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WASTE DIVERSION ONTARIO FUNDING UPDATE

The Solid Waste Management Committee recommends the adoption of the recommendation contained in the following report, May 28, 2007, from the Director, Solid Waste Management:

1. RECOMMENDATION

It is recommended that this report be received for information by Committee and Council.

2. PURPOSE

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

3. BACKGROUND

As stated in Clause 1 of Report No. 5 of the Solid Waste Committee, dated May 21, 2004, the Minister of the Environment approved a Blue Box Plan that required product stewards to fund up to 50% of the net municipal blue box program costs in the province of Ontario.

Ontario's *Waste Diversion Act* requires all companies that introduce packaging and printed material into Ontario's consumer marketplace ("Stewards") to share in paying the funding of Ontario's municipal Blue Box waste diversion programs. Stewardship Ontario was created in late 2002 in response to this request and was incorporated as Ontario's first Industry Funding Organization.

Stewardship Ontario is, therefore, responsible for 50% of blue box program costs including an in-kind contribution from the Canadian Newspaper Association and the Ontario Community Newspaper Association. Ten percent of the funding is retained by Stewardship Ontario to fund an Effectiveness and Efficiency Improvement Program.

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 an analysis of the program costs, revenues and material tonnages for 189 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 2007 municipal blue box funding. As a result, the Municipal Funding Allocation Model used in prior years will not be used in 2007. Under the new methodology, Waste Diversion Ontario will distribute \$55 million for the year 2007.

The 2007 net system cost of \$55 million is distributed to municipalities with 10% distributed to the Efficiency and Effectiveness fund. The 40% municipal share is allocated based on verified municipal net costs for blue box programs, reported to Waste Diversion Ontario in the 2005 Datacall. This 40% is allocated to municipalities as a percentage of net verified costs divided by total net costs, less a deduction for poor performing municipalities.

Performance is based on an Efficiency and Effectiveness fund factor in which cost bands are used to compare municipalities with similar demographics. Cost bands are calculated as the total population divided by total land area. The model recognizes that less dense, more rural programs are inherently more expensive to run; therefore, greater funding is allocated to programs that have a lower population density. York Region is currently grouped as “Large Urban” and compared with Hamilton, London, Toronto and Peel Region. York Region’s rating is the lowest in its cost band and as a result lost funding of \$246,990 in 2007. As outlined in Table 1, York Region will receive funding of \$2,377,953 in 2007.

An increase of \$464,181 for prior year adjustments is due to changes made as a result of Waste Diversion Ontario audit reviews.

5. FINANCIAL IMPLICATIONS

York Region's 2007 funding is calculated as shown in Table 1:

Table 1
2007 Funding Model

Description		Amount
Available funding to Municipalities	\$110,096,332 x 50%	\$55,048,166
Less In-Kind Contributions (newspaper advertising)		(1,359,661)
		\$53,688,505
Less 10% Efficiency and Effectiveness funding		(5,368,850)
Total for Distribution (40%)		\$48,319,655
Add Cost Band Distribution		7,000,000
Total with Cost Band		\$55,319,655
York Region Percentage of net system costs		x 9.13%
York Region Portion Before Cost Band Deduction		\$ 5,049,916
Less Cost Band Deduction	\$7 million x 80% x 9.13%	(511,202)
Less Cost Band Deduction	York Net Cost x 2.03%	(246,990)
Total Funding Before Adjustments		\$4,291,724
Add Funding Adjustment (prior year adjustments)		464,181
Total York Region and Local Municipalities		\$4,755,905
Shared 50 / 50 with Local Municipalities		\$2,377,953

On August 31, 2004, Regional Council adopted Clause 5 of Report No. 7 of the Solid Waste Management Committee to distribute all of the Waste Diversion Ontario 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 management facilities.

6. LOCAL MUNICIPAL IMPACT

York Region distributes 50% of the funds received from Waste Diversion Ontario to the local municipalities totalling \$2,377,953. Each municipality will receive its share based on their net operating cost reported to Waste Diversion Ontario for 2006.

Table 2
2007 Funding by Municipality

Municipality	Net Operating Cost %	Total Amount
Aurora	7.44	\$177,031
East Gwillimbury	3.52	\$83,610
Georgina	4.43	\$105,295
King	3.72	\$88,567
Markham	23.34	\$554,927
Newmarket	10.41	\$247,564
Richmond Hill	16.90	\$401,978
Vaughan	26.01	\$618,572
Whitchurch-Stouffville	4.22	\$100,408
Total	100.00	\$2,377,953

7. CONCLUSION

Funding for blue box recyclables is not adequate to cover the full cost of curbside collection, processing and capital costs. Approximately 40% is covered by funding with municipal tax payers paying the remaining 60%.

For more information on this report contact Laura Darnell-Omotani, Senior Financial Analyst of the Solid Waste Management Branch at extension 5722 in the Transportation and Works Department.

The Senior Management Group has reviewed this report.