



## 2019 CIF Operations Plan



Published December 2018

# Table of Contents

|   |    |
|---|----|
| 1 – Introduction .....  | 1  |
| 2 – Current Operating Directives .....                                      | 2  |
| 3 – 2018 in Review .....  | 3  |
| 3.1 629 Projects Completed.....   | 3  |
| 3.2 The CIF 2018 REOI was Fully Subscribed but With Fewer Applications..... | 3  |
| Table 1 – 2018 REOI Results .....   | 4  |
| 3.3 System Optimization Efforts Continue to Show Mixed Results .....        | 4  |
| 3.4 Municipalities Continue to Find Savings .....                           | 5  |
| 3.5 Transitional Support is Becoming Increasingly Important.....            | 5  |
| 3.6 Year 1 & 2 RPRA TOR Waste Composition Studies are Complete .....        | 6  |
| Table 2 – CIF Waste Composition Studies by RPRA Grouping .....              | 6  |
| 3.7 CIF Centre of Excellence Highlights.....                                | 7  |
| 3.8 Interest in CIF Events and Messaging Continues to Grow .....            | 8  |
| 4 – 2019 Fund Priorities .....  | 9  |
| 5 – Collective Action in 2019.....  | 11 |
| 5.1 Market Development.....   | 11 |
| 5.2 Centralized Cost Saving Initiatives .....                               | 11 |
| 5.3 Collection and Processing Research and Development.....                 | 11 |
| 5.4 Waste Composition Studies .....   | 12 |
| 5.5 Performance Analytics and Better Practices.....                         | 12 |
| 5.6 Collective Transitional Support.....                                    | 12 |
| 5.7 Collective Actions Budget Summary .....                                 | 13 |
| Table 3 – 2019 Collective Action Budget .....                               | 13 |
| 6 – Individual Program Support .....  | 14 |
| 6.1 Procurement and Contract Management Support Services.....               | 14 |
| 6.2 Working Groups .....  | 14 |
| 6.3 Training Initiatives.....   | 14 |
| 6.4 Outreach Services .....   | 15 |

|   |    |
|---|----|
| 6.5 Individual Program Support Budget Summary .....     | 15 |
| Table 4 – 2019 Individual Program Support Budget.....   | 15 |
| 7 – Fund Administration.....                            | 16 |
| Table 5 – CIF Income Sources .....                      | 16 |
| Table 6 – CIF Expenditures.....                         | 17 |
| Table 7 – CIF Fund Analysis.....                        | 17 |
| 8 – Summary.....  | 18 |
| Table 8 – Proposed 2019 Budget.....                     | 18 |
| 9 – Appendices.....                                     | 19 |
| Appendix 9.1 2014 to 2018 CIF Financial Statement ..... | 20 |
| Appendix 9.2 Governance .....                           | 21 |
| Chart 1 - CIF Organizational Structure .....            | 21 |
| Chart 2 - 2019 CIF Committee Membership.....            | 22 |
| Chart 3 - 2019 CIF Project Committee Membership .....   | 23 |
| Appendix 9.3 Funding Guidelines.....                    | 24 |
| Appendix 9.4 Appeal Procedure.....                      | 25 |

# 1 – 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 Resource Productivity and Recovery Authority (RPRA, previously known as Waste Diversion Ontario). 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 Minister Stockwell's 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 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 Operations Plan (Plan) is developed on an annual basis to meet the objectives set out in the Fund's current Three-Year Strategic Plan and as agreed to periodically by the program partners and approved by RPRA. This year's Plan reflects the priorities communicated by Fund stakeholders through the consultation process currently under way for the Fund's new strategic plan. The 2019 CIF Operations Plan reflects the desire of stakeholders to focus CIF resources towards supporting efforts to transition the BBPP to a Full Producer Responsibility (FPR) scheme under the Waste Free Ontario Act, 2016 (WFOA). The Plan also recognizes the desire of stakeholders to maintain the operation of the CIF and continue to provide services at least until the transition of the BBPP is complete. Finally the Plan recognizes the obligation of the CIF to fulfill its mandate under the BBPP until it is wound down or amended.

Accordingly, this year's Plan will seek to accomplish this balance of priorities by focusing on efforts that support collective benefits rather than on continued funding of individual municipal initiatives. It will place 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 be maintained to aid 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.

## 2 – Current Operating Directives

The CIF's original strategic plan was developed in 2007 prior to initiation of the Fund. Over the years, the CIF's focus and priorities have changed to reflect varying directives from the Fund partners, WDO (now RPRA) and MIPC.

On September 23, 2015, the WDO Board rescinded its delegated authority over CIF from MIPC and resolved to have CIF report directly to WDO. At the same time, CIF was asked to develop a new three year strategic plan (<http://thecif.ca/about-cif/cif-operations-plans/>) to span the period of 2016-2018. The strategic plan, as approved by WDO, placed an emphasis on:

- Promoting Blue Box System Optimization
- Encouraging Cost Containment Initiatives
- Developing Best Practices through the CIF Centre of Excellence
- Building a Waste Composition Audit Database

In the summer of 2018, CIF initiated a consultation process to develop a new strategic plan for the Fund. The initial phase of the consultation process had been completed at the time of preparation of the 2019 CIF Operations Plan and feedback from that process has been reflected in its development. Initial feedback from stakeholders suggests a very different set of emerging priorities compared with three years ago. Collection and analysis of waste composition data to support informed decision making by stakeholders remains a priority. While a lower priority, stakeholders recognized the need to maintain the existing program through efforts such as development of sustainable domestic markets and information sharing about new developments and better practices.

The CIF's new strategic plan had not been completed at the time of this Plan's publication but notable priorities reflected by stakeholders during the initial consultation were as follows:

- Collective efforts to prepare municipalities for Blue Box program transition;
- Collective efforts to stabilize and develop sustainable domestic markets;
- Centralized collection and processing initiatives that generate savings;
- General guidance and assistance to municipalities; and
- Waste composition studies and data analysis activities.

## 3 – 2018 in Review

2018 was arguably one of the most challenging years in the industry since the beginning of the BBPP. Stakeholders had high hopes that efforts to amend the BBPP would expedite transition of the BBPP to FPR. 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 program 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. This need for timely and accurate information was also reflected in publication readership, website traffic and attendance at CIF functions which remained strong throughout 2018.

### 3.1 629 Projects Completed

As of September 30, 2018, the CIF has received and reviewed a total of 1,027 project proposals and provided \$58.8 million in funding to 722 of those projects with a combined value estimated at over \$135.4 million. A total of 629 projects were completed at the time of publication of this Plan. As previously reported, they span a broad range of activities intended to fulfil the mandate of the CIF and ensure the long term success of Ontario's BBPP.

Over the past twelve months, the Fund and its partners have completed a total of 49 projects. In total, just over \$4.6 million in CIF funding was provided in support of these projects. They include a range of cost saving and cost containment initiatives, system harmonization, transitional support and market research activities. Others dealt with skills development, procurement and contract management and data collection.

### 3.2 The CIF 2018 REOI was Fully Subscribed but With Fewer Applications

Submissions to this year's Request for Expressions of Interest (REOI) process highlighted the range of views and responses municipalities share in light of the turmoil their diversion programs encountered in 2018. While rapidly changing market conditions forced many to reconsider the materials their programs accept, renegotiate processing contracts and consider recapitalizing their processing facilities, most were unable to take action because of pending

municipal elections. As a result, this year's REOI showed a broad range of responses from proposed major upgrades to facilities through to concerted efforts to address contamination and requests for contract management support. Despite the uncertainty surrounding the timing of transition of the Blue Box program to FPR, municipalities and other program stakeholders submitted 41 funding applications with a combined project value of \$36.1 million and total funding request of \$7.1 million. Table 1 below summarizes the REOI results by funding category.

**Table 1 – 2018 REOI Results**

| Item                                  | 2018 Budget        | Project Value+      | Funding Request+   | Funding Approved+ |
|---------------------------------------|--------------------|---------------------|--------------------|-------------------|
| System Optimization                   | \$500,000          | \$6,088,000         | \$1,044,000        | \$0.00            |
| Cost Saving & Containment Initiatives | \$1,000,000        | \$28,136,090        | \$4,530,046        | \$162,136         |
| Centre of Excellence                  | \$2,135,369        | \$1,894,089         | \$1,571,585        | \$541,784         |
| <b>Total</b>                          | <b>\$3,635,369</b> | <b>\$36,118,179</b> | <b>\$7,145,631</b> | <b>\$703,920</b>  |

+Note: excludes taxes

After review of the submitted applications, a total of \$703,920 in funding was provided to 22 projects. The approved projects included traditionally funded activities such as cost containment initiatives, assistance with RFP and contract development and funding for waste composition studies. Funding was also provided to continue work in improving program analysis and data collection, fund several pilot projects and assist a number of municipalities preparing for transition to FPR. Strong interest continued to be shown in securing support from the CIF for assistance with service procurement and contract management as a result of potential for program transition and current market conditions.

### 3.3 System Optimization Efforts Continue to Show Mixed Results

This year, four more of the CIF funded optimization or 'regionalization' initiatives were completed. These projects generally focused on efforts to consolidate municipal operations across waste sheds. As in past years, the projects demonstrated that municipalities are willing to come together to work on joint initiatives but initiatives requiring consolidation of services across municipal boundaries prove to be much more challenging in practise. All three projects failed to result in consolidation of services because local options proved to be cheaper than the

theoretically better ‘hub and spoke’ alternatives due to actual free market conditions or the savings could not be guaranteed over the long term.

The 2018 REOI process also received one proposal to develop a centralized fibre reprocessing system but the application was withdrawn after it became apparent that municipalities would have difficulty committing tonnage to the new operation. This experience highlights the challenges stakeholders encounter in supporting collective projects. The CIF has five remaining optimization initiatives across the Province at varying stages of development.

### **3.4 Municipalities Continue to Find Savings**

Cost savings and cost containment initiatives continue to be a mainstay success story for the CIF. Since the publication of last year’s CIF Operations Plan, ten related projects were completed generating reported savings of almost \$1,721,500/year and over \$2.15 million in avoided costs. The associated projects include a range of MRF and infrastructure related improvements as well as several residue management initiatives.

Four cost savings and cost containment applications were also considered for funding through this year’s REOI process. Of significance, CIF Committee turned down two of these applications which involved MRF capital upgrades because of the uncertainty associated with market driven pay back periods. As noted in Section 3.3, a private sector application proposing to develop a central fibre cleanup facility was withdrawn due to the inability to secure tonnage commitments from municipalities and their contractors. These decisions highlight the challenges municipalities and stakeholders faced in trying to make investments in 2018 given the current uncertainty associated with program transition. Two applications were ultimately approved with a combined commitment of \$162,136 in funding to convert two single stream programs to two stream collection and replace bag based collection with boxes in one case.

This latest block of investment is expected to deliver a combined saving of almost \$170,400 per year or more with a projected ROI of under four years.

### **3.5 Transitional Support is Becoming Increasingly Important**

The CIF began providing transitional support as a fundable project category in 2016. Activities funded under this category have involved activities that improve the understanding and management of existing municipal operations while preparing municipalities for transition. They can include activities ranging from cost modeling capital asset management initiatives through to risk assessments and development of better procurement documents and operating practices. The 2018 REOI process considered three applications from stakeholders related to this funding category. One application proved to be outside the scope of the CIF’s mandate. The other two involved examining the implications of transition to FPR on program operations. A total of \$90,704 in funding was provided to support these projects bringing the total number of



transitional support projects funded by the CIF to 18 over the past two years. Four of these projects were completed since the publication of the last CIF Operations Plan while 12 projects are currently under development. These projects involve development of options to manage potentially stranded assets across the Province and assess the value of processing infrastructure should it be liquidated as part of a transitional strategy.

### 3.6 Year 1 & 2 RPRA TOR Waste Composition Studies are Complete

In December 2015, WDO (now RPRA) negotiated an agreement under which SO and CIF would jointly fund a series of municipal waste composition studies over a period of three years. The results of the first and second year studies have been published to the CIF website making available a province-wide dataset of compositional information with representation across the nine RPRA municipal groupings. Table 2 below outlines the number of studies completed to date.

**Table 2 – CIF Waste Composition Studies by RPRA Grouping**

| RPRA Group | Waste Composition Studies since 2013<br>(funding year) |       |      |      |      |      |      |
|------------|--|-------|------|------|------|------|------|
|            | Total  | 2018* | 2017 | 2016 | 2015 | 2014 | 2013 |
| 1          | 15   | 4     | 3    | 4    | 2    | 0    | 2    |
| 2          | 11   | 2     | 3    | 1    | 2    | 2    | 1    |
| 3          | 4  | 0     | 1    | 1    |      | 1    | 1    |
| 4          | 11   | 2     | 2    | 2    | 2    | 2    | 1    |
| 5          | 4  | 1     | 0    | 1    | 1    | 0    | 1    |
| 6          | 3  | 0     | 1    | 1    | 1    | 0    | 0    |
| 7          | 4  | 2     | 1    | 0    |      | 1    | 0    |
| 8          | 2  | 1     | 1    | 0    | 0    | 0    | 0    |
| 9          | 3  | 0     | 1    | 0    | 1    | 1    | 0    |

\*Recommended for funding

This February, in response to strong support from municipalities, the joint funding agreement was formally extended by CIF, SO and RPRA for an additional year to provide funding for studies to be completed during 2019/20. Pending approval of the studies recommended under the 2018 REOI process and in consultation with SO, it is expected that the CIF will commit \$300,000 to fund up to 12 new studies under this extended agreement. The municipalities to be included in this fourth set of studies were under consideration at the time of publication of this report.

### 3.7 CIF Centre of Excellence Highlights

Development of the CIF Centre of Excellence (CofE) is a priority of the current CIF Strategic Plan. It is intended to be a virtual clearinghouse for the consolidation and dissemination of the learnings from the hundreds of projects funded by the CIF over the past decade. It has also been used to develop and deliver a broad range of services as noted in Table 4 (Section 6) below that are regularly accessed by municipalities across the Province.

Over the last twelve months, the various working groups operating under the CofE were active on several fronts. The Depot Working Group completed development of a small municipal depot guidebook to assist operators in identifying better practices and to accurately assess and allocate their capital and operating costs across various on-site services. The Multi-Residential Working Group started an exercise to standardize program data collection and analysis. The Collections Working Group was actively involved in developing standard contract language for collections and processing contracts.

Research was undertaken to assess the stability of the various plastics markets and review the accuracy of the CIF Price Sheet to ensure it reflected the dynamic nature of the current market. Work is also underway to explore development of a new pricing index to better reflect current market conditions. At the same time, work was completed to examine the implications of collecting film curbside which highlighted the benefits of depot-based collection. To further efforts to improve MRF performance in the face of the changing market, performance audits were completed in three municipal MRFs and the results shared with the MRF Working Group. A study was also completed which examined the feasibility of using split carts to collect two stream recyclables. The study demonstrated the benefits and limitations of autocart collection in this application.

Requests for assistance from municipalities procuring contracted services reached record levels as a result of the potential expedited transition of the BBPP and impact of the Chinese National Sword program on processing contracts. Staff was actively involved in dozens of municipal procurement and contract management activities across the Province and developed several new contract mechanisms to address issues municipalities are facing during the current period of uncertainty. A support group was established to ensure municipalities were able to benefit from a consistent approach to contract management issues.

The CIF continued to enjoy strong support for its skills development program including continued enrollment in its online ‘fundamentals’ training course. The course has already had 75 registrants participate in the first two years of its operation. In addition, CIF staff delivered its existing contract management course and two rounds of its new course on effective contamination abatement to over 66 attendees.

Twelve new projects were approved through this year’s REOI process at a combined cost of \$151,080. The projects will examine ways of improving depot based collection and accurately

assessing their value, optimizing waste composition sampling and reducing program contamination. Efforts will also continue to improve procurement and contract language to address current program contamination and market conditions. A new working group focusing on contamination reduction through effective promotion and education will also be developed.

The CIF continues to provide its popular Co-operative Container Procurement Program (CCPP) for Blue Boxes, carts and reusable bags. Municipal participation in the CCPP remains strong, especially for the purchase of Blue Boxes. Since 2015, more than 70 municipalities have purchased over 424,000 blue boxes, 13,000 recycling carts and 75,000 reusable bags. For smaller municipalities, the Blue Box prices made available through the CIF are significantly less than what they had been paying in previous years. In addition to achieving significant cost savings through bulk purchase prices, this competitive procurement process has saved millions in unnecessary procurement costs for participating municipalities.

### **3.8 Interest in CIF Events and Messaging Continues to Grow**

The 23<sup>rd</sup> Ontario Recycler Workshop (ORW), organized by the CIF and held in June of 2018, proved to be another successful event. Over 170 attendees participated in the two day event which included three training events on the first day of the conference, showcased the latest CIF projects and research, and provided tours and numerous networking opportunities.

Outreach sessions were held again in five communities across the Province for over 130 participants. In addition, CIF staff engaged in separate meetings with staff from over 73 municipalities and groups of municipalities to discuss issues ranging from market conditions and contract management through to the implications of transitioning the BBPP to FPR.

The CIF's website continued to deliver positive results throughout 2018. The development of new content for the CIF's website has resulted in a 71% increase year over year in new users, a 31% increase in the time spent by readers on site and an 11% increase in the content being explored suggesting the new content is resonating with the Fund's clientele. Overall traffic volumes have increased to almost 9,000 unique customers per year with the majority of viewers being from Canada and the United States and with the balance being from other countries. Two new sections added to the site include one on support for municipalities preparing to transition their programs and a second on curbside policies to manage Blue Box contamination while encouraging participation.

The CIF blog and news bulletin service currently has over 1,000 regular subscribers. 'Open' rates for CIF email traffic routinely average around 30% with readership of topical information typically averaging between 100-150 readers/article depending on the subject matter. Increasingly, CIF blogs are being republished by other trade journals suggesting a growing level of interest in the Fund's work. The Fund maintains a policy of limiting publication of articles and/or bulletins to two per week to avoid excessive communications with its stakeholders.

## 4 – 2019 Fund Priorities

In the summer of 2018, the CIF undertook a consultation process in preparation for developing a new strategic plan for the CIF. Phase One of the consultation explored issues such as the term of the next strategic plan, needs of the stakeholders, and priorities for the CIF over the strategic plan's term. Phase One was effectively completed at the time of development of the 2019 CIF Operations Plan. Participation proved to be higher than expected and the feedback was both constructive and enlightening and has been used as a basis for development of the 2019 funding priorities of the CIF.

Amongst municipalities, there were clear differences in priorities between senior municipal staff and their front line subordinates. Similar differences were also found between priorities of senior governments and their lower tier and rural counterparts. There were, however, general lines of consensus amongst the majority of individuals and groups. Most respondents viewed market development and support for transition to FPR as priorities. Support for existing services such as training and outreach were considered lower priorities. There was also strong support for the continued operation of the CIF and for provision of funding for the Municipal Three R's Cooperative (M3RC) which is funded by the CIF. Views on issues such as the provision of continued funding for individual municipalities were more divergent. This observation likely reflects the difference in opinion between those that have successfully secured more funding than they have contributed over the life span of the CIF and those that have not. Support for further regionalization and rationalization of services was generally low in light of the expectations of the program transitioning to FPR and the generally low success rate of these efforts. Similarly, there was less support for continued capital investment by CIF except where there was the potential for collective benefit.

The CIF's 2019 Operations Plan recognizes that the needs of its clients have shifted dramatically as a result of the potential to transition the BBPP to FPR. The timing and nature of transition is, however, unknown. Moreover, while the CIF endeavors to be responsive to its stakeholders' needs, its activities are bounded by its mandate as set out in Section 6.6 of the BBPP. As a result, this year's Plan seeks to provide flexibility to allow stakeholders to respond to current issues while preparing for the future.

Current indications are that municipal and private sector program operators will not make major capital investments and/or program changes in 2019 due to the uncertainty around transition of the BBPP and program financial constraints. The latter point reflects the fact that most programs have incurred a 20% to 35% operating cost increase as a result of the impact of the Chinese National Sword program. As a result, they will not have the money to co-fund projects even if CIF were to make funds available. Exceptions will be where they are forced to react to circumstances such as the changing market requirements. Care will be required by the CIF to ensure any capital investments made under the current circumstances are not at risk of

becoming stranded or otherwise unable to achieve their payback as a result of transition to FPR. As a result, funding for individual programs made through this year's Operations Plan will be considered subject to the degree of clarity around the timing and nature of program transition.

The 2019 funding priorities will, instead, focus on funding of collective activities intended to benefit municipalities as a whole across the Province. Individual programs and their operators will, however, continue to receive knowledge sharing support services and guidance to assist them in improving the effectiveness and efficiency of their programs in accordance with the CIF's mandate.

Collective actions funded by the CIF will include:

- Market research & development
- Centralized cost savings initiatives
- New collection and processing technologies research & development
- Waste composition studies
- Performance analytics and better practices research
- Transitional support

Individual program support will include:

- Procurement and contract management support services
- Working groups
- Training
- Outreach services

For the purposes of clarity, 'individual program support', as noted above, is intended to mean the provision of knowledge sharing by CIF. Services will focus on sharing information and providing guidance on the interpretation and adoption of known better practices relevant to opportunities for program improvement. While Centre of Excellence services will be maintained, development of new services beyond those already underway will be postponed for consideration in 2020.

## 5 – Collective Action in 2019

As noted above, the activities described in this section represent actions intended to be of collective benefit to municipalities and Blue Box Program stakeholders. They include a broad range of potential research and pilot projects, investments in centralized processing facilities and data analysis initiatives. Given the uncertainty of the current situation, additional rules and conditions may be applied by CIF Committee on any resultant funding opportunities.

### 5.1 Market Development

Market stability remains an ongoing issue for municipalities and other stakeholders. Concerns, however, reached all-time highs when the Chinese government enacted the National Sword program. While 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. The 2019 Operations Plan includes \$300,000 to facilitate this work.

### 5.2 Centralized Cost Saving Initiatives

While there is reluctance by some stakeholders to have CIF make further capital investments in individual municipalities, many still see the benefit of making investments in centralized infrastructure and domestic markets 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. While a lower priority than centralized cost saving initiatives, consideration will also be given to individual municipal initiatives, subject to new guidelines under development that demonstrate a clear cost saving, a broad benefit to municipalities across the Province and avoid development of stranded, obsolete or inefficient assets. Additional restrictions may be placed on such applications by CIF Committee to address the current political environment. Such restrictions may include, but not be limited to, shortened payback periods to ensure the projects can achieve their objectives prior to program transition. This year's Operations Plan includes a budget of \$600,000 to address these efforts.

### 5.3 Collection and Processing 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 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 strategies and share those learnings with interested parties. A budget of \$85,000 has been set aside for this purpose.

## 5.4 Waste Composition Studies

The 2018 REOI process provided funding for a fourth round of four season waste composition studies to be jointly funded by the CIF and SO. Municipalities have indicated a desire to have CIF continue funding further studies in 2019. A total of \$345,000 has been included in the 2019 budget to support completion of this work. Preference will be given to communities which have not been considered in previous years and where the studies can be used to facilitate data collection in support of other projects underway at the same time.

It should be noted that the CIF has committed to undertake a review in 2019 of the current dataset to determine the need to continue doing studies in all nine RPRA datacall groups. This information will also be used in determining which municipalities are to be selected in future work. The cost of this supplemental study is expected to be \$15,000 plus taxes (included in Section 5.5).

## 5.5 Performance Analytics and Better Practices

Understanding program costs and the value proposition of implementing better practices will remain an important aspect of municipal 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. A budget of \$90,000 has been set aside to support further work into program performance assessment and identification of better practices. Unsolicited proposals to develop, prove out and promote best practices will be considered under this category where they include evidence of broad interest amongst stakeholders and have a clear plan for dissemination of the resulting learnings.

## 5.6 Collective Transitional Support

In 2015, the CIF committed \$1 million per year for three years (i.e., 2016 to 2018) to assist municipalities in dealing with the implications of the Waste Free Ontario Act. Committee also agreed to roll over unspent funds from previous years to make full use of these allocated resources. A total of \$839,490 remains unspent from the 2016 and 2017 REOI processes and a portion of these funds will be made available in 2019 to support related activities. Provision of the final \$1 million that was to be allocated in 2018 under the three year commitment will be deferred for future consideration. Projects funded under this category will need to demonstrate a collective benefit to municipalities across Ontario and will be subject to review by CIF Project Committee, at a minimum. They must focus on addressing the implications of the legislation on Blue Box program operations. Funding for political purposes or lobbying efforts is not eligible.

## 5.7 Collective Actions Budget Summary

Table 3 below summarizes grant opportunities available to individual stakeholders and groups seeking to improve their program's performance and/or reduce program costs subject to the implications of a possible amendment of the BBPP.

**Table 3 – 2019 Collective Action Budget**

| Item   | 2019 Budget+       |
|--|--------------------|
| Collective Transitional Support                | \$669,500          |
| Market Development                             | \$300,000          |
| Centralized Cost Saving Initiatives            | \$600,000          |
| Collection & Processing Research & Development | \$85,000           |
| Waste Composition Studies                      | \$345,000          |
| Performance Analytics and Better Practices     | \$90,000           |
| <b>Total</b>                                   | <b>\$2,089,500</b> |

+Note: Disbursements include tax



## 6 – Individual Program Support

This year's Plan does not provide funding for individual municipal projects except where they can be demonstrated to provide cost savings and/or broad provincial benefit under the eligible categories outlined in Section 5 above. With this direction in mind, the provision of program support will be even more important. In response, the CofE 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 for future consideration.

### 6.1 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. Fund staff anticipates 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 in 2019. Up to \$40,000 in staff time will be allocated for this purpose.

### 6.2 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. These groups will continue on an 'ad hoc basis' as in previous years. \$10,000 has been set aside to cover the cost of operating these groups in 2019.

### 6.3 Training Initiatives

The CIF's skills development courses continue to be fully subscribed whenever offered and the CIF continues to receive requests to provide additional training on line. In recognition of the concerns raised by many senior government staff about this area of activity, the CIF will halt further content development until a broader needs analysis can be completed. For 2019, existing course content will continue to be delivered to ensure the needs of those seeking these services continue to be met. As in past years, training opportunities will be timed to occur with other events to minimize participant travel costs. An amount of \$35,000 has been allocated to provide for up to three deliveries of existing CIF training courses.

## 6.4 Outreach Services

The CIF continues to see strong participation in all of its public events. As a result, the 2019 Plan includes provision for the CIF's annual conference (i.e., Ontario Recyclers Workshop or ORW) and spring outreach sessions. While CIF staff has received requests to host additional events in the fall, the existing activities will continue to be the CIF's mainstay point of contact with municipalities and will be supplemented with topical one-day training sessions as noted above. The primary focus of the sessions will continue to be delivery of updates from program partners, reports on CIF funded projects, and provision of timely information on topical waste management issues. The spring CIF outreach sessions will continue to serve as the Fund's main opportunity for engagement with municipalities to discuss local issues and the development of priorities for the Fund's upcoming budget cycle. Additional efforts will be made in 2019 to reach out to municipal stakeholders to ensure collective funding efforts, as outlined in Section 5, are meeting their intended needs. The 2019 Operations Plan includes \$135,000 to continue delivery of these services and for provision of related project support on an as-needed basis.

## 6.5 Individual Program Support Budget Summary

The 2019 Operations Plan allocates up to \$220,000 in support of the CIF's Strategic Plan and current priorities as summarized in Table 4.

**Table 4 – 2019 Individual Program Support Budget**

| Item   | 2019 Budget+     |
|--|------------------|
| Procurement & Contract Management Support Services | \$40,000         |
| Working Groups                                     | \$10,000         |
| Training Initiatives                               | \$35,000         |
| Outreach Services                                  | \$135,000        |
| <b>Total</b>                                       | <b>\$220,000</b> |

+Note: Disbursements include tax

## 7 – Fund Administration

The following section of the CIF 2019 Operations Plan provides an overview of the Fund's current financial status and administrative performance.

Table 5 summarizes contributions and income received to date from various sources. Provision of funding for the CIF has varied over the years with the most recent contribution being a commitment of \$4.2 million in 2016.

**Table 5 – CIF Income Sources**

| <b>CIF Funding: Actuals &amp; Projected 2008 – 2018</b> |  |                        |                           |
|---|--|------------------------|---------------------------|
|   | <b>2008-2016<br/>Consolidated Actual</b> | <b>2017<br/>Actual</b> | <b>2018<br/>Projected</b> |
| MIPC Funding  | \$66,728,819                             | \$0.00                 | \$0.00                    |
| Investment Income                                       | \$2,468,787                              | \$260,951              | \$280,714                 |
| E&E Fund* Closure<br>& Other                            | \$2,113,011                              | \$0.00                 | \$23,993                  |
| <b>Cumulative Total</b>                                 | <b>\$71,310,617</b>                      | <b>\$71,571,568</b>    | <b>\$71,876,276</b>       |

\*Effectiveness and Efficiency Fund

A summary of the CIF project funding commitments and expenditures projected to year end 2018 is presented in Table 6 below. Note that funding commitments do not necessarily represent final project expenditures. It is not unusual for projects 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 correctly reconciled.

**Table 6 – CIF Expenditures**

| <b>CIF Grants and Expenditures: Actuals &amp; Projected 2008 - 2018</b> |  |                        |                           |
|---|--|------------------------|---------------------------|
|   | <b>2008-2016<br/>Consolidated Actual</b> | <b>2017<br/>Actual</b> | <b>2018<br/>Projected</b> |
| Admin & Project Support   | \$6,538,408                              | \$1,074,166            | \$1,368,257               |
| Grants  | \$45,860,320                             | \$876,397              | \$227,359                 |
| Centre of Excellence  | \$4,461,470                              | \$1,140,173            | \$1,005,110               |
| <b>Cumulative Total</b>   | <b>\$56,860,198</b>                      | <b>\$59,950,935</b>    | <b>\$62,551,661</b>       |

It should also be noted that \$5,187,235 in funds has, to date, flowed through the CIF to both WDO and AMO as part of negotiated agreements made by MIPC between 2013 and 2015. These funds are not recorded as contributions to CIF or expenditures by CIF because the funds were not made available to CIF for operating purposes.

The financial analysis provided in Table 7 presents the current plans for the allocation of the remaining funds through to the end of 2022 which reflects the proposed term of the CIF's current Strategic Plan. Sufficient funds have been allocated to cover projected administrative costs during this term plus a period of up to 6 months thereafter to wind down the Fund and report out on remaining project results. While it is possible that the CIF will receive additional monies in future years, this is neither guaranteed nor has any assumption been made about future funding for the purposes of administering the Fund.

**Table 7 – CIF Fund Analysis**

| <b>Projected Expenditures</b> |                      |                    |                    |                    |                    |
|-------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|
|                               | <b>2017 (Actual)</b> | <b>2018</b>        | <b>2019</b>        | <b>2020</b>        | <b>2021-2023</b>   |
| Balance Forward               | \$14,450,246         | \$11,620,634       | \$9,324,615        | \$6,543,960        | \$5,196,848        |
| Total Revenue+                | \$261,124            | \$304,707          | \$225,250          | \$158,079          | \$125,538          |
| Total Project Approvals       | (\$876,397)          | (\$227,359)        | (\$2,089,500)      | (\$2,900,000)      | (\$610,000)        |
| Centre of Excellence          | (\$1,140,173)        | (\$1,005,110)      | (\$220,000)        | (\$230,000)        | (\$486,000)        |
| Admin & PM Support            | (\$1,074,166)        | (\$1,368,257)      | (\$696,405)        | (\$707,351)        | (\$1,669,759)      |
| Fund Balance year end         | <b>\$11,620,634</b>  | <b>\$9,324,615</b> | <b>\$6,543,960</b> | <b>\$2,864,689</b> | <b>(\$224,468)</b> |

+Note: Net of transfers to partners

## 8 – Summary

As of September 30, 2018, the CIF has funded 722 projects with a combined value of over \$135.4 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 2019 Operations Plan will build on this success through the investment of a further \$3,005,905 in transitional support, project funding and continued support for individual municipalities. The total budget is summarized in Table 8 below. This budget represents a 31% decrease compared to the 2018 budget of \$4,362,213.

**Table 8 – Proposed 2019 Budget**

| Proposed 2019 Budget              |                     |
|-----------------------------------|---------------------|
| Item                              | Budget              |
| CIF Administration                | \$ 696,405          |
| Individual Program Support (CofE) | \$ 220,000          |
| Collective Action                 | \$ 2,089,500        |
| <b>Total</b>                      | <b>\$ 3,005,905</b> |

# 9 – Appendices

- 9.1 Consolidated Financial Statement
- 9.2 Governance
- 9.3 Funding Guidelines
- 9.4 Appeal Procedure

## Appendix 9.1 2014 to 2018 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.

| Income Sources               | Year ended<br>Dec. 31,<br>2014<br>(Actual) | Year ended<br>Dec. 31,<br>2015<br>(Actual) | Year ended<br>Dec. 31,<br>2016<br>(Actual) | Year ended<br>Dec. 31,<br>2017<br>(Actual) | As of Sep. 30,<br>2018 |
|------------------------------|--|--|--|--|------------------------|
| <b>Cash forward</b>          | \$31,879,962                               | \$29,216,829                               | \$28,011,710                               | \$27,284,448                               | 23,305,487             |
| Municipal contributions      | \$3,307,279                                | \$2,837,114                                | \$3,153,473                                | \$1,062,951                                | \$23,993               |
| Interest                     | \$314,074                                  | \$153,945                                  | \$148,955                                  | \$260,951                                  | \$280,714              |
| Other                        | (\$1,157,279)                              |  | \$19,706                                   | \$40,336                                   | \$0.00                 |
| <b>Total Income</b>          | <b>\$34,344,036</b>                        | <b>\$32,207,888</b>                        | <b>\$31,333,499</b>                        | <b>\$28,648,686</b>                        | <b>\$304,707</b>       |
| <b>Expenditures</b>          |  |  |  |  |                        |
| Administration               | \$480,653                                  | \$543,480                                  | \$430,637                                  | \$455,265                                  | \$306,708              |
| AMO Admin Reserve Balance    |  | \$22,646                                   | \$32,853                                   | \$47,306                                   | \$33,306               |
| RPRA Expensed                |  |  | \$27,408                                   | \$10,724                                   | \$2,648                |
| Project Support              | \$172,189                                  | \$193,560                                  | \$120,230                                  | \$187,025                                  | \$89,585               |
| Best Practices               | \$4,194,960                                | \$2,619,147                                | \$2,758,756                                | \$3,432,739                                | \$1,238,112            |
| Centre of Excellence         | \$251,998                                  | \$335,768                                  | \$601,028                                  | \$782,794                                  | \$521,231              |
| AMO Transfer                 | \$27,407                                   | \$500,000                                  |  | \$427,346                                  | \$835,000              |
| Rideau Lake Loan             |  | \$14,924                                   | \$45,137                                   |  |                        |
| <b>Total Expenditures</b>    | <b>\$5,127,207</b>                         | <b>\$4,229,525</b>                         | <b>\$4,016,049</b>                         | <b>\$5,343,199</b>                         | <b>\$3,026,590</b>     |
| Accruals                     |  | \$33,347                                   | (\$33,347)                                 |  | (\$1,526)              |
| <b>Year End Fund Balance</b> | <b>\$29,216,829</b>                        | <b>\$28,011,710</b>                        | <b>\$27,284,448</b>                        | <b>\$23,305,487</b>                        | <b>\$20,582,078*</b>   |

\*Fund balance as of September 30, 2018

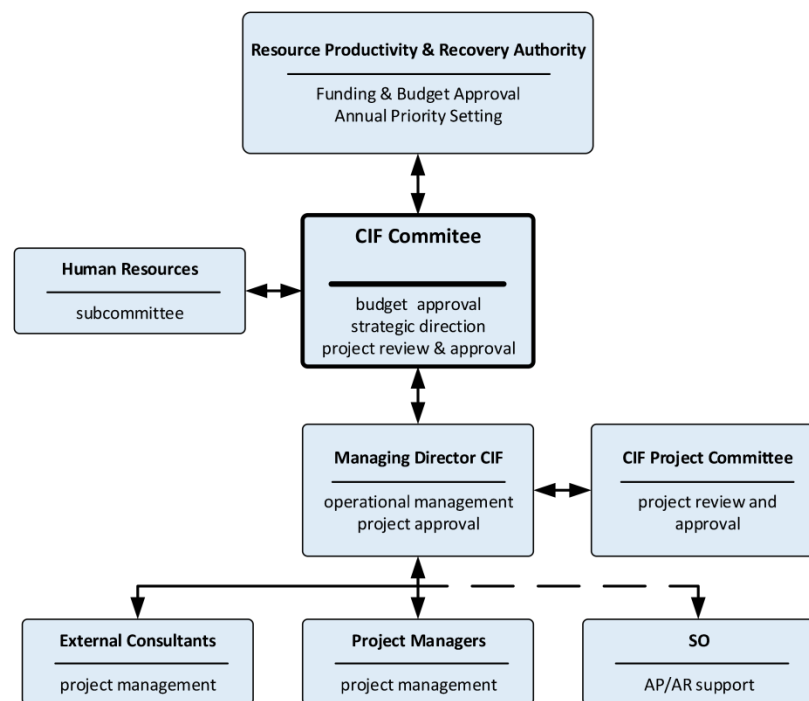
## Appendix 9.2 Governance

The CIF fulfills the requirements of Section 6.6 of the Blue Box Program Plan and the Minister's original Program Request Letter to WDO (now RPRA) 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 RPRA and is, therefore, governed by the overall guidelines and rules established by RPRA, subject to any policy the CIF Committee adopts within its delegated authority. RPRA is responsible for setting the overall authorities, strategic priorities and budget for the CIF. The CIF Committee develops and recommends strategic priorities and the annual budget for approval by RPRA. The CIF Committee approves large projects as well as 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 RPRA as an observer; and
- The CIF Managing Director as an observer.

The membership of the Committee for 2019 is shown below.

**Chart 2 - 2019 CIF Committee Membership**

| <b>Representing</b>                      | <b>Member</b>                      |
|--|------------------------------------|
| Chair                                    | Doug Thomson                       |
| Association of Municipalities of Ontario | Ken Brothers<br>Monika Turner      |
| City of Toronto                          | Annette Synowiec<br>Charlotte Ueta |
| Stewardship Ontario                      | Cullen Hollister<br>David Pearce   |
| Member at Large                          | Jerry Powell                       |
| RPRA Observer                            | Holly Lafontaine                   |
| 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 RPRA 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 2019 is shown below.

**Chart 3 - 2019 CIF Project Committee Membership**

| Representing                             | Member                              | End of Term                    |
|--|-------------------------------------|--------------------------------|
| Chair                                    | Mike Birett                         | NA                             |
| Association of Municipalities of Ontario | Erwin Pascual<br>Danielle Watson    | December 2020<br>December 2021 |
| City of Toronto                          | Charlotte Ueta                      | December 2021                  |
| Stewardship Ontario                      | Cullen Hollister<br>Clayton Sampson | December 2020<br>December 2021 |

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      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. At their August 25, 2016 meeting, CIF Committee agreed to reduce the maximum allowable payback period to five years to ensure timely completion of projects within the remaining life expectancy of the CIF.

In March 2017, modifications were made to the weighting of the evaluation criteria, as shown in the current evaluation forms found on the CIF web site, to reflect the priorities set out in the 2016-2018 CIF Strategic Plan. The CIF is in the process of developing a new Strategic Plan and is expected to update the criteria for project funding to reflect the priorities and principles of the new Plan. Applicants can expect new project funding criteria will be more stringent and place a greater emphasis on projects that demonstrate clear cost savings, a broad benefit to municipalities across the Province and avoids development of stranded, obsolete or inefficient assets. For more information, contact CIF staff or refer to the CIF website found at:

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

## Appendix 9.4      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 RPRA; and
- RPRA 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 RPRA will work with the appellant to clarify the decision and review any additional information to mitigate the issue.