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BLUE BOX FUNDING UPDATE

The Environmental Services Committee recommends the adoption of the recommendation contained in the following report dated December 17, 2010, from the Commissioner of Environmental Services.

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report provides an update on Waste Diversion Ontario's 2009 unverified waste diversion rate and the 2011 funding for blue box recyclables.

3. BACKGROUND

Waste Diversion Ontario calculates and publishes waste diversion rates and blue box funding allocations for municipalities

Waste Diversion Ontario, a non-crown corporation was created under the *Waste Diversion Act* to develop, implement and operate waste diversion programs for a wide range of materials and to work co-operatively with Industry Funding Organizations to develop a waste diversion plan for each class of designated waste. In 2004, Waste Diversion Ontario started distributing funds through Stewardship Ontario, based on an analysis of program costs, revenues and tonnages for over 400 participating municipalities in Ontario.

Every spring, Waste Diversion Ontario requires municipalities to report on the gross costs, revenues and tonnages for their Blue Box programs for the previous program year. This information is confirmed by Waste Diversion Ontario staff that tabulates municipal data and calculates the Reported Gross Cost, Reported Net Cost and total recovery of blue box materials for the program year. Calculations are made using confirmed data for the subsequent year's funding (i.e. information from 2009 program used as basis to calculate funding for 2011).

The data is used for a variety of purposes, two primary ones being calculation of diversion rates and the annual blue box funding allocation.

Waste diversion rate is calculated using a standardized methodology that is the quotient of the amount of material diverted from disposal (i.e. blue box, organics, municipal special and hazardous waste, recyclable material from Community Environmental Centre and Waste Diversion Ontario adjustments) divided by the total amount of material generated in the municipal waste management system. Waste Diversion Ontario adjustments are additional credits given for programs such as the Liquor Control Board of Ontario glass collection and backyard composting.

$$\text{Diversion Rate} = \frac{\text{Material Diverted + Waste Diversion Ontario adjustments}}{\text{Total Material Collected}} \times 100$$

Ontario's *Waste Diversion Act* requires all companies that introduce packaging and printed material into Ontario's consumer marketplace ("Stewards"), to pay a portion of the net cost of Ontario's municipal Blue Box waste diversion programs. In late 2002, Stewardship Ontario was formed as Ontario's first Industry Funding Organization and mandated to represent the Stewards and collect the required fees from them.

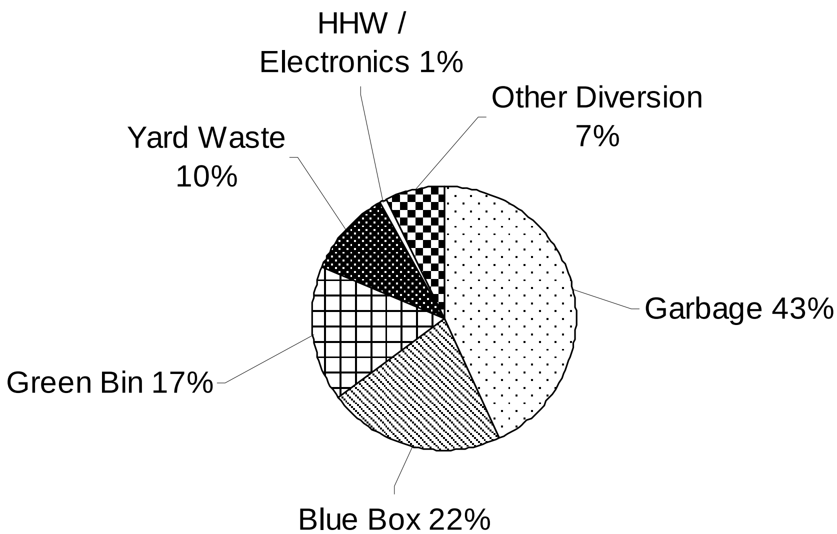
There is a lag in publication of diversion rates and the disbursement of blue box funding once data is submitted as part of the data call. The data call is initiated in the spring to collect data on the previous year. The data is compiled and analyzed by Waste Diversion Ontario and the diversion rates and funding allocations are published typically in late fall to the end of the year. The disbursement of the funding is completed for the next calendar year. This results in a two year gap i.e. 2009 funding is paid in 2011.

4. ANALYSIS AND OPTIONS

York Region's Waste Diversion Ontario diversion rate is 56.9% (unverified) for 2009

In 2009, York Region achieved an unverified diversion rate of 56.9%, verified data was not published by Waste Diversion Ontario at the time of writing. York Region has had the highest diversion rate in this category for the last three years. Residual waste garbage was the largest single component of the Region's solid waste in 2009, followed by Blue Box materials and Green Bin organics (Figure 1).

Figure 1: York Region 2009 WDO Diversion at 56.9% (unverified)



York Region above average performer among Large Urban Municipalities for blue box funding

Municipalities with higher program performance, as based on the municipality's Blue Box program 'Performance Factors', receive a higher allocation of funds. 'Performance Factors' calculate the efficiency and effectiveness of a municipal program by calculating a ratio of the program's net cost per tonne and its recycling rate. The ratio is then compared with other similar municipalities; a municipal group with a higher number of better performers relative to other groups will receive a transfer of funds from poorer performing groups. Considering all three components of the funding distribution methodology, Best Practice Questions, Performance Factors and Net Cost, municipal programs receive across Ontario between 19.2% and 52.8% of their reported net cost based on their performance.

York Region is considered an above average performer among the Large Urban grouping, placing second of six municipalities.

York Region must maintain its high performance level to secure greatest allocation of funding

In order to continue to receive the greatest allocation of funding, York Region must continue to consider and target Waste Diversion Ontario best practices in planning its annual and near-term waste management objectives.

5. FINANCIAL IMPLICATIONS

Blue Box funding for 2011 has increased 36% over 2010 funding

For 2011, the entire Blue Box program funding for Ontario municipalities was just over $81 million dollars (Table 1).

The funding model used by the Stewards is based on fifty percent of net eligible municipal blue box program costs across the Province. This amount is reduced by an equivalent or “in kind” contribution from the Canadian Newspaper Association and the Ontario Community Newspaper Association. Ten percent of the funding is also retained to fund a Continuous Improvement Fund, which provides grants and loans to municipalities to execute projects that will increase output efficiency of municipal Blue Box recycling. Remaining funds are distributed to eligible municipalities across Ontario.

Table 1

Waste Diversion Ontario Funding Model for 2009 Blue Box Program

Description	Component	Amount
Ontario Program Funding	Ontario Best Practices Cost @ 50%	$91,840,603
	Less 10% ‘Continuous Improvement Fund’ Funding	$9,013,449
	Less In-Kind Funding	$1,706,117
	Total Ontario Cash Payments	**$81,121,037**
York Region portion of Program Funding (shared 50/50 with local municipalities)	Funding contribution based on ‘Best Practice’ datacall responses	$1,415,156
	Funding contribution based on program performance measured by ‘Performance Factors’	$2,844,215
	45% contribution factor based on net program cost	$2,738,870
	Total York Region portion of Blue Box funding	**$6,998,241**

York Region and its nine municipalities will receive $6,998,241 in blue box funding based on Waste Diversion Ontario’s latest datacall submission. This is an increase of $1,879,635 (or 36%) over 2010 funding. The increase in funding reflects decreased revenue for blue box commodities due to the depressed economic market conditions experienced in 2009. As a result, the net cost to operate the blue box program in Ontario increased from last year, therefore the Stewards 50% funding obligation to municipalities increased accordingly.

York Region’s 50% share of the Blue Box Program funding goes to the Reserve Fund to fund Solid Waste Capital programs.

6. LOCAL MUNICIPAL IMPACT

The success of York Region's waste management programs, including ranking number one in Waste Diversion Ontario's Large Urban grouping over the past two years, is a direct result of collaboration with the local municipalities and a highly engaged public.

Blue Box funding shared between York Region and local municipalities

$3,499,121 will be distributed to the nine local municipalities based on their proportional net blue box operating costs (Table 2). A single program cost number is reported to Waste Diversion Ontario for York Region blue box operating costs. This overall number is calculated using data from each local municipality. Proportional net blue box operating costs are a ratio of the single York Region number and the local municipality's blue box operating costs. The method for allocation of these funds to the local municipalities was previously adopted by Regional Council on June 14, 2004, Report No. 5 of the Solid Waste Management Committee.

Table 2
Estimated Waste Diversion Ontario Funding for each Municipality

Municipality	2009 Net Operating Cost %	2010 Funding Allocation	2011 Funding Allocation Estimate
Aurora	5.84	$149,474	$204,349
East Gwillimbury	2.09	$53,477	$73,131
Georgina	4.68	$119,700	$163,759
King	2.07	$53,047	$72,432
Markham	30.03	$768,457	$1,050,786
Newmarket	8.50	$217,435	$297,425
Richmond Hill	15.94	$407,995	$557,760
Vaughan	27.33	$699,610	$956,310
Whitchurch-Stouffville	3.52	$90,136	$123,169
	100%	**$2,559,331**	**$3,499,121**

Note: total funds receivable based on 2009 Net System Costs submitted to WDO datacall, allocated by York Region based on 2010 datacall percentage of net operating costs (per Council agreement) and are estimated for 2011 fiscal year funding.

7. CONCLUSION

York Region will continue to be a leader in waste management program services and delivery to maximize funding opportunities for the Blue Box program. Using funding made available through the Stewards program greatly offsets the costs of operating York Region's Blue Box program and increases the overall cost effectiveness of diverting waste materials.

For more information on this report, please contact Laura McDowell, Director Environmental Promotion and Protection at (905) 830-4444 Ext. 5077.

The Senior Management Group has reviewed this report.