

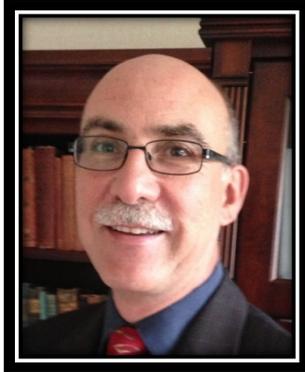


Three-Year Strategic Plan
(2019 – 2021)



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LETTER FROM MIKE B.



For the last decade or more, the Blue Box recycling industry has experienced significant change compounded by regulatory and market uncertainty. 2018 was arguably one of the most challenging years in the industry since the beginning of the Blue Box Program Plan (BBPP). Stakeholders had high hopes that efforts to amend the BBPP would expedite transition of the BBPP to Full Producer Responsibility (FPR) and put major program changes on hold due to concerns about the unknown implications of transition. Unfortunately those efforts were not completed before the new provincial government took power and, to date, there is no clear direction from the new government on how and when they intend to proceed with transition. As a consequence, many program operators concluded that transition of the program could be at least five years away and began considering the need to begin actively managing their programs again. Simultaneously, North American markets felt the full impact of the Chinese National Sword program resulting in significant revenue losses for program operators and challenges moving materials on a global level. The new quality standards have caused many operators to rethink the materials they collect in their program and the need to upgrade their processing capabilities.

Not surprisingly, the urgent need to address these issues was directly reflected in the increased demands placed on CIF support services as stakeholders sought to understand and address the impacts of these issues on their programs and contracts.

For the foreseeable future, there will continue to be impacts realized from a changing global marketplace, and uncertainty until clear direction is provided on the future of the Blue Box program in Ontario. These are challenging times, but as the CIF, we are here to support municipalities and program stakeholders as they strive to provide Ontarians with unparalleled recycling services.

The following Strategic Plan has been prepared to guide our activities over the next three years. It reflects the views and priorities stakeholders have shared with the CIF over the course of its development and seeks to strike a balance between the CIF's current mandate and being responsive to future changes. I wish to express my thanks to the many people who have contributed to its development

Mike

Mike Birett
Managing Director, CIF

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Introduction

The Continuous Improvement Fund (CIF or “the Fund”) is a partnership between the Association of Municipalities of Ontario (AMO), the City of Toronto, Stewardship Ontario (SO) and the Resource Productivity and Recovery Authority (RPRA, previously known as Waste Diversion Ontario or WDO). The Fund commenced operations on May 1, 2008, under a Memorandum of Agreement (MOA) signed by the program partners. Operation of the CIF fulfills specific directives of the original program request letter to Waste Diversion Ontario (WDO) dated 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). The CIF operates under a Strategic Plan which is regularly updated. The most recent Strategic Plan expired in December 2018.

The existing mandate of the CIF has been in place for ten years. Introduction of the *Waste Free Ontario Act* has, for many stakeholders, highlighted the need for the CIF to grow and adapt if it is to remain relevant. The CIF has, to date, been successful in responding to changing needs since its inception by adjusting the scope and funding levels of the approved priorities. Although there have been many discussions around changes to the BBPP over the past few years, the original purpose of the CIF and the supporting provincial direction remains unchanged at the time of preparation of this Strategic Plan document. Should the BBPP be amended, or other changes made to the Blue Box program in general, the future of the CIF would need to be revisited.

This new Strategic Plan continues to build on the CIF’s ability to respond to change. It seeks to balance a range of priorities by focusing on efforts that support collective benefits rather than on continued funding of individual municipal initiatives. It places a distinct emphasis on the development and provision of initiatives that: prepare municipalities for program transition, aid in stabilizing and developing sustainable markets for Ontario’s Blue Box materials, and continue to improve the effectiveness and efficiency of the existing program at a collective level. Existing knowledge sharing services will remain to support municipalities with day-to-day decision making and longer term planning. Funding for individual municipal initiatives will be considered subject to new funding criteria under development by the CIF Committee that is expected to require, at a minimum, provision of a strong business case that demonstrates a clear cost savings, a broad benefit to municipalities across the Province, and avoids development of stranded, obsolete or inefficient assets.

Our Mandate

The CIF's current 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'.

To date, the CIF has processed and evaluated over 1,000 project proposals and provided over \$58 million in funding to more than 700 projects with a combined value exceeding \$135 million. As of year-end 2018, the CIF had an estimated \$7.8 million in uncommitted funds available to support future initiatives (see [2019 Operations Plan](#)).

Guiding and Operating 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. Given the substantial changes since the development of the last Strategic Plan, municipalities and stakeholders were consulted on the need to modify these guiding and operating principles in late 2018/early 2019. Feedback confirmed that no changes were required for the 2019-2021 Strategic Plan. The original Guiding Principles and Operating Principles as stated below will continue to be followed:

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
- 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 to 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.

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 have 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.

Three Year Strategic Priorities

In 2012, the Municipal Industry Program Committee (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 regionalization) 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 since 2012 and continue to be supported by CIF stakeholders.

Input gathered during the consultations on the strategic plan in late 2018/early 2019 has revealed that CIF stakeholders believe that some of these current priorities remain valid and some are less supportable. Promotion of Blue Box system optimization, for instance, is difficult for municipalities to prioritize given that transition to FPR has the potential to redefine provincial waste catchment areas and investment of resources by the CIF in such efforts could inadvertently lead to stranded and redundant municipal assets. Similarly, encouraging cost containment initiatives via funding individual municipal capital asset upgrades may also result in stranded, obsolete or inefficient assets in a transitioned system. Stakeholders also shared a range of thoughts about the CIF Centre of Excellence (CoE) activities. The majority support continued provision of limited support services as a lower priority when compared to program transition.

The 2019-2021 CIF 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. Input gathered through stakeholder consultation activities in late 2018/early 2019 has been utilized in the development of this Strategic Plan.

The following strategic priorities integrate previously approved priorities with the desire of the CIF's stakeholders to see the CIF focus on transitional support. Recognizing the varying needs of stakeholders, the strategic priorities established have been organized into those of "collective benefit" and those of "individual benefit" as outlined below. The development of these strategic priorities reflect the feedback provided by municipalities and other stakeholders during the consultation process to develop this Strategic Plan.

Strategic Priorities with Collective Benefits

The priorities with collective benefits, as set out below, are intended to reflect the interest of stakeholders seeking to direct funding towards initiatives that deliver results of broad benefit to programs across the province rather than funding projects that only benefit individual municipalities.

Strategic priorities demonstrating collective benefits, include:

- **Support for transition to FPR** - This priority would include actions of a collective nature that are intended to provide municipalities with access to support services to assist with preparing to transition their programs to FPR. Support services could include activities like: researching the operational and financial implications of FPR schemes, cost modelling, contract/RFP/tender support, assistance with asset valuations (e.g. MRF, depot, transfer station, fleet), and assistance with program and asset planning decisions.
- **Market research and development** - This priority would include collective efforts, including working with Producers, to stabilize and/or develop sustainable domestic materials markets. While the development of stable markets for recyclables will ultimately be the responsibility of Producers, many municipalities will remain invested in marketing decisions for the foreseeable future. It is, therefore, in the best interest of all stakeholders to continue co-funding options for diversion of problematic materials and development of domestic markets.
- **Centralized cost savings initiatives** - This priority would include research into, and support for, centralized collection and potentially processing initiatives that generate savings of broad benefit to municipalities. While there is reluctance by some stakeholders to have the CIF make further capital investments in individual municipalities, many still see the benefit of “up front” support services for centralized infrastructure and domestic market development to reduce system costs and improve domestic markets. Initiatives of this nature will be considered subject to confirmation of their business case and ability to demonstrate a clear benefit to municipalities.
- **New collection and processing technologies research and development** - Despite the uncertainty of the current political landscape, there will still be a need for individual municipalities and stakeholders to make investments in collection and processing infrastructure to ensure the viability of their programs. Whether the CIF elects to fund such activities or not, it can be of service by conducting objective third party analyses of new technologies and, with the cooperation of host municipalities, pilot promising collection and processing strategies and share those learnings with interested parties.
- **Waste composition studies and data analysis activities** - This priority includes the continued collection and analysis of data to aid municipalities in making informed planning and business decisions.
- **Performance/cost/business case analytics and better practices research** - Understanding program costs and the value proposition of implementing better practices will remain an important aspect of operations irrespective of when transition occurs. Recognizing this fact, development of program analytics and

identification of “better practices” will remain an ongoing priority for the CIF. This priority includes the development of standard forms, calculations/formulae, templates, policies, cost models etc. usable by most program operators.

Strategic Priorities that Support Individual Benefits

The priorities with “individual benefits”, as set out below, are intended to aid individual municipalities in making informed decisions that will improve their individual program’s performance. These priorities will support municipalities by solving local operating challenges and in so doing, increase the overall effectiveness and efficiency of the Provincial program.

Strategic priorities that support individual programs, include:

- **Procurement and contract management support services** - 2018 saw an unprecedented demand from municipalities for assistance in dealing with service procurement and contract management services as a result of current political and market conditions. Feedback from the Strategic Plan consultation process suggests there will be a continued need for this service into the foreseeable future. While funding to aid individual municipalities with the development of their procurement documents will no longer be offered, CIF staff will continue to provide general guidance and assistance. This priority would include assisting municipalities to procure and manage recycling services through the provision of improved contract clauses, templates and guidance.
- **Working groups** - The CIF operates several ad hoc working groups whose mandate is to help the CIF develop, test and share learnings about better practices. These groups provide critical information of broad benefit while also helping individual programs improve the effectiveness and efficiency of their operations. Existing working groups include the Depot Working Group, the Multi-Residential Working Group, the Collections Working Group, the MRF Working Group and the Promotion and Education Working Group. This priority would include the continuation of CIF managed forums designed to provide program operator staff with updated solutions to operations issues as they arise.
- **Training, outreach services, online resource maintenance** - Development of the skills and core competency of staff involved in running Ontario’s Blue Box Program increases the effectiveness and efficiency of the overall Program. The CIF has provided numerous skills development opportunities over the years such as outreach sessions, conferences (e.g. Ontario Recycler Workshop), classroom training and online skills development services. This priority would include the development of the skills and core competency of staff involved in operating programs along with providing accessible resources designed to increase the effectiveness and efficiency of the overall Provincial program. Given the uncertainty

around the future however, the CIF will halt further content development until a broader needs analysis can be completed within the term of this new Strategic Plan.

- **General guidance and assistance to Municipalities and First Nations** - This priority would include providing limited assistance to program operators to locate resources and select policies appropriate for their individual circumstances.

This Strategic Plan does not provide funding for individual municipal projects except where they can be demonstrated to provide cost savings and/or broad Provincial benefit. With this direction in mind, the provision of program support will be even more important. In response, the Centre of Excellence will continue to provide knowledge sharing services to municipalities and other stakeholders dealing with transitional issues, adoption of “better practices”, management of contracts and operational issues and continue to provide educational learning opportunities. Further development of existing and new services, beyond those already under way, will be postponed until greater clarity around program transition is available.

Management of the CIF

The CIF receives its mandate from Section 6.6. of the current BBPP and is directed by an operational plan developed annually by the Managing Director of the CIF in consultation with municipalities, stakeholders and the CIF Committee. The annual Operations Plan is ultimately approved by the Resource Productivity & Recovery Authority (RPRA).

Funding for the CIF is derived from a portion of the annual financial obligation of stewards to municipalities under the BBPP and funds provided by various project partners. The projected funding requirements of the CIF are articulated in the annual Operations Plan for consideration by RPRA. Based on the feedback provided through the consultation process, there is broad support for conservatively spend some money, while keeping a portion of the remaining funding in reserve.

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

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 RPRA. 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 the CIF Committee. This Operations Plan and budget is reviewed by the CIF Committee and recommended to RPRA for approval.

Project Performance Measurement & Evaluation

A core component of CIF funded projects 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.

In most cases, projects are selected, measured and evaluated based on their ability to meet current CIF priorities, as noted above, 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.

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 demand for funds supporting valuable projects
- 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.

Transition

On March 6, 2019 the Ministry of the Environment, Conservation and Parks at the Province of Ontario released the “Reducing Litter and Waste in Our Communities: Discussion Paper” (<https://ero.ontario.ca/notice/013-4689>). The discussion document identifies, at a high level, a number of key issues in the Province of Ontario as it relates to the Blue Box program. However, details around FPR and Blue Box program transition remain unclear. While it is understood that transition will trigger significant change, the timing, needs of stakeholders and types of activities they will have to undertake, during and post transition, cannot effectively be anticipated.

Stakeholders have indicated full support for the CIF’s assistance with the transition to FPR as a strategic priority for this plan. However, feedback received during the consultation process indicated that the development of a new Strategic Plan is not required if FPR occurs within the next three years. Rather, it is the view of most stakeholders that this plan and the role of the CIF should be revisited when more details about FPR are known. The CIF’s level of involvement may depend on the timing of FPR and any provincial direction associated with its implementation. The Ministry’s discussion paper references and commits to engaging with stakeholders to solicit input and work collaboratively in the development of solutions. The CIF will, therefore, seek guidance on its future and role within the transition plan, where appropriate, in order to support stakeholders as the discussion paper does not reference a timeline to address any of the issues identified or commitments made.

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