

Continuous Improvement Fund

Windup Plan and Amendments to the CIF Strategic Plan (2019-2021)

DRAFT

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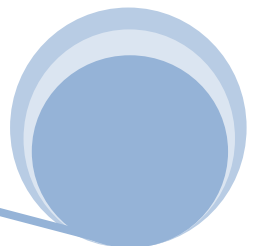




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Section 1: Introduction

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 (WDO). The Fund commenced operations on May 1, 2008, under a Memorandum of Agreement (MOA) signed by the Fund partners. Operation of the CIF fulfills specific directives of Minister Stockwell's original program request letter to WDO, dated September 23, 2002 (Appendix A), requiring establishment of a waste diversion program for Blue Box waste and to fulfill the obligations of Section 6.6 of the current Blue Box Program Plan (BBPP or the Program).

In 2016, the government of Ontario enacted the Resource Recovery and Circular Economy Act, 2016 (RRCEA) and Waste Diversion Transition Act (WDTA). The two acts provide a legislative framework under which existing waste diversion programs will be wound down and replaced by new programs. The legislation also enables development of new diversion programs in the future for other designated materials.

On August 15, 2019, and as amended April 3, 2020, the Honourable Jeff Yurek, Minister of the Environment, Conservation and Parks (the Minister or Ministry) issued policy direction letters (Appendix B) to both RPRA and SO pursuant to Section 29 of the RRCEA and Section 14 of the WDTA respectively to, amongst other things, develop a plan to windup the existing program plan, otherwise known as the BBPP. Separate direction was also given to both RPRA and SO to end the CIF as soon as practical and before December 31, 2025. Recognizing the obligation to operate the CIF is a requirement of Section 6.6 of the BBPP and the Minister's direction regarding CIF, RPRA requested that the CIF submit recommendations for the windup of the CIF by December 31, 2019.

This plan lays out a timeline to windup the CIF in accordance with the Minister's directives and amends the CIF's strategy plan for operation of the Fund prior to, and during, windup in a manner that is intended to meet the needs of its stakeholders without interfering with the timely windup of the Fund.



Section 2: CIF Mandate, Governance and Administration

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 in accordance with Section 6.6 of the current BBPP (Appendix C).

This mandate has been 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 has also played 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 has also been 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'.

The development of a Windup Plan (WUP) for the BBPP by SO in 2020 is expected to set the end date for the CIF. The development of this plan does, however, also create an opportunity to amend the Fund's mandate to allow the CIF to better serve current stakeholder needs while it prepares to conclude.

Mandate Implementation

The CIF's mandate is operationalized through development of a multi-year strategic plan. The CIF's original strategic plan was developed in 2007 prior to initiation of operations. Over the years, the CIF's focus and priorities have changed to reflect varying directives from the Fund partners, RPRA and the Ministry and these changes are reflected in updates made to its strategic plan. In 2019, the CIF developed its current [Strategic Plan](#) which covers operations from 2019 to 2021.

An annual [Operations Plan](#) is developed to meet the objectives established in the CIF's strategic plan and, as agreed to periodically, by the program partners. The annual operations



plan includes an operating budget for the calendar year in question and recommendations of CIF staff on the anticipated long-term funding needs of the CIF for consideration by CIF Committee.

The strategic plan, annual operations plan and associated budget are developed by the Managing Director of the CIF in consultation with municipalities, stakeholders and the CIF Committee. Both the annual operating plan and strategic plan are broadly consulted on and reflect the priorities communicated by Fund stakeholders at that point in time. Recognizing that CIF is a committee of RPRA, both plans and associated budgets are provided to RPRA for approval.

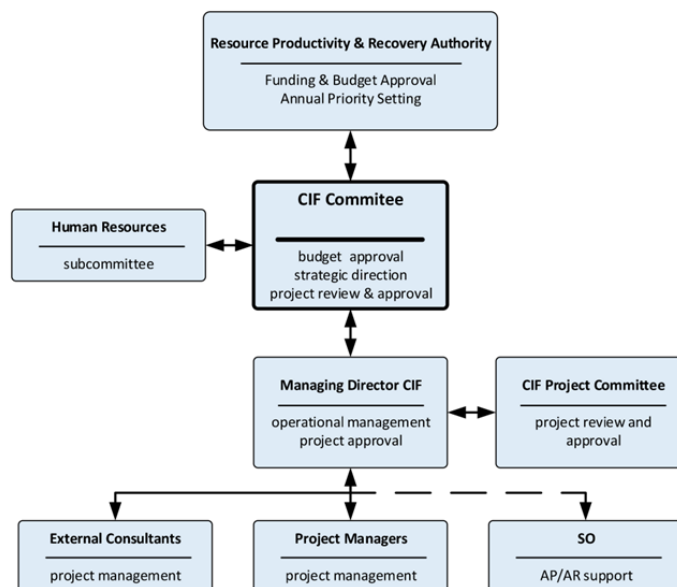
CIF Funding

Funding for the CIF is derived from a portion of the annual financial obligation paid by 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.

Fund Governance and Administration

The CIF operates as a committee of RPRA and is governed by relevant guidelines and rules established by RPRA, in addition 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. CIF Committee also approves large projects (i.e., >\$250,000) and provides direction to the CIF Project Committee and to the CIF Director who operates the program on a day-to-day basis (Chart 1).

Chart 1: CIF Organizational Structure



The CIF Committee membership is established as follows:

- One voting representative from AMO;
- One voting representative from Toronto;
- Two voting representatives from SO;
- One voting independent member-at-large selected by voting members;
- One non-voting independent Chair selected by the voting members;
- One alternate member representing SO;
- One alternate member each representing AMO and Toronto;
- The Chief Executive Officer of RPRA or designate as an observer; and
- The CIF Managing Director as an observer.

The term of the municipal and steward members is reviewed and appointed annually by their respective organizations. The Chair and member-at-large have traditionally been nominated and appointed annually by the other members. Since 2018, the current Chair and member-at-large have been retained in their existing roles.

The CIF Committee votes on issues as required and makes its decisions based on a majority vote. 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.



A CIF Project Committee has been established to assist with the development of the CIF program, evaluate and, where appropriate, approve projects with a funding request value of >\$50,000 up to \$250,000 and make recommendations to CIF Committee on projects of greater value. The members of the CIF Project Committee are as follows:

- Two municipal members from AMO;
- One municipal member from Toronto;
- Two SO members
- CIF staff; and
- Other subject matter experts as required.

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

The CIF Managing Director is responsible for day to day program operations and has a signing authority up to \$50,000.

The CIF is managed by a team of contract staff whose primary responsibility is to work with program stakeholders and the CIF Committee to achieve the objectives of the CIF's Strategic Plan and annual Operations Plan. CIF staff are a mix of full-time contract employees hired through AMO to operate the Fund supplemented by part-time independent contractors.

Section 3: Current Operations

CIF stakeholders and clients include a broad range of municipalities, First Nations, private sector collection, processing and reprocessing companies, brand holders and various affiliated advocacy groups. While the CIF endeavors to look for opportunities to improve all aspects of the Blue Box Program (BBP), its efforts have historically tended to be focused on municipal and First Nation program operators because of their extensive involvement in program development and operations.

CIF initiatives have varied with time based on the budget and priorities set out in the annual operations plan. They can, however, be separated into a) funding for individual and b) groups of stakeholders to engage in priority activities and services. Funding priorities have spanned all aspects of Blue Box program operations including program design, communications and education, collection, processing and market activities and associated procurement and management of contract services. Associated grant opportunities have included funding of cost savings and improved diversion initiatives, pilot and demonstration projects, infrastructure development, regionalization efforts and market development. Services offered by the CIF through its Centre of Excellence (CofE), in parallel with funding activities, have typically included training, assistance with procurement, contract and data management, marketing services and guidance on best practices.

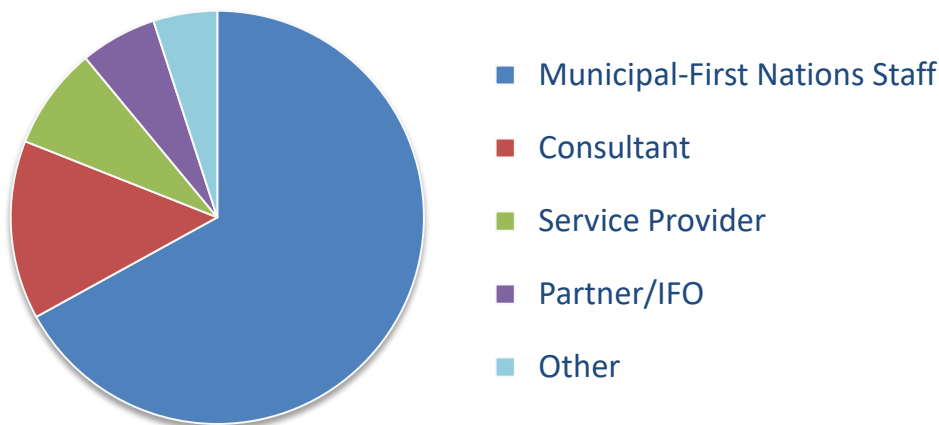
Grant opportunities for individual and collective initiatives are provided through an annual Request for Expressions of Interest (REOI). CIF staff work with project proponents to optimize their applications after which they are evaluated using a pre-established set of funding criteria such as the degree of innovation, applicability on a provincial level, efficacy and efficiency, and alignment with the CIF goals and objectives as outlined in the annual operations plan. Grants are then submitted for consideration and approval by the CIF Director, CIF Project Committee or CIF Committee depending on the value of the proposed grant.

The CofE is a web-based repository of project reports, case studies, guidance documents, program design, diagnostic and financial analysis tools and sample procurement and contract management templates all of which are made available to the public. In addition, the CIF provides on-line and in-class training and operates industry working groups focused on addressing current Blue Box program issues. It also funds the provision of detailed waste composition and marketing data for use by stakeholders.

Communications

Information about the CIF is communicated to stakeholders through a variety of means including an annual conference known as the Ontario Recyclers Workshop (ORW), a series of outreach sessions delivered each spring across the province in order to reach rural communities, weekly blogs, bulletins and announcements to program subscribers, and its fall survey of needs which is used to develop the following year's priorities and budget for inclusion in the Fund's operations plan. The CIF also maintains a public website which serves as a clearinghouse for the learnings of the CIF. Between 2018 and 2019, the site was visited approximately 35,000 times. Fund staff routinely do presentations to, and undertake work with, individual stakeholders and groups, and are available throughout the year to take calls and enquiries about CIF services and funding opportunities.

Chart 2: CIF Stakeholder Mix



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 resource(s). 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 BBP.

In most cases, projects are selected, measured and evaluated based on their ability to meet current CIF priorities while ensuring the CIF's guiding principles are being followed.



Project specific conditions and performance requirements are also established as a condition of funding and may include, for example:

- 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 publicly with other municipalities and program operators.

Performance to Date

As of September 30, 2019, the CIF has received and reviewed a total of 1,069 project proposals and provided \$60.1 million in funding to 748 of those projects with a combined value estimated at over \$137.2 million. A total of 680 projects were completed at the time of publication of this Plan.

Current Finances

The 2008 MOA that established the CIF included provisions for SO to hold CIF's funds in trust in a segregated account and administer them. CIF staff administer approved grants and projects, reconcile and submit project invoices for payment by SO. Administration includes monitoring grants for compliance with terms and conditions as part of the payment reconciliation process and to ensure its various service providers conduct activity in accordance with Fund requirements. SO and RPRA are both reimbursed by the CIF for costs associated with the management of the Fund.

SO provides CIF Committee with an annual audited financial statement of the CIF account and interim summaries as required.

Provision of funding for the CIF has varied over the years based on staff's recommendations related to the projected needs of the Fund. The most recent significant contribution was \$4.2 million in 2016. Table 1 summarizes contributions and income received to date from various sources.

Table 1: CIF Income Sources

CIF Funding: Actuals & Projected 2008 – 2019			
	2008-2017 Consolidated Actual	2018 Actual	2019 Actual
MIPC Funding	\$66,652,336	\$0.00	\$0.00
Investment Income	\$2,729,393	\$433,617	\$412,493
E&E Fund* & Other	\$2,172,707	\$23,993	\$3,122
Cumulative Total	\$71,554,436	\$72,012,047	\$72,427,662

*Effectiveness and Efficiency Fund

The CIF has received additional income including investment income, the balance of funds left over after closure of the Effectiveness and Efficiency Fund (the CIF's predecessor) and penalties assessed to municipalities for late submissions to the annual RPRA datacall process.

Table 2 summarizes approved and anticipated approvals for grants, projects and other activities thru to year end 2019.

Table 2: CIF Approved Grants and Expenditures

CIF Approved Grants and Expenditures: 2008 - 2019			
	2008-2017 Consolidated	2018	2019
Administration	\$7,624,691	\$1,425,908	\$657,233
Grants & Projects	\$49,987,928	\$166,989	\$1,002,260
Centre of Excellence	\$5,407,220	\$1,092,320	\$221,481
Cumulative Total	\$63,019,839	\$65,705,056	\$67,586,030

It should also be noted that \$5,187,235 in funds has 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.

Section 4: Windup Timeline

Notwithstanding the Minister's directives, windup of the CIF requires either repeal or amendment of the BBPP. SO's planned development of a windup plan for the BBPP presents the earliest likely opportunity to make such a change. Their plan is expected to be approved by RPRA no later than year end 2020. The CIF can, therefore, be expected to continue operations in accordance with its current mandate at least until that point in time.

By the end of 2021, the majority of the CIF's approved grants and projects are expected to be completed. Operation of the CIF until this point in time is appropriate to ensure the legal and fiduciary responsibilities of the CIF are fulfilled. It is proposed that the CIF would undertake an initial disbursement of surplus funds in 2021. Surplus funds represent uncommitted funds excluding those that would need to be set aside to operate the Fund through to its eventual wind up. Surplus funds would be disbursed in accordance with S6.6 of the BBPP or any other direction it may receive regarding the management of these funds. In 2022, it is proposed that the CIF would undertake a formal financial reconciliation and disburse any remaining surplus funds by year end 2022.

Throughout 2021 and up until year end 2023, the CIF would continue to provide an appropriate level of transitional and program support to meet the stated desires of its municipal stakeholders. This timeframe will allow for closure of its last open grant in late 2023. The provision of grants to stakeholders would end in 2021 and be limited to projects that can be completed by year end 2021. This action is required to ensure the timely reconciliation of the CIF's financial assets and disbursement of surplus funds prior to transition of the first group of municipalities out of the BBP.

On December 31, 2023, the CIF would cease public operations and initiate a final administrative windup of the Fund in 2024 with the expectation that such activities would be completed by no later than June 30, 2024. Any unspent funds, or funds generated from the sale of assets, would then be disbursed in the same manner as the surplus funds noted above. Table 3 outlines a timeline for the planned windup of the CIF along with key milestones and activities the CIF would undertake in the interim.

Table 3: CIF Windup Timeline

Task	2020				2021				2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Legislative Considerations																				
BBPP																				
SO submission of BBPP WUP to RPRA																				
RPRA approval of SO BBPP WUP																				
CIF Operations																				
Provision of new grants																				
CIF Strategic Plan (as amended)																				
CIF project Closures																				
Program & transition support																				
Administrative Tasks																				
Transfer of CIF funds to AMO																				
First transfer of surplus CIF funds to municipalities																				
Financial reconciliation																				
Submission of audited financial summary of CIF account																				
Second transfer of surplus CIF funds to municipalities																				
Closure of CIF to the public																				
Administrative windup																				
CIF termination																				

Section 5: Windup Considerations

The Minister's direction to RPRA requires that the CIF end operations "as soon as practical" and before December 31, 2025. There are, however, several issues to be considered in determining an appropriate response to this directive. The CIF has contractual, legal and financial obligations associated with active grants, contracted services and staff amongst other aspects of its operations that would, at the very least, need to be addressed before operations end. Additionally, stakeholders have expressed certain expectations associated with delivery of CIF services in the coming years.

Regulatory Considerations

The Minister's direction to SO requires that they submit their proposed windup plan for the BBPP to RPRA by no later than August 31, 2020 after which RPRA will have until no later than December 31, 2020 to review the plan and approve it. The obligation to operate the CIF is a requirement of Section 6.6 of the BBPP and any proposed plans to windup the BBP will need to consider Section 6.6 and the end of the CIF. With this fact in mind, on September 12, 2019, RPRA requested that CIF Committee submit recommendations by year end 2019 for the windup of the Fund.

Subsection 14 (13) of the WDTA also requires IFOs consult with affected stakeholders in the course of developing a program's windup plan. Thus, any final decision on the windup of the CIF and its activities in the interim will also be subject to public input and final approval by RPRA. Recognizing that a decision on the direction of the CIF is not expected until year end 2020, the Fund can be expected to continue operations until then in accordance with its current strategic plan, along with any supplemental direction it receives from CIF Committee and RPRA, provided such activities do not run contrary to the Minister's directives.

Legal and Financial Considerations

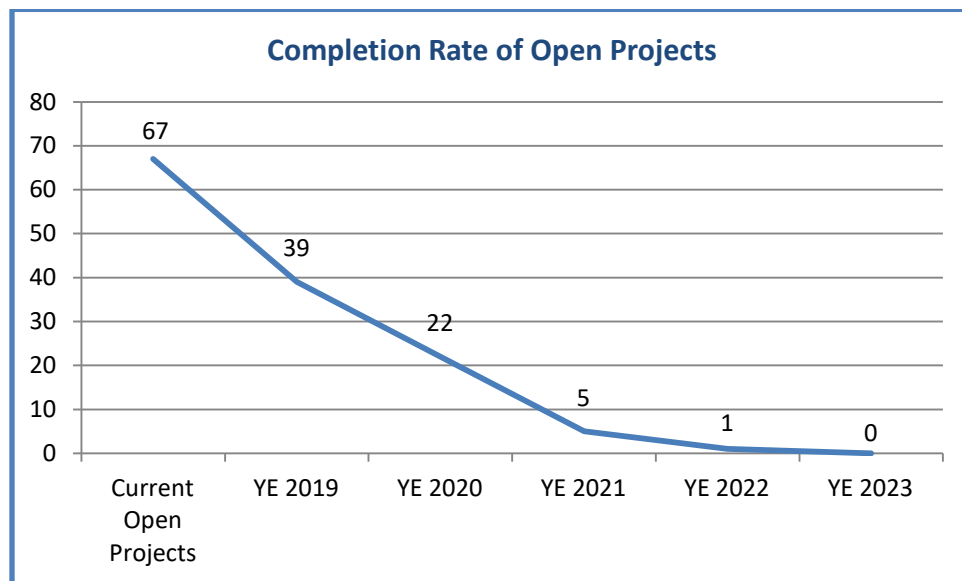
As of the date of publication of this document, the CIF had a total of 67 open projects to which it has made financial and/or resource commitments. These projects can be categorized into a) active grants awarded to various stakeholders and b) CIF-led projects, activities and research. The combined value of the funds committed to these projects is approximately \$7.56M.

Active (open) grants are typically executed contracts and cannot be broken without legal consequences. Many involve work that extends over several years. CIF-led projects and initiatives often include contractual agreements with various service providers to undertake a range of consulting work but typically involve short term (e.g., one year) contracts that could be

terminated with due notice and without completion of the full scope of work subject to the terms of the contracted services. While early termination of such work is possible, the projects typically represent public commitments made by the CIF to stakeholders to undertake requested priority initiatives. A decision to terminate such services, or failure to complete the requested research, could have a negative impact on the reputation of the Fund and its partners.

As shown in Chart 3, the majority of open projects will be completed by year end 2021 assuming no slippage in work schedules. It is, however, common for projects to encounter delays in their completion and consideration should be given to ensuring sufficient time is provided to allow for the full completion of these financial obligations prior to windup of the CIF. It should also be noted that there is one open grant which is not expected to be completed prior to 2023 because it involves a major capital construction project that has encountered significant delays due to a number of associated governmental approvals. Should the CIF be wound up prior to year end 2023, alternative arrangements may need to be made to administer this project through to completion.

Chart 3: Completion Rate of Open Projects



As CIF staff are contract employees typically operating under multi-year contracts and the CIF procures a number of administrative services under similar contract terms, consideration will need to be given to the appropriate management of these contracts.

The CIF is a committee of RPRA and not a legal entity. As such, no additional action is required under WDTA regulations or the Corporations Act to dissolve or terminate the Fund.

Stakeholder Expectations

The CIF completed an extensive stakeholder engagement process in 2018/2019 as part of the development of its current strategic plan. During the discussion, it became apparent that the majority of municipal stakeholders had a preference for CIF to continue operations until the transition of the BBP occurred with a focus on aiding them to prepare and successfully transition their individual programs. They supported continued provision of existing support services until they had transitioned out of the BBP but as a lower priority. There was also broad support to conservatively spend funds on identified priorities while keeping a portion of the remaining funding in reserve. Stakeholders were also clear that the role of the CIF should be revisited when more detail about the province's plans to transition the BBPP were known.

At the time, stakeholders envisioned focusing the CIF on efforts that supported collective benefits rather than on continued funding of individual municipal initiatives. The plan placed a distinct emphasis on the development and provision of initiatives that: prepared municipalities for program transition, aided in stabilizing and developing sustainable markets for Ontario's Blue Box materials, and continued to improve the effectiveness and efficiency of the existing program at a collective level. Continued provision of existing knowledge-sharing services was supported to assist municipalities with day-to-day decision making and longer term planning. Funding for individual municipal initiatives was to 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.

Recent consultation with, and requests for service by, stakeholders suggests these priorities remain largely unchanged with the exception that there is limited support amongst municipalities for the provision of grants to individual municipalities. Accommodating these needs would necessitate continued operation of the CIF through to the end of 2022, and possibly through to the end of 2025, with a transition-focused scope of services. While many of the transitional support services requested to date by municipalities are consistent with the existing mandate of the CIF, it may be necessary to amend the Fund's mandate to fully accommodate the needs of municipal stakeholders.

Some stakeholders are also of the view that CIF is obligated to continue to fulfill its mandate until the current BBPP is wound up or amended, while others wish to see the CIF, or a similar

organization, continue through transition using the remaining funds under a new mandate. The Minister's direction to RPRA and SO includes an expectation that transition of the BBP will not cause a disruption of Blue Box services and that service levels will be maintained prior to transition. Such views will need to be balanced against the Minister's overall intent to wind up the BBPP and CIF and transition the Program in a timely manner. Fulfillment of the CIF's existing mandate, as well as achieving the goals and objectives of its stakeholders and the Minister's direction to RPRA and SO, can still be accomplished through an appropriate amendment of the CIF's strategic plan as noted in Section 6.

Recognizing the varying views of stakeholders and the fact that some wished to revisit the focus of the Fund once the province's transition plans were announced, it will be important for both SO and RPRA to consult broadly on these issues as part of their development of a windup plan for the BBPP.

Financial Considerations

The CIF's last funding contribution was \$4.2 million provided in 2016. It will not receive additional funds in future years in accordance with the Minister's directives to RPRA and SO that the CIF "shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025". The CIF's net assets are projected to be sufficient to maintain the Fund's operations through to year end 2025 should there be a need to do so, provided there are no other major and unanticipated draws against the Fund during that timeframe. The CIF forecasts having sufficient funds following the resolution of all financial obligations and planned disbursements of funds to continue operations to as late as year end 2025 should there be a desire to do so.

Section 6: CIF Operations During Windup

The CIF's strategic plan reflected the view of stakeholders prior to the Minister's announcement of the Province's intention to transition the BBPP. Since the Province's announcement, municipal stakeholders have been increasingly clear that they wish to see the CIF intensify its focus on transitional support for municipalities that are preparing to transition and continue program support for municipalities operating programs in the interim. They prioritized collaborative CIF projects of collective benefit to Ontario municipalities and First Nations for transition planning, analysis and reporting. Additional focus on smaller municipalities and/or groups of municipalities to help them prepare was also recommended. Use of CIF funds for practical research and transition readiness projects of a collective benefit, including projects that examine broader and interconnected waste diversion, was supported. There is only limited support, and in some cases strong opposition, amongst municipal stakeholders for the continued provision of grants to individual municipalities.

With this view in mind, the CIF proposes to continue to operate in accordance with the current strategic plan until SO's WUP is approved but with the recognition that during this period:

- It will not engage in actions that run contrary to the Minister's intent to end operations as soon as practical;
- Emphasis will be placed on provision of transitional support;
- Provision of existing program support will continue through the CIF's Centre of Excellence as a lower priority;
- Grants will only be offered where there is a collective benefit and the work can be completed by December 31, 2021, or such other date that does not impede the timely windup of the Fund; and
- CIF led projects will only be undertaken where there is a collective benefit and the work can be completed prior to year end 2023, or such other date that does not impede the timely windup of the Fund.

The CIF's [2020 Operations Plan](#) has been developed to be consistent with these recommendations. It proposes to continue with implementation of the current strategic plan and in accordance with its current mandate while SO develops the windup plan for the Program. The 2020 Operations Plan includes provisions to allow for mid-year amendments to accommodate any new direction from RPRA the CIF might receive in 2020 or as a result of acceptance of SO's BBPP WUP. This includes provisions such as limiting grant and project funding opportunities to strict timelines to ensure windup of the CIF will not be impeded.

Recognizing the legal obligations and identified stakeholder priorities, the CIF will:

- Cease provision of grants as of September 30, 2021;
- Continue delivery of transitional and program support services with emphasis being placed on transitional support activities up until December 31, 2023; and
- Cease public operations on December 31, 2023 and initiate a windup of its operations in 2024 with an expectation that such activities will be completed by no later than June 30, 2024.

This approach would allow for the timely completion of all but one of the CIF's open grants before the CIF disburses its surplus funds. It also meets the needs of stakeholders that wish to see the CIF continue to provide transitional and program support services prior to transition. Continued provision of grants beyond September 30, 2021 to stakeholders is not recommended because of the potential for grant timelines to encounter slippage and inadvertently delay the windup of the CIF, create stranded assets or otherwise breach the Minister's direction to avoid program service level changes.

It also ensures that current program performance and accessibility is maintained, and that the CIF continues to provide needed services for stakeholders without disruption until transition of the BBPP has been initiated. In the view of the CIF, these recommendations are consistent with the Minister's directions related to the windup of the CIF and the Program.

Strategic Priorities After Approval of the BBPP Windup Plan

The following strategic priorities will serve as the basis for future CIF operations until the Fund is wound up. They integrate previously approved priorities found in the CIF's current strategic plan with the current desires of the CIF's stakeholders. Provision of grants to individual municipalities would no longer be offered after 2021 although it is possible one or more municipalities might be approached to pilot new support services developed by CIF.

Recognizing the recent feedback and varying needs of stakeholders, the strategic priorities selected from the CIF's strategic plan which warrant continued support as the Fund prepares for windup have been organized into "transitional support" and "program support" services.

Transitional Support

Transitional support services, as set out below, are intended to reflect the interest of stakeholders seeking to direct funding towards initiatives that prepare municipalities for transition of the BBPP. They are of a largely collective nature and deliver results of broad benefit to programs across the province. They include:

Support for transition to IPR:

This priority would include provision of collective assistance to municipalities in preparing to transition their programs to Individual Producer Responsibility (IPR). It includes activities such as researching the operational and financial implications of IPR schemes, cost modeling, contract/RFP/tender support, assistance with asset valuations (e.g. MRF, depot, transfer station, fleet), and assistance with program and asset planning decisions. It also includes the provision of outreach and communications activities by the CIF to ensure municipalities are fully informed and aware of steps they must take to prepare for transition.

Waste composition studies and data analysis activities:

This priority includes the continued collection and analysis of data to aid stakeholders in understanding the implications of the new regulations on integrated waste management systems both before, and during, transition.

Performance case analytics and better practices research:

This priority includes the development of standard forms, calculations/formulae, templates, policies, cost models etc. for use by program operators seeking to understand the effectiveness and efficiency of their current operations as well as the potential competitiveness of their operations after transition. This priority will also include action to encourage and support municipalities to divert more packaging and printed paper in an effort to meet future performance expectations in an IPR system.

Program Support

Program support services, as set out below, are intended to aid individual and groups of municipalities seeking to maintain and/or improve their individual program's performance while they await the opportunity to transition. They focus on the provision of knowledge sharing services through the CIF's Centre of Excellence. They include:

Procurement and contract management support services:

Years 2018 and 2019 to date saw an unprecedented demand from municipalities for assistance in dealing with service procurement and contract management issues as a result of current economic and market conditions. CIF staff will continue to provide general guidance and assistance.

Market research and development:

While the development of stable markets for recyclables will become the responsibility of producers under IPR, many municipalities will remain invested in marketing decisions for the

foreseeable future. It is, therefore, in the best interest of all stakeholders to continue exploring options to stabilize and/or develop sustainable domestic materials markets until such time as the BBP is transitioned.

New collection and processing technologies research and development:

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 until they are transitioned. The CIF will conduct objective third party analyses of new technologies to aid municipalities in making informed decisions.

Working groups:

The CIF operates several ad hoc working groups through which information of broad benefit is developed and shared amongst program operators. The CIF-managed forums would continue to support program operator staff with updated solutions to operations issues as they arise until such time as their programs transition.

Training, online resources and general guidance:

Providing knowledge sharing assistance to program operators to locate resources and develop program policies appropriate for individual circumstances will remain an important part of the CIF's services. Existing resources will continue to be offered to ensure program performance is maintained until municipal programs are transitioned.

Governance During Windup

As the CIF prepares to windup its traditional grant-based operations, it is proposed that the organization's governance model be amended to meet its changing needs. Governance over the CIF during windup of the Fund is expected to be required to:

- Ensure the CIF is wound up in accordance with its approved WUP;
- Provide administrative oversight over the closure of active grants; and
- Provide oversight of the development and delivery of the transitional and program support services through to closure of the Fund.

It is proposed that two committees be struck. The current CIF Committee will be replaced by a CIF Transition Services Committee (TSC) whose primary responsibility will be to develop an annual budget for CIF transitional and program support services and provide oversight over the delivery of those services. A new committee (CIF Windup Committee or WUC) will be struck with overall responsibility for ensuring compliance with the CIF WUP. The WUC will have responsibility for reviewing the TSC's annual operating budget to ensure compliance with

the CIF WUP and recommending it to RPRA for final approval along with a WUC annual operating budget. The WUC will also have administrative responsibility for management of the CIF's active grants through to completion. The TSC would operate independent of the WUC and only interface with the WUC for the purposes of ensuring compliance with the CIF WUP. RPRA would retain authority over both committees.

The following structure is proposed for the TSC:

- One representative from RPRA as non-voting chair
- One voting representative from AMO
- One voting representative from Toronto
- Two voting municipal representatives as selected by AMO in consultation with Toronto
- CIF Director (non-voting)
- Committee Secretary (non-voting)

The following structure is proposed for the WUC:

- One representative from RPRA as non-voting chair
- One voting representative from Toronto
- One voting representative from AMO
- One voting representative from SO
- CIF Director (non-voting)
- Committee Secretary (non-voting)

Decision making by both committees will be by unanimous voting and committee members will be allowed to bring support staff to meetings as required. Implementation of the new governance model is proposed to take effect in 2021 subject to the successful gazetting of the new Blue Box regulation(s).

Section 7: CIF Windup Plan

Consultation on the CIF's Windup Plan

Any discussion about the future of the CIF is expected to be subject to public consultation as part of the development of SO's WUP for the BBPP and RPRA's subsequent approval of that plan. Thus, ratification of this plan will be subject to that process and the associated timeline.

In addition to SO's obligations to consult on the development of its windup plan, the CIF will have several opportunities to engage with stakeholders between now and the point at which SO must submit its windup plan (i.e., August 31, 2020). The CIF will share the results of those discussions with SO to facilitate development of the BBPP WUP. The primary opportunity is expected to be when the CIF undertakes its annual outreach sessions and conference. CIF staff will use these, and other, events to inform stakeholders of its windup recommendations. Additionally, the CIF will work with RPRA and SO to post relevant information to the CIF's website and circulate news bulletins to subscribers to ensure interested parties are kept abreast of the impending changes.

Financial Reconciliation and Administrative Windup

Financial reconciliation and administrative windup of the Fund will require a coordinated series of actions between CIF, SO and RPRA staff working in cooperation with the Fund partners.

It is proposed that \$3.7 million in unallocated funds be transferred to AMO between 2020 and 2025 for the continued operation of the Municipal Collective Transition Fund (MCTF). The MCTF will be funded, as required, based on the municipal collective transition work needed, supported by work plans and internal management controls, and will be subject to RPRA approval and oversight. MCTF funding requests are, and will be, determined by AMO and the City of Toronto's understanding of the necessary municipal collective transition work for the upcoming year, developed in consultation with the Regional Public Works Commissioners of Ontario (RPWCO) and the Municipal Waste Association (MWA). It is expected that MCTF funding requests to RPRA will be submitted annually. Bi-annual MCTF financial statements will be shared with RPRA, the City of Toronto and the RPWCO and MWA executive officers. The proposed total includes up to \$2.7 million to be transferred over 2020, 2021 and 2022 for pre and beginning transition phases. Additionally, up to \$800,000 will be transferred in 2023 for operations between 2023 and 2025. Lastly, an MCTF wind-up contingency fund of \$200,000 will be held in a separate reserve to allow close-off if the transition process goes other than to

plan and the MCTF work needs to be wound up within a six-month period. Additionally, it is proposed that up to \$3 million of unallocated CIF funds be disbursed, in accordance with S6.6 of the BBPP, to municipalities in 2021.

During the first six months of 2022, the CIF, in cooperation with SO, will initiate a financial reconciliation of the Fund and provide a consolidated financial statement to RPRA by September 30, 2022 which will include a budget for program operations in 2023 and for the final administrative windup of the Fund in 2024. Any surplus funds, other than those set aside for operations in 2023 and to undertake the windup of the Fund, can then be disbursed in accordance with Section 6.6 of the BBPP or as otherwise directed by RPRA. This timeframe will allow for the completion of the remaining approved projects except for one (projected to close by year end 2023) and provide CIF staff with sufficient time to receive and reconcile any related invoices or claims from grantees. It will, however, still allow for disbursement of surplus funds prior to the first municipalities transitioning out of the BBPP in 2023.

Following the reconciliation of CIF's account by SO, SO will undertake the proposed second disbursement of the surplus funds, less those set aside for operations in 2023 and those to undertake the administrative windup of the Fund in 2024. After the final windup of operations and after all accounts are settled, any unspent portion of the budget allocated for 2023-2024 would be disbursed to municipalities in the same manner as the surplus funds.

Following public closure of the Fund on December 31, 2023, it is estimated that it will take approximately four to six months to resolve remaining operational, financial and legal obligations. CIF staff will work with SO and RPRA staff during that period to resolve the CIF's final financial and legal obligations and undertake the steps necessary to liquidate remaining assets and finalize plans for the transfer of remaining monies. Throughout the process, the CIF will communicate regularly with RPRA staff to keep them apprised of progress towards implementation of key windup tasks and ensure that windup activities are completed in accordance with the approved Program WUP. CIF staff will provide RPRA with regular updates of the CIF's financial and budgetary forecasts starting in September of 2023 to ensure consistency with the approved windup budget and early identification of any issues or adjustments necessary in relation to the windup of the CIF. The CIF will engage an independent program manager who will focus solely on implementation of the windup and work with relevant CIF, SO and RPRA staff to ensure the windup of the Fund is completed in accordance with SO's Program WUP and any other relevant direction given to CIF.

Stakeholder Communications Prior to and During Windup

Upon approval of SO's Program WUP by RPRA in December 2020, the CIF will issue a notification of RPRA's approval of the BBPP WUP to its e-news service subscribers. The approved windup schedule and other details of SO's WUP will be shared with Fund stakeholders through one or more bulletins distributed to the CIF's mailing list and posted to the CIF website. Follow-up notifications will be circulated to specific stakeholders, such as grantees, and other program partners affected by the windup of the Fund. These notices will provide key steps specific to their circumstances to ensure an orderly closure of the Fund to the public on December 31, 2023.

Key Dates

The following are important dates in the windup of the CIF:

- August 31, 2020: Date by which SO must submit its proposed Windup Plan for the BBPP to RPRA;
- December 31, 2020: Date by which RPRA must approve a Windup Plan for the BBPP;
- September 30, 2022: Proposed date for submission of an audited financial summary of CIF's account by SO;
- December 31, 2023: Proposed termination date for CIF operations; and
- June 30, 2024: Proposed date for the completion of CIF administrative windup.

Liquidation and Transfer of CIF Assets

The CIF has a range of financial, physical and intellectual assets which must be disbursed as part of the CIF's administrative windup.

Financial Assets

The CIF's monies are held in trust by SO and consist of cash and short-term investments. It is expected that all grants will be completed by the end of 2021 with the exception of one. With this expectation in mind, SO will be in a position to reconcile the CIF's account in 2022 and disburse surplus funds by year end 2022. Sufficient funds will need to be held back to pay out the remaining open project(s), cover the operating budget for 2023 and the administrative windup of the Fund in 2024. Any unspent funds remaining after the windup of the Fund would be disbursed in the same manner as the projected surplus.

Physical Assets

The CIF has a small number of physical assets such as laptops, cell phones and projectors, none of which are expected to have any residual book value by the time the Fund is completed.

None the less, the CIF will make best efforts to sell these assets at fair value with the proceeds being disbursed to municipalities in the same manner as the projected surplus.

Data and Intellectual Assets

The CIF is expected to have completed about 750 projects by the time it winds up. Project deliverables, such as a report, are typically posted to the CIF's website for public use. The deliverable may take the form of training curricula, models and other materials that are similarly posted to the CIF website. In cases where there is no tangible deliverable (e.g., delivery of a workshop), the project file will contain a project synopsis or appropriate output indicating the outcome of the initiative.

Records associated with CIF projects and initiatives are stored electronically on a commercial service known as 'Sharefile' with relevant project and financial records also stored in hard copy format as a backup. SO has primary responsibility for maintaining the CIF's financial records and both SO and RPRA receive copies of all executed grants over \$50,000. Physical and electronic copies of all CIF records are managed in accordance with the CIF's Records Retention Policy.

As CIF is a committee of RPRA, and in accordance with the original MOA under which the CIF was created, all intellectual property produced by the CIF is the property of RPRA. As part of the administrative windup of the CIF, an inventory of CIF projects will be provided to RPRA summarizing the project details, financials and deliverables. Access to the CIF's records on 'Sharefile' will also be transferred to RPRA along with its hard copy records. Branded services offered by the CIF, such as production of the "CIF Price Sheet", workshops and training resources will be terminated as part of the CIF windup. The CIF Price Sheet, however, will be maintained until transition of the Blue Box Program is completed provided sufficient data is available to support production of the CIF Price Sheet. The associated assets, including course curricula, and the CIF's website (www.thecif.ca) and content will be transferred to RPRA, along with ownership of the assets, as part of the Fund's administrative windup. The CIF will work with RPRA, SO and other stakeholders to determine the appropriate process to ensure this information is made equally available to interested parties while the CIF is wound up and to determine the best public use of these assets thereafter, subject to confidentiality limitations.

CIF staff and contractors have signed non-disclosure agreements, in accordance with CIF policy, which require that they protect all commercially sensitive and confidential information to which they have access. CIF staff and contractors operating on behalf of the CIF during windup will be directed to destroy any duplicate records in their possession prior to



termination of their work for the CIF. They will also be reminded of their ongoing obligations to protect such information after the windup of the CIF. Under Section 70 of the WDTA and Section 57 of the RRCEA, RPRA is required to treat information in its possession as confidential unless that information is required to be made public under the statutes. CIF will identify any confidential or commercially sensitive data transferred to RPRA and take measures to ensure that data is supplied in confidence.

Service Provider Contracts

The timeline proposed for the windup of the CIF provides sufficient time for the Fund to give all its service providers, including contract staff and subscription services, reasonable notice of its intent to terminate associated contracts and services. At a minimum, contractors will be given six months notice of contract terminations.

Human Resources

The CIF does not have employees. The Fund uses temporary full and part-time contract staff to provide administrative support. Temporary full-time staffs hired through AMO have provisions in their contracts to allow for payment of severance as a result of contract termination. These potential costs are included in windup budget forecasts. Budget for additional staff that may be required to manage the administrative activities anticipated to occur during windup has also been built into the windup budget forecast as shown in Table 5 - CIF Projected Expenditures (2020-2024).

Section 8: Financial Forecast and Windup Budget

A summary of the CIF's current financial statement, as supplied by SO, is provided in Table 4.

Table 4: CIF Financial Statement (2015-2019)

Income Sources	Year ended Dec. 31, 2015 (Actual)	Year ended Dec. 31, 2016 (Actual)	Year ended Dec. 31, 2017 (Actual)	Year ended Dec. 31, 2018 (Actual)	Year ended Dec. 31, 2019 (Actual)
Cash forward	\$29,216,829	\$28,011,710	\$27,284,448	23,305,487	\$19,807,154
Municipal contributions	\$2,837,114	\$3,153,473	\$1,062,951	\$23,993	\$3,122
Interest	\$153,945	\$148,955	\$260,951	\$433,617	\$412,493
Other		\$19,706	\$40,336		
Total Income	\$32,207,888	\$31,333,499	\$28,648,686	\$23,763,097	\$20,222,769
Expenditures					
Administration	\$543,480	\$430,637	\$455,265	\$428,944	\$537,687
AMO Admin Reserve Balance	\$22,646	\$32,853	\$47,306	(\$64,168)	(\$74,858)
RPRA Expensed		\$27,408	\$10,724	\$2,648	\$21,808
Project Support	\$193,560	\$120,230	\$187,025	\$162,011	\$97,772
Best Practices	\$2,619,147	\$2,758,756	\$3,432,739	\$1,841,134	\$923,616
Centre of Excellence	\$335,768	\$601,028	\$782,794	\$750,374	\$1,163,469
AMO & MCTF Transfers	\$500,000		\$427,346	\$835,000	\$0.00
Rideau Lake Loan	\$14,924	\$45,137			
Total Expenditures	\$4,229,525	\$4,016,049	\$5,343,199	\$3,955,944	\$2,669,494
Accruals	\$33,347	(\$33,347)			
Year End Fund Balance	\$28,011,710	\$27,284,448	\$23,305,487	\$19,807,154	\$17,553,275



Liabilities

The CIF currently has a total of 67 approved grants and projects under development. Combined they represent an outstanding commitment of \$7,555,448. These projects are expected to be fully completed, except for one, by year end 2021 and fully reconciled by mid-2022.

The CIF does not carry debt nor does it anticipate any need to source additional funding over the windup period.

Revenue

The CIF will not receive additional funds in future years in accordance with the Minister's directives but anticipates receiving ongoing revenue in the form of investment income and late penalty fees paid by municipalities associated with their submission to the annual RPRA datacall process.

Reserves

As of December 31, 2019, the CIF has a total projected reserve fund balance of \$11,793,742. Table 5 outlines projected operation estimates from 2020-2024 and the related impact on CIF reserves. At the December 11, 2019 CIF Committee meeting, AMO made a request of CIF to provide additional funding to the Municipal Collective Transition Fund (MCTF) totaling \$3.7 million. Additionally, it is proposed that surplus funds be disbursed to municipalities starting with up to \$3 million in 2021 as shown in Table 5.

Table 5: CIF Projected Expenditures (2020-2024)

Projected Expenditures					
	2020	2021	2022	2023	2024
Balance Forward	\$11,793,742	\$9,519,722	\$3,945,691	\$1,907,544	\$350,961
Total Revenue	\$404,212	\$326,274	\$135,233	\$65,378	\$12,029
Grants & Projects	(\$875,790)	(\$250,000)	(\$150,000)	(\$100,000)	(\$00)
C of E	(\$72,090)	(\$175,000)	(\$175,000)	(\$160,000)	(\$00)
MCTF	(\$1,000,000)	(\$1,700,000)		(\$800,000)	(\$200,000)*
Municipal Transfer		(\$3,000,000)	(\$1,176,874)**		(TBD)
Administration	(\$730,352)	(\$775,305)	(\$671,506)	(\$561,961)	(\$162,990)
Fund Balance YE	\$9,519,722	\$3,945,691	\$1,907,544	\$350,961	\$00

* MCTF windup reserve of \$200,000 expected to be used after 2024

** Preliminary estimate subject to the results of the planned financial reconciliation in 2022

The CIF reserve fund balance is calculated by beginning with the prior year ending reserve and adding the current year operating surplus or deficit to arrive at the ending year reserve. Estimates of operating surpluses or deficits are based on assumptions made in the CIF financial forecast and budget.

Reserve Fund Management Plan

CIF reserves are managed by SO and consist of short-term conservative investments which are drawn down as required to finance the Fund's annual operation. Sufficient funds are projected to be available to meet the needs of the Fund through to its windup.

Tax Requirements

CIF is not a legal entity and therefore not required to file a CRA tax return or remit HST.

Employee Source Deductions

Full time CIF staffs are hired under contract through AMO. Employee source deductions are managed by AMO and all related financial obligations are included in the CIF windup financial forecast, see Table 5 - CIF Projected Expenditures (2020-2024).



Fund Restrictions

In the policy direction letter issued by the Minister on August 15, 2019 to RPRA was direction that the CIF receive no additional funds. The Fund is not subject to any additional restrictions other than the spending parameters set out in its operating plan and policies.

Transfer of Surplus Funds

Following the resolution of all financial obligations after program termination, the CIF forecasts having surplus funds after its planned windup in 2024, see Table 5 - CIF Projected Expenditures (2020-2024). The CIF will undertake a financial reconciliation of its operations in 2022 and transfer surplus funds as outlined in this plan, excluding those set aside for operations in 2023 and windup administration in 2024. It will transfer any unspent operating funds, or funds generated from the sale of assets, in the same manner upon termination of the Fund in 2024.

Section 9: Risk

Ongoing Litigation

The CIF has no ongoing litigation at the time of publication of this report nor is there any reason to anticipate any based on current operations.

Legal Risks During Windup

The CIF anticipates having sufficient funds to cover any unforeseen litigation arising from CIF activities prior to the planned transfer of surplus funds in 2022. CIF activities in the remaining years of operation are expected to have limited risk and litigation arising from such activities would be covered under RPRA's indemnification agreement with AMO (Appendix D).

Mitigation of Legal Risks

Any legal claims or actions that arise during program windup will be managed as required following current policies and procedures. The CIF does not anticipate that there will be the need to procure insurance or set aside a contingency budget to address legal issues as part of its windup plans.

Contractual Risk

Provided sufficient notice is given, contracts with CIF staff and independent contractors will end within the projected windup timelines and not generate additional termination costs. Where required, the CIF will give proper notice of contractual terminations in relation to all commercial agreements or contracts in a manner that meets or exceeds those contractual provisions. All anticipated costs associated with existing executed and anticipated contracts and contractual work have been factored into the budgetary forecasts included in Table 5 - CIF Projected Expenditures (2020-2024).

Public Perception Risks

During the CIF's strategic plan public consultation, it became clear that staff in rural municipalities and frontline staff of regional and county governments have a strong desire to see the CIF maintain program and transitional support services through to the end of transition of the BBPP. Senior regional government staff were more interested in seeing the CIF provide transitional support up until the point at which transition of the BBP begins and possibly into the first year of transition.



This windup plan is designed to provide stakeholders with services consistent with its strategic plan prior to approval of SO's WUP followed by appropriate levels of transitional and program support until the Fund winds up. This strategy is expected to meet the varying needs of stakeholders and minimize concerns about the windup of the Fund.

Conflict of Interest

SO has already taken steps, approved by RPRA, to address any conflict of interest associated with its continued management of the CIF during the windup of the BBPP. The continued involvement of AMO, Toronto and RPRA on CIF Committee is not expected to present a conflict of interest in the operation of the CIF during its windup. No other conflicts of interest are known or expected.



Contact Us

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Continuous Improvement Fund
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Appendix A: Minister Stockwell's Program Request Letter

Ministry
of the
Environment

Office of the Minister

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Tel (416) 314-6790
Fax (416) 314-6748

September 23, 2002

Ministère
de
l'Environnement

Bureau du ministre

135, avenue St. Clair ouest
12^e étage
Toronto ON M4V 1P5
Tél (416) 314-6790
Téléc (416) 314-6748



Mr. Tim Moore, Chair,
Waste Diversion Ontario

Dear Mr. Moore:

I am pleased to write to the Board of Directors of Waste Diversion Ontario (WDO) regarding three important initiatives under the *Waste Diversion Act, 2002*.

Subsection 6(1) of the *Act* allows for the Minister to serve notice that an operating agreement between the Minister and WDO is required. Please consider this letter as my notice. I have attached a draft of the agreement to initiate our discussions and ask that you work with the Ministry's member of the Board, Keith West, to finalize the agreement. The agreement should be ready for our signatures by the end of December 2002.

I am also pleased to attach the final regulation designating blue box waste under the *Act*. Pursuant to subsection 23(1) of the *Act*, I am requiring that WDO develop a waste diversion program for blue box waste in co-operation with an industry funding organization to be incorporated under Part III of the *Corporations Act* for the purpose of the program. I would ask that the program be submitted for my approval by February 28, 2003. An addendum to this letter provides additional areas to be addressed in the proposed program submission.

I am also requesting that WDO allocate the \$4 million from the LCBO that is now available for direct payment to municipalities to cover their 2002 costs associated with glass beverage alcohol containers recovered through the blue box program. I would ask that this funding be provided to municipalities by the end of November 2002 using the formula and approach used over the past four years of the LCBO glass funding program. An audited statement concerning the municipal allocations should be submitted to the LCBO and the Ministry once the funding is complete.

Finally, I am pleased to confirm that \$1 million in funding is being provided through the LCBO to cover start up costs of WDO. A formal motion from the WDO Board to the LCBO requesting the funds is required to initiate the transfer.

I look forward to the completion of these activities and I thank the Board of Directors for its continuing commitment to waste diversion in the province.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Stockwell".

Chris Stockwell

Minister
07/10 (2001)



**Addendum to the Minister's Request for
a Waste Diversion Program for
Blue Box Waste**

1. Waste Diversion Ontario (WDO) shall develop a Waste Diversion Program for Blue Box Waste (the program) in accordance with all legislative requirements of the *Waste Diversion Act, 2002* (the *Act*).
2. WDO shall submit a public consultation plan to the Minister within one month of receiving the request for the program. The plan shall describe how the consultation requirements of the *Act* will be satisfied for the program.
3. The program shall include support for all materials designated as Blue Box Waste under the *Act* and which are managed by or on behalf of Ontario municipalities.
4. The program shall support, at a minimum, all categories of wastes set out in Schedule 1 of O. Reg. 101/94 under the *Environmental Protection Act*.
5. The proposed funding rules under the program will designate and define as stewards under the program, brand owners and first importers into Ontario of products that result in blue box wastes under the program. The program will include a rule to exempt stewards under subsection 30(1)(c) of the *Act* based on de minimis criteria.
6. The program shall include targets for the overall quantity of blue box waste to be diverted under the program, and per material targets for blue box waste to be captured under the program.
7. The proposed funding rules under the program will include:
 - a. The method used to calculate the total net costs incurred by municipalities as a result of the program;
 - b. The funding formula to be used for determining payments to municipalities, including variations in costs dependant on north/south and urban/rural differences; and
 - c. 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 waste diversion.
9. The proposed funding rules under the program will account for the voluntary contribution of the Liquor Control Board of Ontario (LCBO) of \$5 million annually for calendar years 2003 through 2006, to be used for direct funding to municipalities under the program to help cover the cost of recycling glass alcohol beverage containers in municipal blue box

programs, any administrative expenses incurred by WDO and the designated IFO, and efforts to improve the effectiveness and efficiency of blue box waste diversion.

10. The proposed funding rules under the program will account for the voluntary contribution of the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA) of newspaper advertising with a value of \$1.3 million annually and, in addition, annual funds for the purpose of implementing and monitoring the advertising program and any administrative expenses incurred by WDO and the designated IFO. The program will contain a plan on how the advertising will be allocated and administered. The funding rules will also contain a formula to determine when additional funding support from newspaper members will be required should the cost of recycling newspapers become a cost to municipal blue box programs.
11. The program will include a plan, with funding provisions, outlining activities to develop and promote products that result from the program.
12. The program will include a plan, with funding provisions, outlining educational and public awareness activities to support the program.

Appendix B: MECP Policy Direction Letters

Ministry of the Environment,
Conservation and Parks

Ministère de l'Environnement,
de la Protection de la nature et des
Parcs

Office of the Minister

Bureau du ministre

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Tel.: 416-314-6790

777, rue Bay, 5^e étage
Toronto (Ontario) M7A 2J3
Tél. : 416.314.6790



357-2020-633

April 3, 2020

Ms. Robyn Collver
Chair, Stewardship Ontario
1 St Clair Avenue West, 7th Floor
Toronto ON M4V 1K6
Email: Robyn.Collver@cantire.com

Dear Ms. Collver:

Thank you for your letter of March 31, 2020 requesting an extension for Stewardship Ontario (SO) to submit the wind up plan for the Blue Box Program to the Resource Productivity and Recovery Authority (the Authority).

As noted in the direction letter to SO dated August 15, 2019, SO is required to submit the plan to wind up the Blue Box Program—including SO—to the Authority no later than June 30, 2020. However, I understand that given the current situation with the COVID-19 pandemic, SO needs more time to ensure you can undertake meaningful consultation with stakeholders.

Given these circumstances, I am writing to grant your request to extend the date for the submission of the Blue Box wind up plan to August 31, 2020. The wind up plan must still meet the direction set out in the August 15, 2019 direction letter.

Thank you again for writing.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Yurek".

Jeff Yurek
Minister of the Environment, Conservation and Parks

c: Serge Imbrogno, Deputy Minister, MECP
Glenda Gies, Chair, Resource Productivity and Recovery Authority
Frank Denton, CEO, Resource Productivity and Recovery Authority
Geoff Rathbone, Director of Transition, Resource Productivity and Recovery Authority
Charles O'Hara, Director, Resource Recovery Policy Branch, MECP

**Ministry of the Environment,
Conservation and Parks**

Office of the Minister

777 Bay Street, 5th Floor
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**Ministère de l'Environnement,
de la Protection de la nature et des
Parcs**

Bureau du ministre

777, rue Bay, 5^e étage
Toronto (Ontario) M7A 1N3
Tél. : 416.314.8790



August 15, 2019

Mr. John Coyne
Chair
Stewardship Ontario
1 St Clair Ave. West, 7th Floor
Toronto, ON M4V 1K6

Dear Mr. Coyne:

The Blue Box program has been providing Ontarians with a convenient option for collecting and recycling printed paper and packaging for many years. In recent years, it has become apparent that the growing challenges in delivering and funding the program must be addressed. After hearing from many interested parties, I believe the time has come to modernize and improve Ontario's Blue Box services by transitioning from the existing program that provides industry funding to reimburse a portion of municipalities' costs to a full producer responsibility model where industry will be responsible for both funding and operations. The transition to producer responsibility will ensure Ontarians' experience and access to existing Blue Box services will not be negatively impacted and that there are province-wide services available, including for Northern, rural and Indigenous communities.

As a necessary complementary step to transitioning to a producer responsibility model, pursuant to Section 14 of the Waste Diversion Transition Act, 2016 (WDTA) I am directing Stewardship Ontario (SO), to develop a plan in respect of the funding program for blue box materials under the WDTA (the SO Program) and for SO itself. SO must submit the plan to the Resource Productivity and Recovery Authority (the Authority) for approval no later than June 30, 2020.

This direction will begin the process by which Ontario will implement a modern, producer-operated system that will provide consistent province-wide recovery of Blue Box materials under the Resource Recovery and Circular Economy Act, 2016, and ensure there is no disruption to Blue Box services.

The development of the plan must be conducted in accordance with this direction as well as the provisions of the WDTA and its regulations, including O. Reg. 357/17.

I am directing that the plan describe a mechanism for determining the steward fees necessary to provide for payments to municipalities and First Nation communities until the time they transfer responsibility for providing Blue Box services to producers. The plan will establish criteria for a three year period in which municipalities and First Nation communities will no longer be eligible to receive funding under the SO Program, starting on January 1, 2023 and ending on December 31, 2025, which is the date that SO Program will end and the new producer responsibility framework will be fully implemented.

It is in the public interest that the plan is consistent with the following principles:

Demonstrate transparent communications and meaningful consultation

- Parties affected by the transition should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan.
- The public, Indigenous peoples and affected stakeholders, including stewards, municipalities and service providers (e.g. collectors, haulers, processors, recycled product manufacturers) will receive transparent and clear communications from SO on a regular basis during development and implementation of the plan.

Support competition and prevent conflict of interest

- The plan shall support competition in, and not adversely affect, Ontario's current and future marketplace for the collection and recovery of paper products and packaging. The plan shall not provide for unfair or preferential treatment of the public or any affected parties, or barrier to competition during or following the transition of the program.
- SO shall take all necessary steps to ensure there is no real, potential or apparent conflict of interest when developing and implementing the plan.
- SO's sharing of data and information to parties other than the Resource Productivity and Recovery Authority (the Authority) must be done through a fair, open and transparent process that does not result in preferential treatment of one person or group over another or release of any confidential information.

Demonstrate Fairness to Stewards and Protect Consumers

- The assets, liabilities, rights and obligations of SO related to the SO Program must be dealt with in a fair, open and transparent process in accordance with applicable law.
- All monies held in trust by SO related to the SO Program shall be treated appropriately in accordance with the WDTA and its regulations.

Maintain Program Performance

- There shall be no disruption in payments made by SO to a municipality or First Nation community under the SO Program until the time when that municipality or

First Nation community is no longer eligible to receive funding based on criteria established in the plan.

- Ontarians' access to and experience with the Blue Box program shall not be negatively impacted. It is my expectation that, while allowing for natural growth of Blue Box services to new residential development or redevelopment, municipalities and First Nation communities shall not reduce or expand existing levels of Blue Box services that are eligible for funding under the SO Program.

An addendum to this letter provides specific direction related to the details that SO must include in its plan for the SO Program and for SO.

The implementation of the plan shall begin on the date on which the Authority approves the plan. It is my expectation that the Authority will approve the plan no later than December 31, 2020.

It is expected that SO will engage and work cooperatively with the Authority in implementing any policy direction issued to the Authority pursuant to Section 29 of the *Resource Recovery and Circular Economy Act, 2016* (RRCEA). This includes ensuring that real, potential or apparent conflict of interest concerns have been addressed prior to and during the development of the plan.

If it is in the public interest to do so, I will provide further direction or clarification at a later date related to the matters set out in this direction.

Lastly, SO shall make publicly available on SO's website this direction letter, as well as the complementary policy direction letter issued to the Authority.

Sincerely,

Jeff Yurek
Minister

c: Mr. Serge Imbrogno, Deputy Minister, Ministry of the Environment, Conservation and Parks
Ms. Glenda Gies, Chair, Resource Productivity and Recovery Authority

Addendum to the Minister's Direction Letter for the Blue Box Waste Diversion Program and Stewardship Ontario

Stewardship Ontario (SO) is directed to develop a plan for the funding program for blue box materials (the SO Program) under the Waste Diversion Transition Act, 2016 (WDTA) and for SO itself that includes the following:

- A description of the designated wastes that are covered in the Blue Box program.
- A description of how the SO Program will be operated while the plan is being implemented, acknowledging the following:
 - The funding for municipalities and First Nation communities to participate in the SO Program shall end over a three-year period between January 1, 2023 and December 31, 2025.
 - SO's role in transferring payments to a municipality or First Nation community under the SO Program shall end on the date that obligated producers have assumed full responsibility for the collection and management of blue box materials from that municipality or First Nations community.
 - The plan shall recognize, and be responsive to, the fact that a future regulation under the *Resource Recovery and Circular Economy Act, 2016* will set the criteria and process by which municipalities and First Nation communities will transfer to full producer responsibility.
 - The calculation of the funds due to be paid to each municipality and First Nation community under the SO Program shall be proportional to the number of months in a calendar year in which the municipality or First Nation community remains under the SO Program.
 - The Continuous Improvement Fund shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025.
- A proposed timeline according to which key aspects of the plan will be implemented.
- A description of and a proposal for dealing with the assets, liabilities, rights and obligations of SO in relation to the SO Program including:
 - All monies held in trust by SO related to the SO Program pursuant to Section 35 of the WDTA.
 - An approach that outlines how SO will deal with any information technology systems related to the SO Program to ensure fair and equitable access to all users, as an alternative to disposing of these assets for fair market value.
 - Any other assets of SO related to the SO Program, including, and without limitation, any intellectual property, physical assets or real property.

- Any liabilities incurred by SO during the development and implementation of the SO Program and anticipated to be incurred during the development and implementation of the plan.
 - A detailed account of anticipated costs arising from the plan, and a detailed account of how SO will finance these costs.
 - A detailed account of how SO proposes to equitably apportion its assets, liabilities, rights and obligations among stewards of Blue Box materials.
 - The plan shall set out a proposal to deal with any residual funds after the SO Program has ended and SO has finished its final financial reconciliations for the program and organization.
- A description of all data and information that is within SO's custody or control and that is related to the operation of the SO Program since the Minister's program request letter of September 23, 2002, and a proposal for transferring all data and information to the Resource Productivity and Recovery Authority (the Authority), including:
 - The process for transferring all the data and information to the Authority within any timeframes specified by the Authority.
 - The data and information that is to be transferred to the Authority, including, but not limited to:
 - A list of all registered stewards, including their business addresses and contact information; the nature of each steward's designation under the WDTA (e.g. whether designated because the steward is a brand holder, a first importer, or other person); the type and amount of Blue Box materials supplied by the steward into the Ontario marketplace; and,
 - Other additional data and information requested by the Authority.
 - Data and information related to the SO Program that is in SO's custody or control shall not be for sale.
- A proposal for identifying confidential or personal data and information and indicating how such data and information will be supplied in confidence when transferring it to the Authority, which will assist the Authority in determining its treatment of such data and information based on applicable law and policies.
- Demonstration and documentation that any party currently having access to SO data and information only retain data that is equivalent to the information that will be shared through a fair, open and transparent process
- The procedures that SO is putting in place to ensure there is no real, potential or apparent conflict of interest in respect of the plan's development, contents or implementation. Without limiting the scope of these procedures, the plan should address:
 - Any real, potential or apparent conflict of interest in respect to SO's relationship with the Canadian Stewardship Services Alliance (CSSA)

- Any necessary steps to ensure that the CSSA does not receive preferential treatment over other potential market participants in respect of Blue Box resource recovery markets that may be created under the RRCEA.
- A description of changes to the SO Program that are anticipated to be necessary to implement the plan.

I am further directing that the plan include the following:

- A detailed report of SO's communications with affected parties and the public during the development of the plan.
- A detailed proposal for a communications plan for all affected parties and the public during the implementation of the plan, if approved, including:
 - The process by which SO will provide information to the affected parties and the public on a regular basis.
 - A description of the key steps that will be taken related to the plan and show how affected parties and the public will be affected by the transition.
- A detailed report of how SO has met the consultation requirements of subsection 14(13) of the WDTA during the development of the plan, including:
 - A list of the stewards, municipalities, Indigenous peoples, service providers and other affected parties that were consulted during the development of the plan.
 - A summary of comments received by SO from affected parties.
 - A report of how the comments were considered by SO in the development of the plan.

**Ministry of the Environment,
Conservation and Parks**

Office of the Minister

777 Bay Street, 5th Floor
Toronto ON M7A 1N3
Tel.: 416-314-6790

**Ministère de l'Environnement,
de la Protection de la nature et des
Parcs**

Bureau du ministre

777, rue Bay, 5^e étage
Toronto (Ontario) M7A 1N3
Tél. : 416.314.6790



August 15, 2019

Ms. Glenda Gies
Chair
Resource Productivity and Recovery Authority
4711 Yonge Street, Suite 408
Toronto, ON M2N 6K8

Dear Ms. Gies:

The Blue Box program has been providing Ontarians with a convenient option for collecting and recycling paper products and packaging for many years. In recent years, it has become apparent that the growing challenges in delivering and funding the program must be addressed. After hearing from many interested parties, I believe the time has come to modernize and improve Ontario's Blue Box services by transitioning from the existing program that provides industry funding to reimburse a portion of municipalities' costs to a full producer responsibility model where industry will have control of both funding and operations. The transition to producer responsibility will ensure Ontarians' experience and access to existing Blue Box services will not be negatively impacted and that there are province-wide services available, including for Northern, rural and Indigenous communities.

As a necessary complementary step to transitioning to a producer responsibility model, I have issued direction to Stewardship Ontario (SO), pursuant to Section 14 of the Waste Diversion Transition Act, 2016 (WDTA), to develop a plan in respect of the funding program for blue box materials under the WDTA (the SO Program) and for SO itself.

This direction will begin the process by which Ontario will implement a modern, producer-operated system that will provide consistent province-wide recovery of Blue Box materials under the Resource Recovery and Circular Economy Act, 2016 (RRCEA), and ensure there is no disruption to Blue Box services.

Pursuant to Section 29 of the RRCEA, I am issuing policy direction to the Resource Productivity and Recovery Authority (the Authority) with respect to its duties relating to the SO Program under the WDTA.

This policy direction is complementary to my direction letter dated August 15, 2019 to SO issued pursuant to Section 14 of the WDTA to develop a plan in respect of the SO Program and SO.

I am directing the Authority, further to its duties under the WDTA related to its oversight of the SO Program and SO; determine the amount of money required by SO to carry out its responsibilities related to the SO Program under the WDTA; and monitor the effectiveness of SO while the plan is being implemented. To undertake these duties, the Authority should conduct the following activities.

- Ensure that real, potential or apparent conflict of interest concerns have been addressed prior to and during the development of the plan.
- Review the 2020-2025 program budgets for the SO Program jointly with SO to:
 - Develop an approach to ensure sufficient funds are available in relation to the plan.
 - Review SO's proposal to apportion assets, liabilities, rights and obligations among stewards of paper products and packaging and ensure the apportionment is fair and equitable.
- Administer the Datacall, calculate the annual steward obligation, and allocate steward funding to municipalities and First Nation communities including through the administration of the Continuous Improvement Fund in such a way that reflects the following expectations and conditions:
 - While allowing for natural growth of Blue Box services to new residential development or redevelopment, municipalities shall not reduce or expand existing level of Blue Box services that are eligible for funding under the program.
 - The funding for municipalities and First Nation communities to participate in the SO Program shall end over a three-year period between January 1, 2023 and December 31, 2025.
 - SO's role in transferring payments to a municipality or First Nation community under the SO Program shall end on the date that obligated producers have assumed full responsibility for the collection and management of blue box materials from that municipality or First Nation community.
 - The plan shall recognize, and be responsive to, the fact that a future regulation under the RRCEA shall set the criteria and process by which municipalities and First Nation communities will transfer to full producer responsibility.
 - The calculation of the funds due to be paid to each municipality and First Nation community under the SO Program shall be proportional to the number of months in a calendar year in which the municipality or First Nation community remains under the SO Program.
 - The Continuous Improvement Fund shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025.

To facilitate such activities, it is expected that the Authority will obtain quarterly reports from SO within four weeks of the end of each remaining quarter in 2019-2025 regarding SO's revenues and expenditures in order for the Authority to oversee SO's development of the plan and, if approved by the Authority, the implementation of the plan.

When reviewing the plan, the Authority shall assess whether it is consistent with the direction letter issued to SO and its compliance with the WDTA and its regulations.

I also expect that the Authority will consult with representatives of municipalities, Indigenous peoples, stewards and other affected parties when assessing SO's proposed plan, as required by subsection 14(14) of the WDTA.

It is my expectation that the Authority shall approve the plan for the SO Program and SO no later than December 31, 2020.

I trust the Authority will engage with SO on an ongoing basis to ensure management of SO's affairs in accordance with the WDTA and its regulations, having regard to the plan for the SO Program and SO.

Lastly, the Authority shall make publicly available on the Authority's website my direction letter to SO as well as this policy direction letter.

Sincerely,

Jeff Yurek
Minister

c: Mr. Serge Imbrogno, Deputy Minister, Ministry of the Environment, Conservation and Parks
Mr. John Coyne, Chair, Stewardship Ontario

Appendix C: Section 6.6 of the Blue Box Program Plan

This section replaced the original section in the Blue Box Program Plan on October 17th, 2007 upon approval by the Board of Directors of Waste Diversion Ontario.

6.6 Continuous Improvement Fund

The Minister's Program Request Letter to the WDO for a Waste Diversion Program for Blue Box Wastes states 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."

WDO, AMO, City of Toronto and Stewardship Ontario have agreed to direct twenty per cent of steward's annual financial obligation to municipalities under the BBPP to a dedicated Continuous Improvement Fund (CIF) to achieve these objectives.

The goal of the CIF is to promote the adoption of best practices in Blue Box recycling programs. Preliminary objectives of the Continuous Improvement Fund, as developed by AMO, City of Toronto and Stewardship Ontario, through their participation in the Municipal-Industry Program Committee (MIPC), include but are not limited to:

- public awareness of, and greater public participation in, Blue Box recycling
- Blue Box program design as part of an integrated waste management system
- rationalized and new approaches to using existing recycling facilities and related infrastructure
- developing new infrastructure, as required
- continuous improvement and measurement
- training

Under a Memorandum of Agreement among WDO, AMO, City of Toronto and Stewardship Ontario, the parties have agreed that the power and authority to manage the CIF will rest with MIPC. MIPC will be responsible for:

- (a) Approving operating procedures including objectives and criteria for the Continuous Improvement Fund;
- (b) Final approval of expenditures from the Continuous Improvement Fund;
- (c) Recruiting staff and consultants, who shall be employed or retained, as appropriate, by Stewardship Ontario or designating Stewardship Ontario to assist with management of the Continuous Improvement Fund, it being the objective to manage the Continuous Improvement Fund in the most transparent and cost efficient manner, which would include:

- a. Ensuring that all funds received or set aside for the Continuous Improvement Fund are held in a segregated account for the benefit of the municipalities and other parties who are eligible to receive allocations of money from such fund under terms and conditions satisfactory to MIPC;
 - b. Investing unallocated funds as appropriate with all income derived therefrom being added to and forming part of the Continuous Improvement Fund;
 - c. Providing periodic reports relating to the receipts by and disbursements from the Continuous Improvement Fund, including an audited annual financial statement.
- (d) Reviewing the continuation of the Continuous Improvement Fund and the percentage of stewards' fees allocated to the fund three years after implementation of the fund;

Unspent funds in any given year will be rolled over to the subsequent year for a maximum of three years.

In administering the Continuous Improvement Fund, MIPC will strive to balance funding for continuous improvement with ensuring reasonable equality in access to funding.

The municipal representatives on MIPC may, collectively, make application to the Continuous Improvement Fund for additional staff analytical support for Blue Box Program Plan implementation issues.

Should the Continuous Improvement Fund be discontinued, remaining funds will be distributed to municipalities in a manner similar to annual Stewardship Ontario payments to municipalities for the appropriate program year.

Municipalities and other parties will be eligible to receive allocations of money from the CIF starting with the 2008 program year.

Appendix D: RPRA's Indemnification Agreement with AMO



December 8, 2015

Monika Turner
Director of Policy
Association of Municipalities of Ontario
200 University Ave., Suite 801
Toronto, Ontario M5H 3C6

Dear Monika:

I understand that the Director of the Continuous Improvement Fund (CIF) Mike Birett and a CIF Project Manager Carrie Nash are legally employed by the Association of Municipalities of Ontario (AMO) in order to participate in the Ontario Municipal Employees Retirement System Pension Plan.

This letter confirms that WDO will reimburse AMO for all reasonable direct and associated costs and expenses incurred in respect of the employment of Mr. Birett and Ms. Nash (recognizing that those two individuals continue to work solely for the CIF) and generally all expenses incurred in relation to the operation and administration of the CIF. This reimbursement obligation includes, but is not limited to, salary and benefits including bonuses, pension contributions, premiums, vacation pay, expenses, allowances, professional development and training fees, membership fees, professional dues, severance and termination costs and any other accommodation, stationery, communications, administrative or incidental costs arising out of the employment by AMO of Mr. Birett or Ms. Nash. Associated costs shall include, but are not limited to, all legal, accounting, actuarial and related professional fees incurred by AMO arising out of the negotiation and ongoing administration of its contractual relationship with Mr. Birett and Ms. Nash.

AMO will invoice WDO for such expenses on a monthly basis and WDO will reimburse all proper expenses within thirty (30) days of receipt of such invoice.

WDO's obligation to reimburse AMO is limited to amounts included in the annual CIF budget approved by WDO, or amounts otherwise approved in writing by WDO, and shall in no event exceed the balance of uncommitted funds remaining in the CIF from time to time.

Mr. Birett and Ms. Nash will have no right to present themselves to the public as representatives of WDO except as expressly authorized in writing by WDO. Furthermore, Mr. Birett and Ms. Nash shall have no authority to bind WDO contractually to any third party except as may be specifically authorized in writing by WDO.

This letter will stand unless or until a formal agreement is executed to have Stewardship Ontario reimburse AMO for all direct and associated costs incurred by AMO with respect to the employment of Mr. Birett and Ms. Nash from funds in the CIF, or until WDO has given six (6) months written notice of termination to AMO.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Scott".

Michael Scott
Chief Executive Officer

cc: Mr. David Pearce, Stewardship Ontario
Mr. Doug Thomson, Continuous Improvement Fund