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WASTE DIVERSION ONTARIO FUNDING UPDATE

The Solid Waste Management Committee recommends the following:

1. **The recommendation contained in the following report, August 12, 2008, from the Commissioner of Environmental Services, be adopted; and**

2. **Staff be directed to write to Waste Diversion Ontario requesting information relating to the issue of in-kind contributions made by the Canadian Newspaper Association and the Ontario Community Newspaper Association.**

1. RECOMMENDATION

It is recommended that:
1. This report be received for information by Committee and Council.

2. PURPOSE

This report provides an update on Waste Diversion Ontario funding for blue box recyclables.

3. BACKGROUND

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. Stewardship Ontario was incorporated in late 2002 as Ontario's first Industry Funding Organization to represent the Stewards and collect the required fees from them.

The financial obligation of the Stewards is based on 50% of the net eligible municipal blue box program costs across the Province. This amount is reduced by an equivalent 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 (CIF), formerly the Effectiveness and Efficiency Improvement Program. The remaining "pot" of funds is then distributed to eligible municipalities across Ontario.

In 2004, Waste Diversion Ontario started distributing funding of municipal recycling programs through Stewardship Ontario under the *Waste Diversion Act 2002*. The blue box funding is based on a comparative analysis of program costs, revenues, and material tonnages for 201 municipal recycling programs in the province. There are over 400 municipalities in Ontario, but many share operations or contract to one another for service resulting in fewer “programs” as defined by Waste Diversion Ontario.

4. ANALYSIS AND OPTIONS

In July 2006, the Waste Diversion Ontario Board approved a new methodology to determine municipal blue box funding. Under this methodology, Waste Diversion Ontario will distribute approximately $67 million for the year 2008. This includes approximately $52 million in cash payments to municipal programs, approximately $13 million for the Continuous Improvement Fund and $2 million for in-kind contributions from the Canadian Newspaper Association and Ontario Community Newspapers Association.

The $52 million payment is allocated based on performance in which “cost bands” are used to compare municipalities with similar demographics. York Region is currently grouped as “Large Urban” and compared to Halton, Hamilton, London, Peel and Toronto. York Region and its local municipalities are rated as poor performers within this cost band and as a result, lost $143,076 in potential funds in 2008. Performance is measured on a net cost per tonne basis. Net costs reported to WDO for this cost band, range from $125.79 to York Region’s cost of $192.20. York’s higher than average cost is attributable, in part, to the additional cost of shipping southern municipal blue box tonnages from the Markham Transfer Station to the Material Recycling Facility in East Gwillimbury for processing. The cost to transfer and haul this material is currently $35.52 per tonne. Unfortunately, this is an unavoidable cost of doing business within such a large geographical area. As a result, York Region and the local municipalities will receive 2008 funding of $4,460,700.

5. FINANCIAL IMPLICATIONS

York Region's 2008 Municipal Blue Box Funding is calculated as shown in Table 1:

Table 1
2008 WDO Funding Model for Blue Box

Description	Amount
Ontario Net System Cost @ 50%	$66,523,904
Less CIP Funding	$12,938,989
Less In-Kind Funding	$1,829,057
Ontario Cash Payments	**$51,755,858**
York Region Portion	$4,603,776
Less Performance Adjustment	$143,076
York Region Funding	**$4,460,700**
Shared 50/50 with Local Municipalities	**$2,230,350**

On August 31, 2004, Regional Council adopted Clause 5 of Report No. 7 of the Solid Waste Management Committee to split its eligible funds with the local municipalities and distribute its share of the funds to the Solid Waste Management Reserve Fund to be used for the upgrade and replacement of building and equipment at the East Gwillimbury Material Recovery Facility and other waste Regional management facilities.

6. LOCAL MUNICIPAL IMPACT

York Region distributes 50% of the funds received from Waste Diversion Ontario to the local municipalities. The amount received is similar to last year with a 4% increase year-over-year (see Table 2). Each municipality will receive its share based on their net operating costs reported to Waste Diversion Ontario for operating year 2007. Cash payments to York Region will be made by Stewardship Ontario in four equal installments payable on June 30th, September 30th, December 31st, 2008 and March 31st, 2009. The local municipality's 50% portion for 2008 will be paid by York Region in four equal instalments as follows:

Table 2
Funding by Municipality

Municipality	Net Operating Cost %	2008 Amount	2007 Amount
Aurora	6.42	**$ 143,264**	$ 159,752
East Gwillimbury	3.36	**74,994**	75,450
Georgina	5.71	**127,299**	95,018
King	3.90	**87,091**	79,924
Markham	25.92	**578,109**	500,765
Newmarket	9.85	**219,773**	223,401
Richmond Hill	16.20	**361,389**	362,745
Vaughan	23.72	**529,081**	558,199
Whitchurch-Stouffville	4.90	**109,350**	90,608
Total	**100.00**	**$2,230,350**	**$2,145,862**

7. CONCLUSION

York Region will receive $4,460,700 in funding for 2008, shared equally with the local municipalities.

For more information on this report, please contact Laura Darnell, Sr. Financial Analyst of Environmental Services, Solid Waste Management at extension 5722.

The Senior Management Group has reviewed this report.