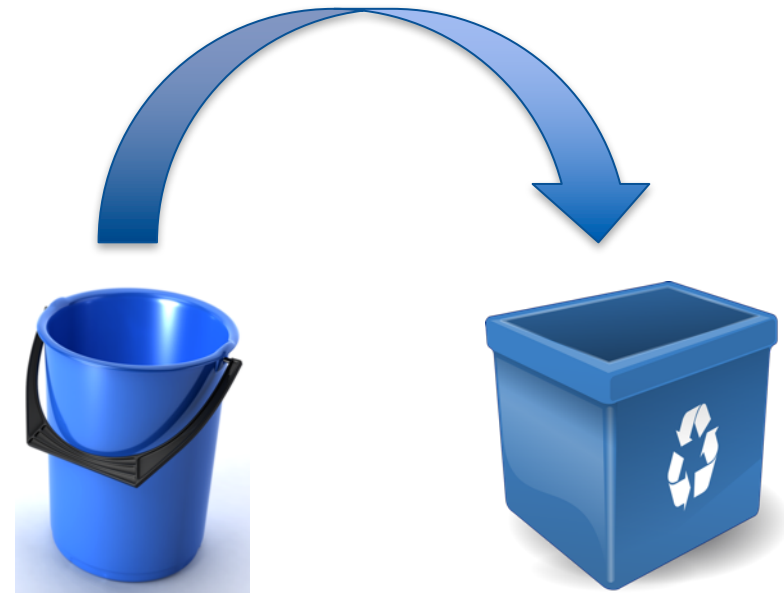
## General ledger accounts & amounts from trial balances



# Allocations

- Moving bucket amounts to Recycling costs
  1. Direct = Contract costs for transfer/processing
  2. Waste site = Site attendant time sheets
  3. Landfill = Capacity use
  4. Indirect = % of Cost

GAAP from US EPA – FCA for MSWM



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Municipality of Huron Shores  
General Ledger Chart of Accounts Cost Allocation Summary Sheet

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Allocations

	Category	Account Number	Description	2017	Allocation	Notes
683	General Fund Expense	01-63-44-64132	Roads Winter Maintenance Project # 2	\$ -	None	
686	General Fund Expense	01-64-40-66450	Recycling	\$ 50,000.00	Blue Box Only	Contract with MWRC
691	General Fund Expense	01-64-41-60100	Waste Site Wages	\$ 75,000.00	Waste site	Site attendant wages
692	General Fund Expense	01-64-41-60103	Waste Site Wages - Other	\$ -	Waste site	
693	General Fund Expense	01-64-41-60105	Waste Site CPP	\$ 2,500.00	Waste site	
694	General Fund Expense	01-64-41-60106	Waste Site EI	\$ 1,600.00	Waste site	
695	General Fund Expense	01-64-41-60107	Waste Site EHT	\$ 1,400.00	Waste site	
696	General Fund Expense	01-64-41-60108	Waste Site WSIB	\$ 2,200.00	Waste site	
697	General Fund Expense	01-64-41-60109	Waste Site OMERS	\$ 2,900.00	Waste site	
698	General Fund Expense	01-64-41-60112	Waste Site Boot Allowance	\$ 500.00	Waste site	
699	General Fund Expense	01-64-41-60114	Waste Site - Employee Bonus	\$ 250.00	Waste site	
700	General Fund Expense	01-64-41-60120	Waste Site Unfunded Benefits	\$ 100.00	none	
701	General Fund Expense	01-64-41-60121	Waste Site Increase in Unfunded Benefits	\$ 100.00	Waste site	
702	General Fund Expense	01-64-41-61116	Waste Site Insurance	\$ -	Waste site	
703	General Fund Expense	01-64-41-62327	Environmental - Grants to Others	\$ 7,000.00	None	
704	General Fund Expense	01-64-41-62328	Environmental - Donations	\$ -	None	
705	General Fund Expense	01-64-41-65211	Transfer to Waste Site Closure & Expansion Reserve	\$ 25,000.00	None	
706	General Fund Expense	01-64-41-66460	Waste Site Unfunded Liability - (Debit)	\$ -	None	
707	General Fund Expense	01-64-41-66470	Waste Site Unfunded Liability - (Credit)	\$ -	None	
708	General Fund Expense	01-64-41-66500	Waste Site Ward 1 Expenses	\$ 9,000.00	Landfill	



# Landfill costing

- Three stages of costs
  - Up-front (start up)
  - Operating
  - Closure & post closure
- The critical element is air space
  - Composition of waste
  - In-place densities
  - A cost per cubic metre



**Recyclables: \$522 / tonne**



# Key Take-Aways

- Built in flexibility
  - “Additional” costs
  - Years change, but ledger accounts remain
  - Waste composition study data
- Understand the cost of undiverted materials
  - Recyclables that are not recycled
- Identify opportunities
  - Huron Shores identified an additional \$38,000 in eligible Blue Box Costs



5.  
Additional

# Making the Comparison

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J52										
	A	B	C	D	E	F	G	H	I	J
44										
45										
46		Governing Policy:			Amended Blue Box Program Plan					
47										
48						total	per tonne	per capita		
49		(1) Cost to Divert Recyclables				\$ 70,000	\$ 500	\$ 40		
50		(2) Cost to Landfill Recyclables				\$ 10,500	\$ 75	\$ 5		
51		(3) Administration of Recycling Program				\$ 15,000	\$ 100	\$ 10		
52		(1)+(2)+(3) = Full Cost to Manage Recyclables				\$ 95,500	\$ 675	\$ 55		
53		Offer from Producers					\$ 800			
54		Difference between Offer & Cost					\$ 125			
55		Years of Landfill Space Remaining				23 yrs				
56										
57										
58										
59										

# What do you need to complete this exercise?

## Staff time:

- Approximately 1 day

## Resources – KISS Approach

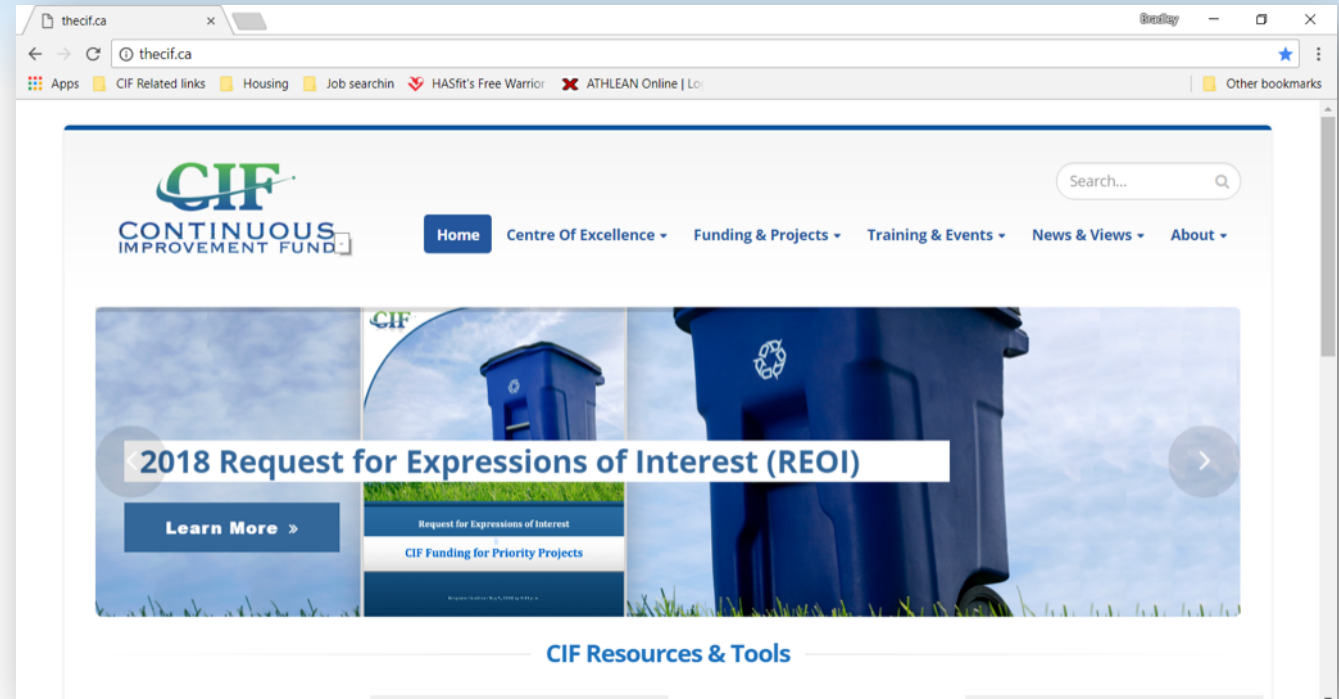
1. Trial balance sheet – costs for the year
2. Datacall submission – tonnes recycled
3. Engineering reports – landfill space remaining & use rates
4. Supporting schedules – allocations for shared costs



**Do It  
Yourself!**

# Final comments

- Cost models available:
  - Depot & Curbside Collection
  - MRFs
  - Landfills
  - Activity Based Costing
  - FCA
- Support decision making
- REOI application deadline is May 9





## **MRF Opportunity Review**

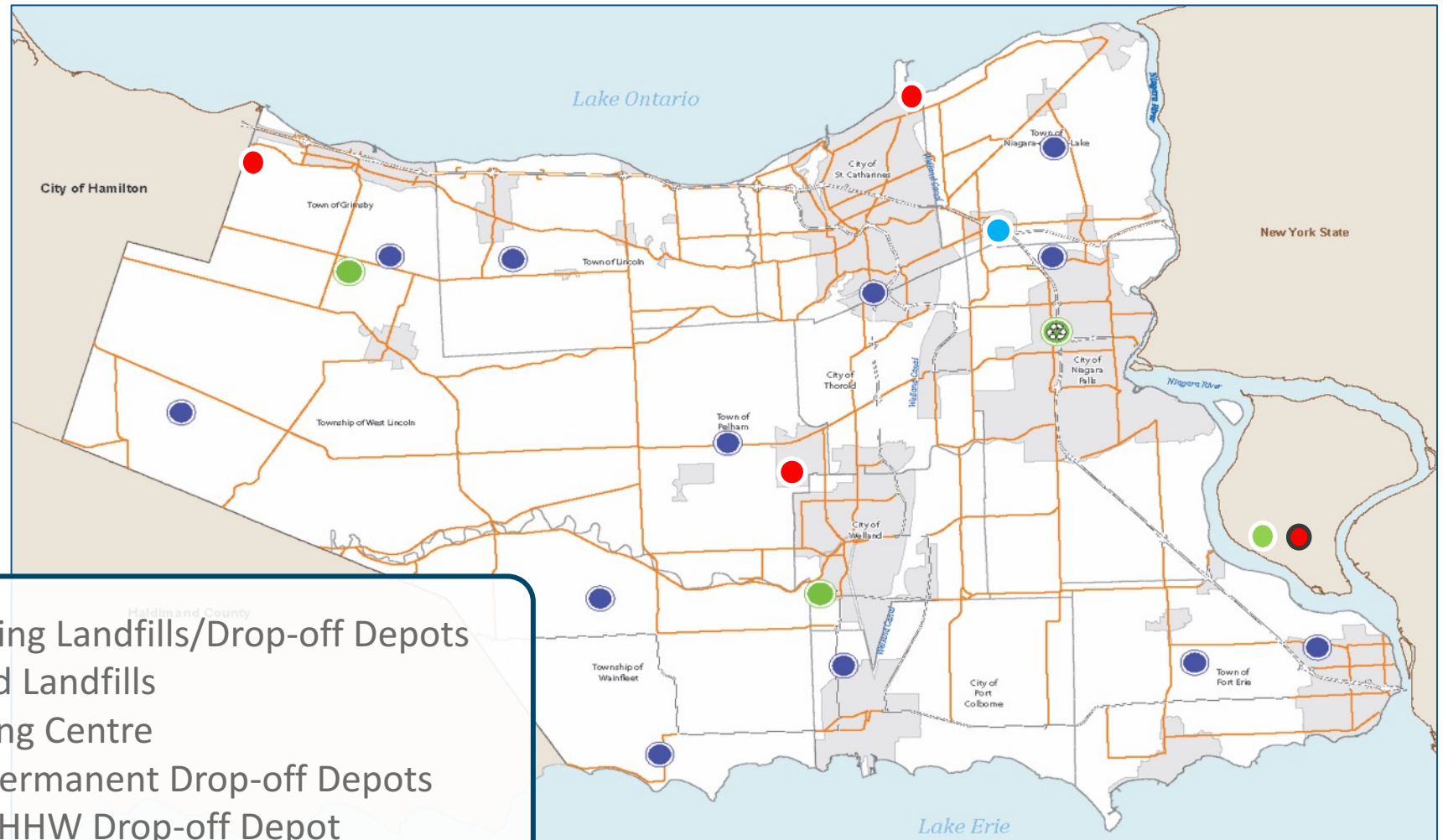
# **CIF Project #993 EPR Business Case Analysis CIF Project #1017 MRF Business Valuation & Strategic Option Evaluation**

Catherine Habermebl  
Waste Management Services  
Niagara Region

# Project Highlights (1)

## Niagara Region Waste Management System Overview

- ~260,000 tonnes managed in 2016
- 2016 residential diversion rate 56%
  - 84,256 tonnes disposed
  - 106,652 tonnes diverted



- 3 Operating Landfills/Drop-off Depots
- 11 Closed Landfills
- 1 Recycling Centre
- 3 HHW Permanent Drop-off Depots
- 1 Partial HHW Drop-off Depot



## Project Highlights (2)

- 2-stream facility in Niagara Falls
- Contract with Niagara Recycling (non-profit organization) for processing & marketing Blue Box recyclables to 2021
- Over 77,000 tonnes of recyclables processed annually

## Niagara Region MRF



# Project Highlights (3)

- Project goal:
  - To inform municipal decision-making regarding MRF infrastructure planning, possible asset divestiture & changes to the delivery of Blue Box recycling processing & marketing services over the short to medium term, considering transition of the Blue Box recycling program to full Extended Producer Responsibility (EPR)
- Deliverables:
  - Identification of the service delivery options that represents best value for money & would best position Niagara Region to transition to EPR
  - Recommendation for the preferred MRF ownership structure (short-list)
  - Next steps include Negotiated Request for Proposal to determine preferred option
- More information:
  - [catherine.Habermebl@niagararegion.ca](mailto:catherine.Habermebl@niagararegion.ca)
  - [www.niagararegion.ca](http://www.niagararegion.ca)





## Why this Project? What Problem does it Solve?

- System planning considering Blue Box program transition to full EPR & potential implications to Niagara Region
- Needed to specifically address:
  - Council Report PW 12-2016, February 16, 2016 recommendation ‘that staff **DEVELOP** recommendations for the Material Recovery Facility processing operations for Committee’s consideration’;
  - Councilor Information Request from the May 30, 2016 Waste Management Planning Steering Committee (WMPSC) meeting to ‘provide information outlining options for the Material Recovery Facility pending legislative changes.’ (WMPSC-C 25-2016)

# Project Steps



# Findings Phase 1 - Market Appraisal of Buildings & Land

Current market value was based on reconciliation of:

- **Direct Comparison Approach to Value** – consideration of comparable sales transactions with an adjustment process (considers parameters such as motivation, date of sale, size & physical difference, etc. of the comparable with Niagara's property)
- **Income Approach to Value** - assumes that there is a relationship between the income a property is capable of generating at any specific point in time & its value at that given point in time
- **Cost Approach to Value** – consists of market value of land plus depreciated building cost of the four buildings on site

Challenge - Development of a detailed, clear scope of work for the appraisal was challenging, as no existing template was available. What deliverables should be completed as part of this appraisal versus a possible future bid package?

## Findings Phase 2 - MRF Processing Lines & Systems, Rolling Stock & Equipment State of Repair Assessment & Valuation (1)

Core deliverable: on-site assessment of the processing lines & systems, rolling stock & related equipment, their current state of repair & their valuation based on estimated selling price in the normal course of business.

- 2 estimates provided for equipment:
  - Left in place & operating, in situ equipment value
  - Equipment if sold at auction value

*‘The equipment in this facility is overall in “good” condition. (The facility runs every day, has an excellent “parts” inventory & an engaged maintenance team.)’*

## Findings Phase 2 - MRF Processing Lines & Systems, Rolling Stock & Equipment State of Repair Assessment & Valuation (2)

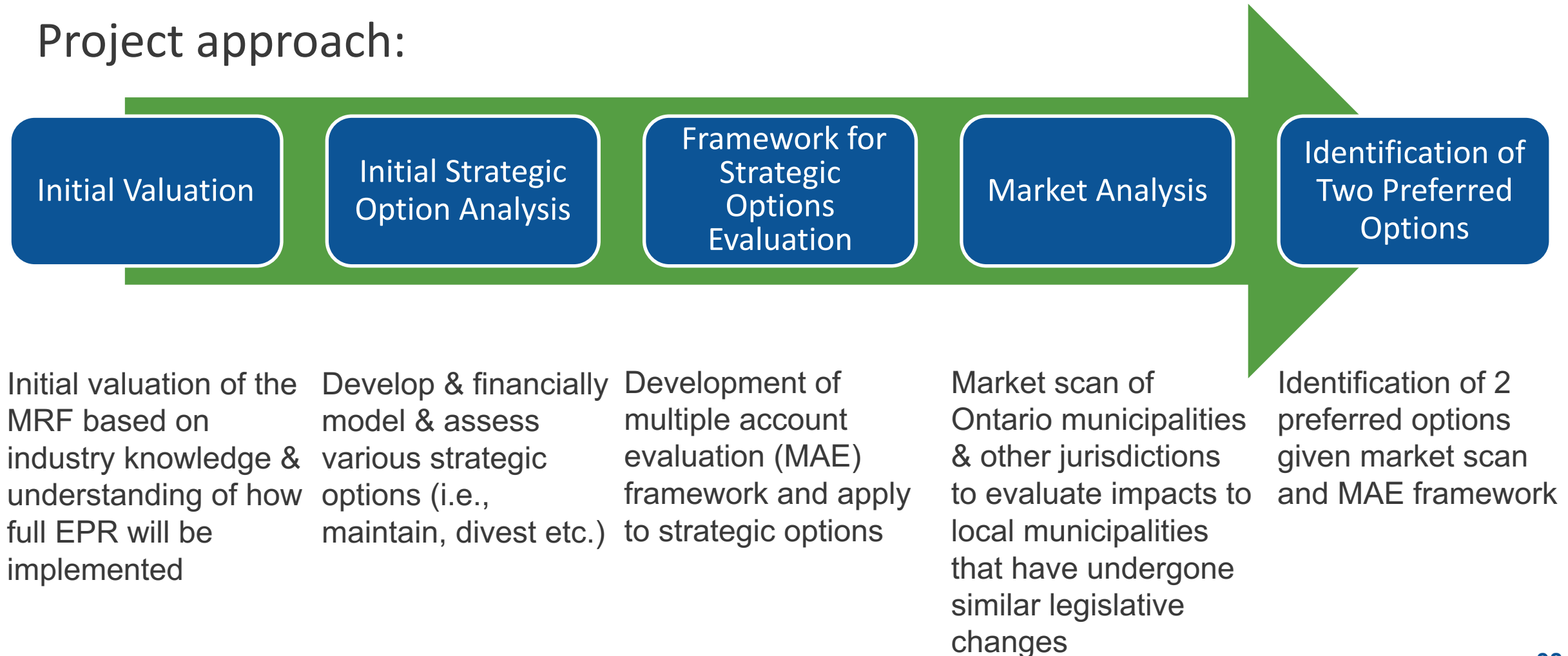
Having a comprehensive equipment & rolling stock list, recent CAD drawings & knowledgeable MRF staff are critical to ensuring a good deliverable & completion of work in a timely manner.

Challenge - Left in place & operating, in situ equipment value had a wide range... final determination of value will occur once you go out to market.



# Findings Phase 3 - MRF Business Valuation, Strategic Option Evaluation and Market Analysis (1)

## Project approach:



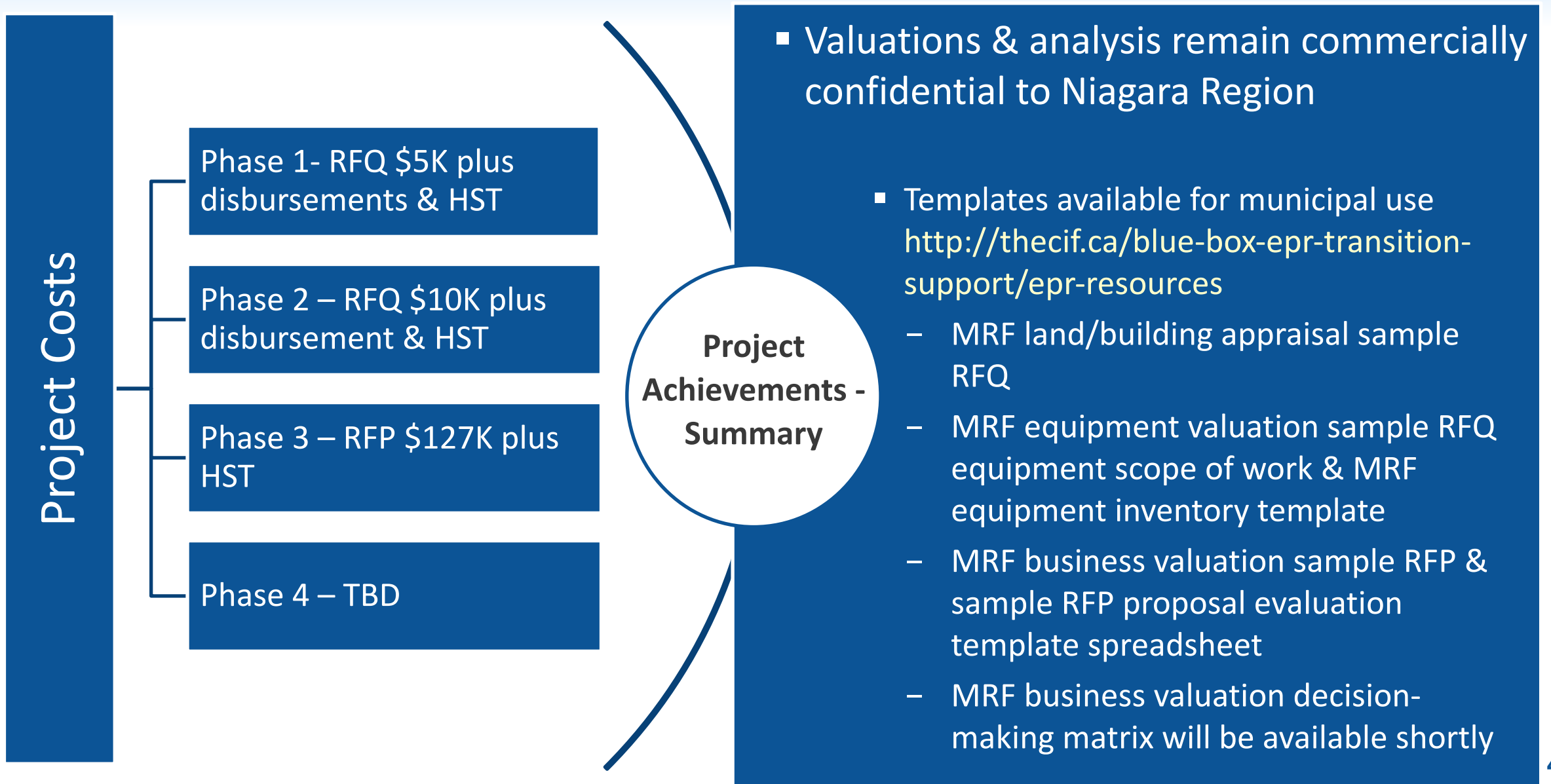
# Findings Phase 3 - MRF Business Valuation, Strategic Option Evaluation & Market Analysis (2)

## Challenges

- Development of the RFP was difficult based on the uncertainty concerning the role of municipalities in the Province's EPR framework
  - Details on a transition plan to EPR, impact to recycling collection & processing contracts, definition of the service delivery framework & potentially compensation for assets were not available at the start of this project
- Business justification & some core assumptions for this phase began to evolve shortly after the RFP award & initiation of the consultant's engagement, with the release of aBBPP
- Market sounding had limited success with private sector
- Final determination of best option will only be validated once you go out to market
  - A potential transaction partner may have different assumptions



# Project Costs & Achievements Summary





## Next Steps: Proposed Draft Work Plan 2018-2019 (1)

Target Date (All 2018)	Milestone Description
May 24	Council approval of work plan, specifically use of Negotiated RFP (NRFP)
Week of May 28	Consultant engagement (LOE) for detailed market sounding exercise & to serve as transaction advisor for overall project
June 30	Fairness advisor engagement (RFP)
June	Consultant contract extension (LOE to extend contract 2017-RFP-25 participate in development of NRFP evaluation approach & complete evaluation of NRFP offers)
July	Development of an evaluation approach to allow for potentially divergent NRFP offers to be compared
August	Detailed market sounding with proponents (includes NDAs)
Q4	Review and further analysis of assumptions on the 2017 MRF Market Appraisal of Buildings & Land (confidential)

## Next Steps: Proposed Draft Work Plan 2018-2019 (2)

Target Date	Milestone Description
August/September 2018	NRFP development, including refinement to evaluation approach based on market sounding results
October 1, 2018	NRFP issuance to the marketplace
December 31, 2018	NRFP close
January 2019	NRFP initial technical & financial evaluation to determine which proponents shall move to Concurrent Negotiation
February/March 2019	Concurrent Negotiation with selected proponents identified by initial evaluation resulting in a Best and Final Offer from proponents; final valuation of offer to be completed
April 2019	Council approval of recommendations



CONTINUOUS  
IMPROVEMENT FUND