

CIF Project # 1031 – City of Guelph Market Valuation of Recycling Business

This project synopsis is an excerpt from 1031 Guelph MRF Strategic Options Assessment
Final Report July 2020 by RSM Canada

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Overview

Blue Box (BB) programs in the Province of Ontario (the Province or Ontario) will be transitioning to full producer responsibility (FPR) whereby producers will be 100% responsible for the processing of printed paper and packaging (PPP) materials. Municipalities have been given a three-year period starting from January 1, 2023 and ending December 31, 2025 to transition their operations.

With the responsibility of the BB programs shifting to FPR, some municipalities are in the unique position of owning facilities whose initial use/purpose may no longer be a feasible option. The City of Guelph (the City or Guelph) owns and operates a Materials Recovery Facility (MRF) which is located within the City's integrated waste management facility – the Waste Resource Innovation Centre (WRIC). The City is currently assessing the best use for the facility post-transition.

RSM Canada (RSM) was engaged by the City to conduct the Guelph MRF Strategic Options Assessment. The key objective of the study is to provide the City with a valuation of its MRF under various scenarios and outline options for the City to strategically position itself for FPR.

Approach

RSM in conjunction with City staff undertook the following approach to identify potential alternative uses for Guelph's MRF:

- Establish the initial valuation of the MRF under the current operations;
- Develop a list of strategic options related to the use of the MRF;
- Identify a narrowed scope of options to consider for further analysis;
- Calculate the business valuation of the narrowed scope of alternative uses;

- Determine the most suitable option for the City using the Multiple Accounts Evaluation (MAE) framework established; and
- Provide recommendations as to next steps.

Strategic options

RSM developed a list of 15 strategic options for the City to consider for its MRF. Each strategic option was considered against the criteria in Table 1 to determine which options should be selected for further analysis.

Table 1: List of criteria used for short-listing

Criteria	Description
Financial	Impact to taxpayers
Risk	Uncertainty associated with the execution of option
Local Economic Impacts	Based on the impact to local jobs supported by option
Control/Service Quality	Based on the level of control and service quality municipality can maintain
Timing for Implementation	How soon can the option be implemented?
Environmental	Impact to environment e.g., diversion. Goal of carbon-neutral by 2050

Based on this assessment the strategic options were initially narrowed. The City will undergo further evaluation once the rules and allocation tables are established and approved by the Ministry of Environment, Conservation, and Parks, and any potential proposals and agreements are offered to the City by Producer Responsibility Organizations (PROs).

Multiple Account Evaluation (MAE)

Financial models were developed based on the strategic options. These options were also assessed against a MAE framework to consider factors in addition to financial considerations. The City outlined the factors they considered relevant to the assessment and assigned a percentage allocation for each account. The MAE framework developed included the following factors: financial, market risk, operating risk, implementation, local economic impact and environmental. The table below describes each of the key accounts considered in detail used in our analysis.

Table 2 – Guelph MRF MAE framework description

Account	Description
Financial (i.e., impact to taxpayers)	This is based on the results of the valuation analysis completed. Formally, the risk adjusted present value of future cash flows associated with each strategic option.
Market risk	Market risk on both a supply and demand basis. For example, supply risk in terms of material tonnages, demand risk from changes in commodity price, and/or in the demand to lease the facility.
Operating risk	Whether operations are more complex from the status quo.
Implementation	The time it will take the strategic option to be implemented. How quickly each option may be implemented.
Local economic impact	Relates to the local economic impact associated with the strategic option based on the likely number of jobs associated with implementation
Environmental	Impact to the environment in reference to the City of Guelph's goal of being carbon neutral in 2050 and the impact the strategic option will have on diversion.

The strategic options were scored against each account defined above. Each account, for each strategic option (except Financial) was required to be given a score of 1 to 5. In most cases, this was based on the consensus viewpoint of City staff. The only exception to this was the Local economic impact account, which was scored individually by all participants with the results aggregated and averaged to determine the scoring.

For more information on this study reach out to the City of Guelph.