



CIF Windup Plan Amendment Proposal

October 2022

Submitted to:

Resource Productivity & Recovery Authority



Prepared by:

The Continuous Improvement Fund (CIF)

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1. Introduction

The Continuous Improvement Fund (CIF, The Fund) is submitting this proposal to amend its [Windup Plan](#) (WUP). The current plan would see CIF end its support services at the end of 2023 and complete its administrative wrap up in early 2024. This amendment would allow for an early wind up of CIF at the end of 2022 and transfer of CIF's resources and assets, including approximately \$9.64M in surplus funds currently intended to be disbursed to individual Datacall Reporting Programs (i.e., municipalities, recycling associations, and First Nations communities) to the Association of Municipalities of Ontario (AMO), over a six-month period starting in early 2023. The amendment adheres to the Minister of the Environment, Conservation and Parks' (MECP, the Ministry, the Minister) direction to wind up as soon as practical prior to December 31, 2025, while allowing municipalities and First Nations communities the opportunity to utilize the fund to continue receiving support services during the Blue Box Program's transition to the extended producer responsibility framework, as well as the post transition period.

The Association of Municipalities of Ontario (AMO) and its subsidiary, Local Authority Services (LAS), is proposed as the entity that will receive the \$9.64M in surplus funds and assume responsibility for ongoing delivery of some of CIF's current activities and otherwise use the surplus funds to support Ontario communities in the transition to Ontario's extended producer responsibility framework. AMO is one of the founding partners responsible for establishing the CIF and continues to be involved in its oversight. The organization shares a common set of municipal stakeholders and has active working relationships with key groups including First Nations communities, the Ministry and with the Resource Productivity and Recovery Authority (RPR). AMO is also able to provide the necessary financial and governance organizational capacity.

The proposal also outlines a plan to consult with municipalities and First Nations communities participating in the Datacall to seek their support for the transfer of CIF surplus funds and assets to AMO for ongoing service delivery in lieu of the disbursement to individual municipalities and First Nations communities as outlined in the CIF WUP referencing Section 6.6 of the Blue Box Program Plan (BBPP).

Should the necessary support for the amendment be received, a consultation report will be submitted to the RPR Board along with a formal request for the proposal to be approved and implemented.

2. Background

The CIF was first constituted by a Memorandum of Agreement between AMO, the City of Toronto, Stewardship Ontario (SO), and RPR's predecessor, Waste Diversion Ontario (WDO). The CIF currently operates as a committee of the Resource Productivity and Recovery Authority (RPR), which has assumed oversight of the CIF.

2.1. CIF Governance

The CIF annual operations plan and associated budget are developed by the Managing Directors of the CIF in consultation with municipalities, First Nations communities, stakeholders, and CIF governance committees. Both the plan and budget are broadly consulted on and reflect the priorities communicated by that group at that point in time.

The CIF is governed by guidelines and policies established by RPRA in addition to policies it adopts within its delegated authority. Following the approval of the WUP, CIF's governance structure has consisted of two committees that develop and recommend strategic priorities as well as the annual budget for approval by RPRA staff.

The CIF [Transition Services Committee](#) (TSC) has primary responsibility for initial vetting of each year's strategic focus and priorities, as well as the associated operation plans, which detail the proposed activities and budgets to achieve the overarching strategic objectives. The TSC also hears the recommendations of CIF staff on the anticipated long-term funding needs of CIF. TSC approval is needed to advance the recommendations for approvals to the CIF Windup Committee.

The CIF [Windup Committee](#) (WUC) has overall responsibility for ensuring that strategic direction, operations plans, and policy developments follow the CIF WUP. Once reviewed, the operation plan proposals are forwarded to RPRA.

RPRA is responsible for setting the overall authorities, strategic priorities, operation plans, and budget for CIF. With the endorsement of the CIF's TSC and WUC, RPRA staff approves CIF's annual operating plans and associated budget.

2.2. CIF Mandate

The CIF's mandate is to improve the effectiveness and efficiency of Ontario's Blue Box (BB) programs. CIF fulfills its mandate through the provision of funding, technical support, and training for municipalities. CIF staff actively engage stakeholders in the identification and development of best practices, and technological and market-based solutions to challenges associated with the operation of Ontario's BB system. The fund began in late 2008 and, as of 2022, it has funded over 780 projects and initiatives. CIF staff provides outreach province-wide to ensure broad uptake of funding and training opportunities. This has helped ensure small communities and First Nations communities were able to secure funding for the development of recycling plans, promotion and education strategies, and the purchase of collection containers.

One of the goals of CIF's funding and project work has been to catalyze community collaboration and achievement in waste management. Through its support, communities, province-wide, are afforded an opportunity to achieve more collectively than they could if they acted in isolation. This has helped establish a paradigm for a coordinated approach to address municipalities and First Nations communities' waste management priorities that delivers needed and timely knowledge, resources, and guidance.

Over the years CIF has funded individual community projects and joint initiatives. This includes projects that are for the collective benefit of all municipalities and First Nations communities.

2.3. Mid-Year 2022 Financial Status and Forecast

Each year the projected funding requirements of the CIF are articulated in its annual operations plan for consideration by RPRA. CIF staff prepare an annual budget and operations plans, which are approved by the CIF WUC. Spending is monitored throughout the year, and an updated year-end forecast is prepared quarterly.

From 2019 onward, CIF operations have been funded from surplus reserve funds. At the end of 2021, the CIF Reserve balance was \$11.15M. The approved 2022 Operating Plan forecast spending of \$2.24M, net of expected revenue returned to the reserve. Based on this budget, it was forecasted that the reserve balance at the end of 2022 would be \$8.91M.

As of June 30, 2022, as a result of lower than projected 2022 spending, and higher than forecasted closed prior year project surpluses returned to reserves, the updated 2022 year-end reserve fund balance is projected to be \$9.64M. A detailed breakdown of the mid-year 2022 Financial Status and Forecast can be found in Appendix A.

2.4. CIF Intellectual Property

Intellectual assets created since 2008 under the auspices of the CIF include project reports, technical guidance, sample procurement documents, and diagnostic and financial analysis tools. As previously noted, in total, CIF has funded more than 780 projects. The project deliverables are made available to stakeholders through CIF's website, and through a dedicated municipal and First Nation community portal. Other intellectual assets include CIF's online and in-person training curricula, covering topics such as:

- general operations;
- procurement and contracting; and
- promotion and education.

These assets are proposed to be transferred to AMO as part of the CIF WUP proposal, as well as transferred to RPRA.

2.5. The Municipal Resource Recovery and Research Collaborative (M3RC)

Municipal Resource Recovery and Research Collaborative (M3RC) was established with municipal endorsement to conduct waste diversion policy analysis and liaise with provincial and local government leadership and elected representatives, regarding legislative and regulatory municipal concerns related to the BB transition. M3RC is supported through the Municipal Collective Transition Fund (MCTF). MCTF is an example of one of CIF's joint funding initiatives, which is designed to provide benefit to communities across the province by informing AMO's policy work related to BB transition matters.

M3RC operates separately from CIF, reporting to AMO's Board, but works cooperatively with CIF to support municipalities.

A Shift in CIF & M3RC's Operating Focus

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

M3RC and CIF work collaboratively to help municipalities and First Nations groups as they transition their BB programs to the new regulatory framework established through the *RRCEA*. M3RC conducts the liaison work with the Ministry and MECP officials while CIF provides the technical support to municipalities.

The Blue Box Program and CIF Windup Direction

On August 15, 2019, and as amended April 3, 2020, the Minister issued policy direction letters to RPRA and SO to develop a plan to wind up the existing BBPP. Separate direction was also given to RPRA 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 wind up of CIF by December 31, 2019.

A plan to wind up its operation was written and approved by CIF's governance committee and consulted on as part of the development of SO's overall BBPP Windup Plan. RPRA approved the CIF WUP and SO's BBPP Windup Plan in December 2020.

3. Options for Future Support for Ontario Communities

The CIF is proposing an amendment to the CIF WUP in response to a continued need for support for community BB programs until the end of transition to the *RRCEA* BB Regulation, as well as post transition. Municipalities and First Nations communities have expressed a desire to monitor and respond to implications arising from the transition to the new full producer responsibility framework for Blue Box.

3.1. Rationale for the Proposed CIF WUP Amendment

Continued Support During Periods of Change

CIF is set to wind up programming at the end of the first year of transition (2023). With two additional years of transition remaining and many municipal and most First Nations programs yet to migrate over to the new producer responsibility regulatory framework, longer-term supports are required to ensure the continued seamless handoff from local communities to producers. In every fully transitioned local community, BB services will be expanded to schools, non-profit retirement homes, and long-term care facilities not previously serviced through the program, and producers will begin expanding BB collection to the balance of Ontario communities starting in 2026. At the same time, Producer Responsibility Organizations (PROs) will harmonize the list of targeted materials across the province and shift away

from long established municipal routing and collection practices in favour of innovations that build efficiency and effectiveness.

Collective Organization to Streamline Transition Efforts

If there is no central coordinating organization, municipalities and First Nations will need to transition without the benefit of lessons learned from others being aggregated and shared through a centralized mechanism. Stakeholders have expressed a preference for a coordinated approach to working with PROs, RPRA, and the Ministry.

Continued Access to Program and Local Community Performance Data

Data sources and requirements are changing. In response to the gradual phase-out of the municipal Datacall, the loss of steward material supply information, and the potential loss of local BB program data (or at least local community access to this information), municipalities and First Nation communities have expressed an ongoing need for the data collected through these existing processes and mechanisms.

Continued Access to CIF Intellectual Assets

The CIF inventory of intellectual assets was created with funding from Ontario municipalities and other project partners. It is important that Ontarians continue to have access to all public materials. Continuation of services under an aligned organization, in addition to the provincial regulator, would allow for retention and management of the intellectual assets, maintaining the CIF website and/or its content. Of particular importance is the maintenance of CIF training assets that municipalities need for their waste staff, especially new staff.

3.2. Process to Amend the CIF WUP

On August 15, 2019, the Minister issued direction letters to the RPRA and Stewardship Ontario commencing the process to transition Ontario's Blue Box Program to the new regulatory framework under the RRCEA. RPRA requested that CIF prepare a plan to windup its operations according to the Minister's direction to end the CIF as soon as practical prior to December 31, 2025. CIF developed a proposed WUP and, following two rounds of public consultations, RPRA approved the CIF WUP on December 22, 2020.

CIF operates as a committee of RPRA, and amendments to the WUP are subject to approval by RPRA. CIF and RPRA are conducting a joint public consultation to seek feedback on the proposed CIF WUP Amendment. Depending on the feedback received from CIF stakeholders and partners, CIF plans to seek RPRA's approval of the WUP Amendment.

The current WUP was approved prior to the coming into force of the new Blue Box Regulation (O.Reg. 391/21) under the RRCEA, and at a time when the process of transition and the need for support for local communities during transition could not be fully assessed. CIF is proposing the changes to respond to the ongoing need for the supports and services that CIF has been providing to date.

The proposed amendment is consistent with the Minister's direction to windup CIF as soon as practical prior to December 31, 2025.

4. Current Direction and Alternative Options Considered

In the contemplation of the CIF WUP Amendment Proposal, three options were considered:

1. Status quo, windup of the CIF as outlined in its approved WUP.
2. One year extension of CIF windup termination date outlined in its approved WUP.
3. Transfer CIF resources and assets to an aligned organization.

The option preferred by CIF is Option 3, transfer of CIF assets to AMO/LAS. Options 1 and 2 do not require the CIF WUP to be amended.

4.1. Option 1: Status Quo

The first option considered was to adhere to the details approved in [CIF's WUP](#).

The WUP lays out a timeline to wind up the CIF in accordance with the Minister's direction. The plan outlines key considerations used to develop the proposed wind up timeline such as the need to fulfill existing contractual obligations and provide support to municipalities and First Nations preparing to transition their programs.

According to the WUP, 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 (two years before the end of transition); 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.

Under this option, the CIF would continue with its [current governance model](#). The WUP provides for the disbursement of any remaining CIF funds upon termination of the Fund to municipalities and First Nations in accordance with Section 6.6 of the BBPP.

4.1.1. Status Quo: Disbursement of CIF Surplus Funds

The approved CIF WUP requires that any surplus funds are distributed in accordance with Section 6.6 of the BBPP. Section 6.6 of the BBPP states:

"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."

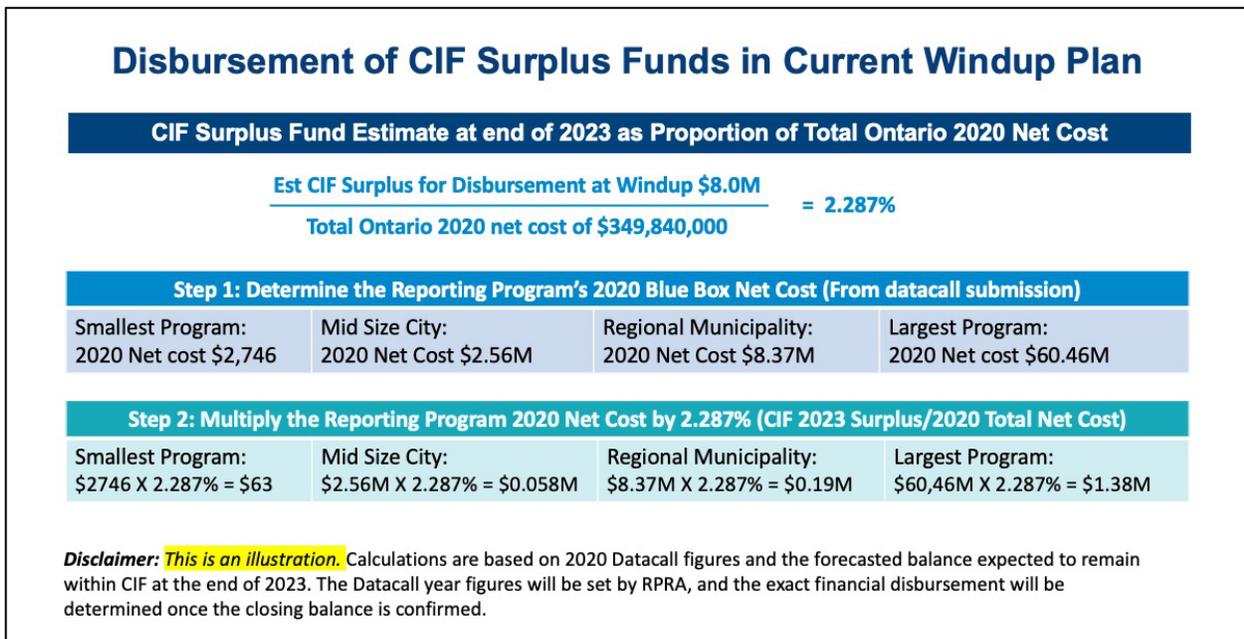
The method refers to SO’s distribution of the Steward Obligation funding using the approved Municipal Funding Allocation Model (MFAM) methodology.

In late 2021, RPRA approved a new, simplified MFAM calculator effective 2022. The new, simplified methodology uses only *Net Cost*—all programs receive the same percentage of funding, based on cost. Any CIF disbursement after 2021 will, therefore, use the new, simplified net cost-based model.

4.1.2. Status Quo: Disbursement of CIF Surplus Funds: Calculation Methodology and Example

The new simplified 2022 MFAM, which is based on 2020 municipal data reported in 2021, is a net cost approach that uses a two-step process to calculate individual program shares, as follows:

Figure 1: Disbursement of CIF Surplus Funds in Current Windup Plan



It is forecasted that the CIF Reserve will have approximately \$9.64M at the end of 2022. Based on estimated expenditures of \$1.64M in 2023 and for administrative wrap up in early 2024, the CIF reserve fund would have approximately \$8.0M remaining for disbursement in 2023/2024.

As noted in the figure, the disbursement that each Reporting Program would receive would be based on their share of 2020 net Ontario wide BB costs. For municipalities or First Nations serviced by a local collective or authority, (i.e., Reporting Program) the proportion of Ontario net cost share would be calculated on the basis of the body that provided the RPRA Datacall submission. Any secondary distribution of funds would be the responsibility of the collective body (e.g.: Essex Windsor Solid Waste Authority).

The amount of the estimated disbursement is based on each program’s net 2020 cost and will vary widely among the hundreds of programs. The figure provides examples for a range of Reporting programs from smallest to largest.

4.2. Option 2: One Year Extension Under Current Framework

Given that there are sufficient funds to do so, the second option is to allow for the extension of operations by one year, as outlined in CIF's WUP.

According to the extended timeline, the CIF would:

- cease provision of grants as of September 30, 2022;
- continue delivery of transitional and program support services with emphasis being placed on transitional support activities up until December 31, 2024 (one year before the end of transition); and
- cease public operations on December 31, 2024 and initiate a windup of its operations in 2025 with an expectation that such activities will be completed by no later than June 30, 2025.

Like Option 1, the CIF would continue with its current governance model and disburse remaining funds to municipalities and First Nations in accordance with Section 6.6 of the BBPP.

An amendment to the CIF WUP would not be required since an extension by one year is contemplated by the plan.

4.3. Option 3: Transfer CIF Assets to an Aligned Organization

The third and final option considered during the amendment proposal development phase was the transfer of CIF resources and assets to an aligned organization. This would enable the continuation of BB transition and post transition support services over multiple years.

This option would require the following proposed timeline, if approved:

- wrap up existing grants and projects as soon as reasonable;
- migrate the delivery of transitional and program support services under CIF to the aligned organization immediately upon approval of the proposed plan;
- migrate the reserve funds to the aligned organization to support continuity in the provision of those services, with a proportion of funds to be held back to complete the windup of CIF as described in the WUP; and
- develop an annual budget and operating plan for continued delivery of support services under the aligned organization beginning as early as Q1 2023.

Several possible organizations were considered for this option:

- Municipal Waste Association (MWA)
- Regional Public Works Commissioners of Ontario's Solid Waste Subcommittee (RPWCO)
- AMO/LAS

Specific factors applicable to the three most suitable alternatives are included below.

CIF selected AMO/LAS as the most suitable aligned organization.

LAS was created as a not-for-profit by AMO in 1992 and is a subsidiary. It is mandated to work with municipalities and the public sector to improve efficiency and support staff capacity and develop data-driven solutions. LAS works to leverage economies of scale to offer services that assist municipalities in areas of administrative services, energy services, digital partnerships, and commodity programs.

The work LAS engages in is similarly aligned with the work that CIF carries out on behalf of its stakeholders to support their BB service delivery roles and responsibilities. There is a strong fit for CIF's technical and operational support services under this non-profit organization, under AMO.

4.3.1. Evaluation Criteria for Selection of Aligned Organizations

Financial Management

SO currently manages the financial aspect of CIF's operation. It is responsible for CIF's banking, setting up and tracking all individual CIF project expenditures, processing invoices related to the Fund's overall daily operation, and carrying out any required auditing functions. Given that SO is in the process of winding up per the Minister's direction, a CIF transfer would require an organization capable of absorbing these financial management functions and controls.

AMO has precedent for setting up appropriate financial arrangements and practices to provide services to non-members, including the City of Toronto and First Nations Communities. For example:

- The MCTF referenced in 2.5 provides evidence of AMO's ability to hold and manage funds that benefit both their members as well as non-members, including First Nations communities, entitled to services provided through the funding. Additionally, the City of Toronto is not a member of AMO but has been successfully participating in AMO-led services funded through the BB program for several years (e.g., M3RC).
- As well, AMO and the City of Toronto established a partnership agreement to jointly represent all municipalities in the 2014 Blue Box arbitration including the financial aspects, which included AMO invoicing Toronto for its share of the incurred costs.

AMO is set up with the appropriate public accounting and auditing practices to ensure continuity in meeting the financial management obligations of the funds that would be entrusted to the organization. AMO also has an established working relationship with SO's accounting department, which would facilitate the proposed transfer of financial management and accounting responsibilities.

Human Resource Capacity & Related Supports

AMO currently manages the Human Resource (HR) function of CIF. It sets and manages staff contracts and provides an established set of policies and procedures for staff to follow for vacation and staff expenditures. AMO also provides CIF staff with the opportunity to participate in a benefits program as well as the Ontario Municipal Employees' Retirement System (OMERS). Since the launch of CIF, AMO staff have regularly interacted with SO to coordinate the transfer and accounting of funds allocated for this function.

The capacity to administer these functions and provide access to OMERS and benefits is considered an important criterion. Given this, AMO is best suited to carry on in this capacity.

Operating Time Frame

An immediate transfer of assets and responsibilities to a new organization is considered ideal, beginning as early as Q1 2023. It would allow sufficient time to transfer financial information and follow up as needed to ensure accuracy and consistency in all accounting matters. Another important consideration is the opportunity to extend the provision of services into the future on a fee-for-service basis, once the CIF funding is exhausted, should municipalities and First Nations wish to do so. AMO is in the practice of operating on a fee-for-service basis for its business services and would therefore be well equipped to pivot to that fee model should municipalities and First Nations Communities elect to do so in the future.

AMO is well known to SO's financial team, which would help facilitate a smooth transition, should it be approved.

Stakeholders & Organization Membership

CIF currently serves municipalities and First Nation communities that deliver residential BB services. Given that these communities funded the services and resources developed through CIF, an organization whose membership most closely matched CIF's was considered ideal. Organizations with membership consisting of consultants or private businesses are considered less favorable, as these for-profit operators would likely gain access to, or benefit from, historical CIF assets and any new resources developed through the fund without having made any financial contribution to their creation.

AMO, unlike MWA, only serves municipal communities. There would be no private sector membership concerns. Unlike RPWCO, AMO represents municipalities, large and small. RPWCO, by design, focusses on larger regional government membership

Strategic Partnerships

Critical to the ongoing success of transition and post-transition support services are access to and strong working relationships with MECP and Minister's Offices; RPRA staff; and senior municipal leadership and councils. An established, successful, and collaborative working relationship with the City of Toronto, and with First Nations communities, is also critical given the unique operating dynamics of these partners.

AMO has the most formal ties to MECP and Minister's Offices. AMO also works regularly with municipal councils and senior leadership. AMO has an Indigenous Relations Task Force as well as a Memorandum of Understanding (MOU) with the Ontario Federation of Indigenous Friendship Centres (OFIFC), representing urban indigenous populations throughout Ontario. As such, AMO is well positioned to work with First Nations groups to ensure their priorities are met.

AMO is adept at developing timely communication channels to the appropriate office or leader through strategic joint letter writing efforts on behalf of key partners as well as providing regular membership updates to ensure accountability and transparency.

4.3.2. Option 3 Evaluation Summary Table

The table below provides a summary of the evaluation criteria. AMO emerges as the clear preferred choice in this analysis.

Table 1: Comparison of Key Criteria Considered for Each Alternative Aligned Organization

Evaluation Criteria	AMO	RPWCO	MWA
Financial Management			
• Public Accounting/Auditing Practices	Y	Y	N
• History of managing large sums	Y	N/A	N
• Ability to manage funds of non-members	Y	N/A	N/A
• Familiarity with SO's accounting team	Y	N	N
• Minimal ramp up time required/service disruption	Y	N	N
Human Resource Capacity & Resources			
• HR Policies & Practices	Y	N/A	N
• Benefits	Y	N/A	N
• OMERS	Y	N/A	N
• Currently managing; no ramp up time required	Y	N	N
Operating Timeframe			
• Familiarity with SO's accounting team	Y	N	N
• Ability to extend operations through fee for service	Y	N/A	Y
• Minimal ramp up time required/no service disruption	Y	N	N
Stakeholder & Organization Membership			
• Municipalities, small	Y	N	Y
• Municipalities, large & regional	Y	Y	Y
• First Nation community participation	Y	N	Somewhat
• No private companies	Y	Y	N
Established Strategic Partnerships			
• Provincial government connections- all ministries	Y	N	N
• MECP	Y	Y	Somewhat
• Minister's Office	Y	Y	Somewhat
• RPRA	Y	Somewhat	Somewhat
• Municipal senior leaders & Council networks	Y	Y	N
• Municipal front line staff working relationships	Y	Y	Y
• First Nations Communities	Y	N	-

5. Option 3: New Organizational Structure, Governance, and Services

Through this amendment proposal, approval is being sought to migrate the roles and functions of the current operation to a new organizational arrangement to carry out a menu of support programs, resources, and liaison services for stakeholders. This will ensure the smooth transition of all programs from municipal to producer responsibility under the RRCEA. It will also help ensure the ongoing successful implementation of the regulation as it moves into its fully transitioned phase.

5.1. Organizational Structure

The proposed organizational structure (below) has been designed to provide sound governance, organizational functionality, and stability and to ensure municipalities and First Nations communities have a voice in establishing operating objectives and budget priorities.

Figure 2: Proposed New Organizational Structure



The following table summarizes the shift in roles and responsibilities from the current set up to the proposed new set up through AMO/LAS.

Table 2: Amendment Request Summary Table

Roles	Function	Current	Future
Boards	Final Approvals of: <ul style="list-style-type: none"> Strategic Direction Annual Operating Plans & Budget Policy & Practices 	RPRA	AMO/LAS
Operational Support Structure <ul style="list-style-type: none"> HR Treasurer 	<ul style="list-style-type: none"> Staff Contracts Budget Oversight Accounts Receivable /Accounts Payable Auditing 	HR: AMO Treasurer: SO	HR: AMO/LAS Treasurer: AMO/LAS including Audit Committee
Oversight Committee	<ul style="list-style-type: none"> Fund Stakeholder Engagement Governance of 	Stakeholders' Committee <ul style="list-style-type: none"> Municipalities (AMO, RPWCO, MWA) 	Stakeholders' Committee <ul style="list-style-type: none"> Municipalities (AMO, RPWCO, MWA)

Roles	Function	Current	Future
	Annual Operation	<ul style="list-style-type: none"> City of Toronto SO (producers) 	<ul style="list-style-type: none"> City of Toronto First Nations
Leadership/ Staff	<ul style="list-style-type: none"> Daily Operation 	<ul style="list-style-type: none"> CIF M3RC 	<ul style="list-style-type: none"> CIF as part of LAS service structure M3RC continued under AMO
Membership		<ul style="list-style-type: none"> Municipalities First Nations 	<ul style="list-style-type: none"> Municipalities First Nations

5.2. Transparency and Accountability

To foster transparency, accountability and alignment within the organizational structure shown in the figure above, program staff working for M3RC (green), and Waste & Recycling Services (blue) would:

- ensure all recommendations and rationales are clearly articulated to each respective board, and
- report back in a timely manner on board decisions and rationales to each committee.

Regular engagement with the M3RC and Waste & Recycling Services Advisory Committees along with discussions with working groups will help ensure all stakeholders are engaged in the work and kept apprised of outcomes. As has been CIF and M3RC’s long standing practice, update sessions will be scheduled with the broader municipal and First Nation communities to share learnings from project work undertaken once projects are wrapped up.

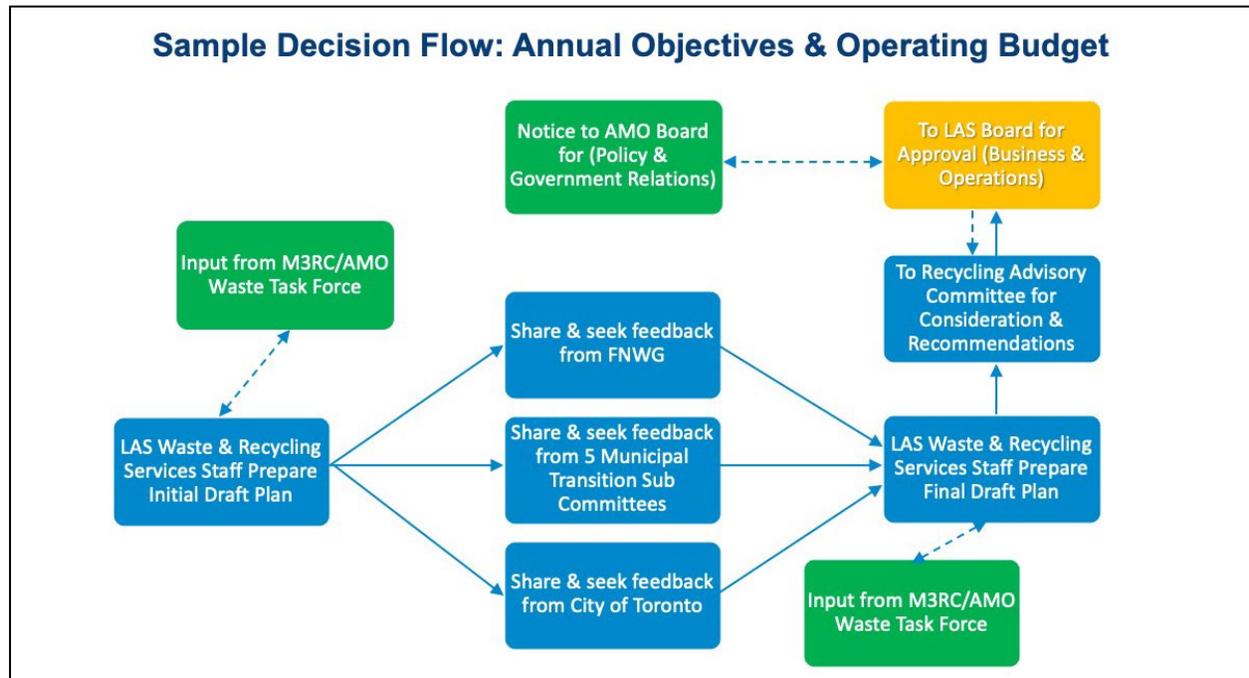
For clarity, RPRA’s current oversight of CIF would cease once CIF wind up is completed and RPRA would have no oversight role over the use of the surplus funds and other assets once transferred to AMO.

5.3. Sample Decision Flow: Annual Objectives & Operating Budget

An important opportunity to review direction and set objectives for any organization is the annual priority and budget-setting process. It is expected that under the new organizational structure, an annual budget and operations plan will be set each year in conjunction with a longer-term strategic plan based on local community needs during and post transition.

Using the annual budget and objectives setting process as an example, the diagram below provides detail on the expected roles and responsibilities of LAS and M3RC staff, the Recycling Advisory Committee and input from municipal and First Nation waste/recycling managers and organizations.

Figure 3: Sample Decision Flow: Annual Objectives & Operating Budget



Consistent with the proposed organizational structure, there are multiple opportunities for input from all stakeholders and partners – AMO Municipalities, First Nation communities, and the City of Toronto on objectives, project priorities, and budget allocations. Input shown in the diagram above is generally divided into blue and green pathways where:

- Blue includes operational, data, training, templates, liaison, budgeting, financial management, intellectual property management and access.
- Green includes policy development, and government relations.

For operational and budget input and decisions (blue), local communities will have direct opportunities for input from both technical and senior management staff input through:

- The five current CIF/M3RC Transition Working Group (TWG) subcommittees
- First Nation Working Groups
- Direct one-on-one with City of Toronto
- The new Recycling Advisory Committee
 - AMO Municipal representatives, including opportunity for appointment or representatives by
 - MWA
 - RPWCO
 - City of Toronto representatives
 - First Nation Working Group representative

Final authority to approve the annual objectives and budget for operational activities and projects (blue) will be with the LAS Board of Directors.

For Policy and Government Relations input and decisions (green), AMO Municipalities will be provided an opportunity for input through:

- M3RC members and webinars
 - AMO Waste Task Force
- Direct discussions with AMO policy staff – like all other municipal policy matters

Final authority to approve policy direction for issues associated with Government policy, affairs, or regulations (green) will be the AMO Board of Directors.

As annotated with the two-way dotted line between the LAS and AMO Boards, decisions and documents will be shared between the AMO and LAS Boards and staff, but they will act independently within their respective roles.

5.4. Proposed Future Support Services

The CIF currently fulfills its mandate through the provision of funding, technical support, and training for municipalities. CIF staff actively engage stakeholders in the identification and development of best practices, and technological and market-based solutions to challenges associated with the operation of the Ontario BB system.

The proposed amendment will see the continuation of this approach, but the focus of the work will shift increasingly to supporting the changing roles that municipalities and First Nations communities will have within the new regulation’s framework. The table below illustrates this shift in focus from the current work carried out under the WDTA to the work needed under the RRCEA.

Table 3: Current vs Proposed Future Support Services

Timeline	Current	Future
Regulatory Framework	WDTA	RRCEA
	Services Offered	
Liaison work / outreach <ul style="list-style-type: none"> • Working Groups • 1:1 Calls 	Municipal & First Nation staff populated working group subcommittees will identify issues & solutions through facilitated discussion within priority areas focussed on preparing for transition including: <ul style="list-style-type: none"> • Contracts & Fair Compensation • Depots • Change Mgmt & Communications • Data Monitoring & Reporting • Post Collection 	Municipal & First Nation staff populated recycling units will identify issues & solutions through facilitated discussion within priority areas focussed on implementing transition & monitoring programming post transition including: <ul style="list-style-type: none"> • Contracts & Fair Compensation • Depots • Change Mgmt & Communications • Data Monitoring & Reporting • Post Collection
Projects	<ul style="list-style-type: none"> • Waste Audits focussed on capture rates within the various BB material categories and overall contamination • Initiatives aimed at: 	<ul style="list-style-type: none"> • Waste Audits focussed on monitoring levels of BB materials in other streams • PRO/local community engagement

Timeline	Current	Future
Regulatory Framework	WDTA	RRCEA
	<ul style="list-style-type: none"> – increasing capture – containing service delivery costs – optimizing service delivery to the multi residential sector – innovations for difficult to manage materials (e.g., expanded polystyrene) <ul style="list-style-type: none"> • End market development 	<p>guidance (bylaws, licenses)</p> <ul style="list-style-type: none"> • Pilots (e.g., quantifying non-eligible sources and material volumes)
Resources	<p>Maintain website resources:</p> <ul style="list-style-type: none"> – 780+ project reports – 15 guidance areas <ul style="list-style-type: none"> • CIF Price Sheet* • Cooperative Container Procurement Program* 	<p>Maintain & expand website resources:</p> <ul style="list-style-type: none"> – 780+ project reports – 15 guidance areas <p>Newly developed resources to support emerging priorities, such as:</p> <ul style="list-style-type: none"> • How to manage non-eligible sources position transition • How to divest from BB curbside collection services (e.g., dealing with continued resident calls)
Training	<p>Courses developed focussed on all aspects of delivery of Ontario’s BB program, and included sessions on:</p> <ul style="list-style-type: none"> • Fundamentals, for new staff and students • Procurement & contract management • Promotion & Education (P&E) • Asset valuation 	<p>Courses developed will focus on both acting as a service provider or contractor to a PRO, and divesting from delivery of Ontario’s BB program, and will include sessions on:</p> <ul style="list-style-type: none"> • Meeting contract reporting responsibilities • Dispute resolution • Post collection assets management • Resident & council engagement

* Some of CIF’s current services, noted in the table with “*”, may be discontinued. Some will no longer be needed, such as the cooperative container procurement program, as producers will assume responsibility for the provision of containers. Some may no longer be viable, such as the Price Sheet, as the data inputs needed to populate the resource may not be available. Many municipalities are planning to divest from processing and marketing services, and without their data, the Price Sheet will no longer be viable.

5.5. Possible Funding Continuity

Should the new structure shown above (Figure 2) be established through AMO/LAS, it will require the following estimated budgets during the transition period and in the post transition period:

- Annual Transition budget: \$1.5 - 2.0M
- Annual Post Transition budget: \$1.0 - 1.5M

Note: the forecasted budgets include MCTF.

At this rate, 'legacy' funding from the transfer of the CIF surplus would be possible through to 2027 if no disbursements are made. A new funding mechanism will need to be considered when CIF excess funds are exhausted.

6. Consultation

Any significant amendment of the CIF WUP requires the preparation of a detailed proposal, consultation with CIF stakeholders and partners, and final approval by RPR. CIF staff have sought and received approval from its governance committees to prepare a proposal to amend the CIF WUP for consideration by RPR. The AMO Waste Management Task Force, and AMO Executive and Board, as well as the LAS Board, have also provided their approval in principle to proceed with preparation of a proposal for consultation.

CIF, M3RC, and RPR staff have cooperated on defining the requirements of a proposed amendment over the last several months. With the support of all organizations, it was agreed that RPR staff would seek RPR's Governance, Regulatory, and Stakeholder Affairs Committee (GRSAC) and Board approval to initiate a joint, streamlined CIF/RPR consultation process based on an amendment proposal provided by CIF.

6.1. Consultation Outline

Determination of support for the proposed amendment will require input from the three primary CIF community stakeholder groups and partners:

- AMO Municipalities
- The City of Toronto
- First Nations Communities

In addition to the formal joint consultation process that will be undertaken by RPR/CIF (subject to RPR Board approval) there will be numerous other pathways for community input on the proposed amendment:

- Continued input from the two CIF Governance Committees: CIF Transition Services and CIF Windup Committee
- Review with each of the five CIF/M3RC TWG subcommittees
 - over 100 Municipal staff representatives
- Review with the First Nations Working Group, representing eight First Nations communities
- Presentations and request for feedback at municipal waste and recycling organizations:
 - RPWCO and MWA
- One-on-one discussions with key stakeholders (e.g., Toronto, Ontario First Nation Technical Services Committee)
- Consideration at AMO/LAS/M3RC
 - Review and feedback from M3RC members
 - Review and feedback from the AMO Waste Management Task Force

- Review and approval by LAS Board or Executive
- Review and approval by AMO Board or Executive

Stakeholder consultation will begin following RPR Board approval to consult and finalization of consultation documents. Feedback opportunities will include:

- Review of the proposed amendment with each CIF/M3RC TWG subcommittees
- Review of the proposed amendment with the First Nation Working Group

There will be presentations and requests for feedback through municipal waste and recycling organizations including: RPWCO, MWA and M3RC.

As well there will be one-on-one discussions with key stakeholders (e.g., Toronto). Feedback will be incorporated into the Final WUP Amendment Proposal as a consultation report for RPR GRSAC and Board approval.

Sessions will be announced Monday, October 3, 2022, through CIF, M3RC and RPR notices. Dates will be posted to CIF and RPR’s webpages. Tentatively, online webinars will begin October 4 and wrap up October 28, 2022. The deadline for written comments will November 3, 2022.

6.2. CIF Windup Plan Amendment – Joint CIF/RPR Consultation Timeline

The timeline below indicates the key milestone steps for the preparation, consideration, and approval of the CIF WUP amendment proposed.

Figure 4: CIF Windup Plan Amendment



6.3. Accessibility

There will be robust access for CIF stakeholders and partners accounting for:

Municipality & First Nation Size - Inclusivity

Best efforts have been made to ensure all transitioning municipal and all First Nation programs will be invited to participate. Outreach efforts have been made to ensure municipal and First Nations senior leaders and front-line staff are encouraged to provide feedback either through the online webinars that will be held and through written feedback.

Geography

The process will be conducted primarily online over a screen sharing service (e.g., Zoom) to reduce barriers to participation due to travel requirements. The sessions will be interactive allowing for question-and-answer periods and polls.

Resources Available to Participate in Consultations

Sessions will be announced through email notices distributed through CIF and M3RC, as well as RPRA. CIF and M3RC maintain extensive email mailing lists for municipal staff, clerks, and councilors and RPRA has a broad registrant base, including municipalities, recycling associations and First Nations Communities participating in the Datacall. The session dates, times, and related consultation materials will be posted on both CIFs and RPRA's website. Session registration links will be in all the notifications and postings along with a link to the consultation materials (i.e., Amendment Proposal). Slides will be shared after the sessions so that all parties can take the documents back to their respective teams for discussion. All invitations and postings will provide direction on how and to whom questions should be directed.

CIF will work with RPRA staff to prepare the postings and announce the dates and times, as well as make material available on the RPRA website.

6.4. Managing Conflict of Interest Throughout the WUP Amendment Process and Approval

As described, there is a comprehensive plan for consultation and review of the proposed WUP amendment prior to final consideration by the RPRA Board. Each step in the process provides an opportunity for professional review of the proposal on behalf of the reviewer's respective organization, and each organization, in turn, has its own internal decision review and approval process.

As all the stakeholders and partners of CIF, municipal or First Nation, are in one way or another acting as professionals in the management of BB systems in their local jurisdiction, their input and opinions will potentially have an impact on the community that they serve.

CIF and M3RC staff and Committee representatives may also be personally impacted by the design and final determination of the approval of the amendment, like many other municipal matters that AMO and

municipal staff deal with on a regular basis.

CIF and M3RC have engaged a governance and conflict of interest specialist, Transform Management Group (Transform), to ensure appropriate systems are in place to facilitate transparency regarding potential conflicts and to mitigate their risk.

Transform notes that in committee governance structures, potential conflicts can arise in two primary ways. The conflicts can be:

- Structural
 - Related to potential benefits to the individual’s employer or representing organization
- Personal
 - Related to potential benefit directly to the individual or their family

Additionally, committees and boards are generally structured in one of two ways. Boards and Committees can be:

- Interests Based
 - Members employed by or representing an interested party (e.g., a municipality, an association)
- Skills Based
 - No employee connection to subject matter, all members selected only based on skills (e.g., accountant)

Managing Structural Conflicts

CIF Committees have been structured as interest-based committees since inception. This interest-based committee structure was continued in the revised governance structure approved by RPRA in the WUP in December 2019, namely, the creation of the two governance committees (CIF Transition Services Committee and CIF Windup Committee). Transform notes that interest-based committees are acceptable but require special management to mitigate potential conflicts.

Potential conflicts must be acknowledged and managed through implementation of these recommended practices and policies:

- Recommended practices
 - Potential conflicts should be specifically documented in agenda and minutes
 - Committee discussion should document that potential risk was acknowledged and discussed
 - The proposed action must be made public through minutes or consultation
- Authority policies
 - The CIF Committees have defined their decision-making authority, both internally within CIF and also in relation to RPRA
 - Within CIF, the Transition Services Committee can only review and make recommendations to the CIF Windup Committee, primarily on operational matters
 - The CIF Windup Committee can make decisions on expenditures beyond staff authority, but on certain matters can only make a recommendation to RPRA staff for approval

The CIF Committees faced a potential structural conflict in late 2021 when considering if and how a disbursement of excess CIF funds should be determined. CIF Committee members questioned if they would be conflicted by approving the allocation methodology and amount which, based on its design, could benefit or disadvantage the municipality or association that they represented.

By following and documenting the consideration and decision process outlined above, the Committees were able to openly discuss options, in the presence of representatives from RPRA, and document and share their decision with other stakeholders. There were no objections brought forward to the CIF on the process or final decision to disburse \$1M.

It is proposed that a similar process continues to be used as the CIF Committees evaluate and make decisions on the Windup Plan amendment. These practices will also be openly shared as part of the consultation process.

Managing Personal Conflicts

CIF staff, with input from M3RC and stakeholders, develops CIF objectives, annual budget and special projects and training opportunities. CIF and M3RC staff are also jointly drafting the CIF WUP Amendment.

CIF and M3RC staff have historically been and are currently employees of AMO. This was deemed necessary to utilize the administrative and HR support of AMO, and to provide continuity of OMERS eligibility. The proposed new organizational structure relies on AMO and its associated organization, LAS. This creates the risk of personal conflict of interest related to CIF and M3RC staff members.

This matter was reviewed with Transform and the following opinion and recommendations were provided:

- CIF and M3RC staff do not have decision making authority regarding the WUP Amendment. They are only developing the proposal as employees for review and approval by others.
- The Amendment proposal will be subject to significant consultation and multiple layers of independent approval by consultation by CIF stakeholders as described with review and recommendation for approval by:
 - CIF Transition Services Committee (recommendation to CIF Windup Committee)
 - CIF Windup Committee (recommendation to RPRA)
 - AMO Executive and/or Board and LAS Executive and/or Board
 - City of Toronto
 - First Nations communities
 - RPRA
 - Staff review and report with recommendations to the Governance, Regulatory, and Stakeholder Affairs Committee of the RPRA Board
 - RPRA Governance, Regulatory, and Stakeholder Affairs Committee review and make recommendations to RPRA Board
 - RPRA Board decision

Any potential structural and personal conflicts can therefore be managed within the current CIF, M3RC and RPRA relationship structure by following the recommended procedures and processes.

6.5. CIF Reserve Transfer & Potential Disbursements

Sections 4.1 and 4.2 discuss the disbursement methodology and provides illustrative examples of the disbursements under option 1, Status Quo and option 2, the Extension of the CIF Windup Termination by one year. If the preferred option, Transfer CIF Resources & Assets to AMO/LAS as described in Section 4.3 is selected and approved, surplus CIF funds will be transferred to AMO to support its work assisting municipalities and First Nations communities transition to Ontario's new extended producer responsibility regulatory framework.

AMO is an association that represents elected municipal governments and acts as their agent on many different provincial and federal files and programs. This representation is documented in the *Municipal Act*, (Toronto is represented by their own *City of Toronto Act*) and is included in an MOU with the Province of Ontario. Both AMO and Toronto have separate, respective MOUs with the Province of Ontario.

For municipal members of AMO, their input on the proposed CIF amendment will be sought through multiple channels during consultation. The final decision to implement a RPRA-approved amendment will rest with the AMO Executive and/or Board and the LAS Executive and/or Board.

Potential Initial Disbursements

The municipal members of AMO represent in excess of 80% of any potential disbursement. First Nation communities and the City of Toronto are not members of AMO and represent less than 20% of the total CIF reserve fund.

If the proposed amendment were to be approved by RPRA, with the support of AMO & LAS, non-AMO partners (i.e., First Nations Communities and City of Toronto) would have the ability to request an immediate disbursement, similar to the Status Quo option.

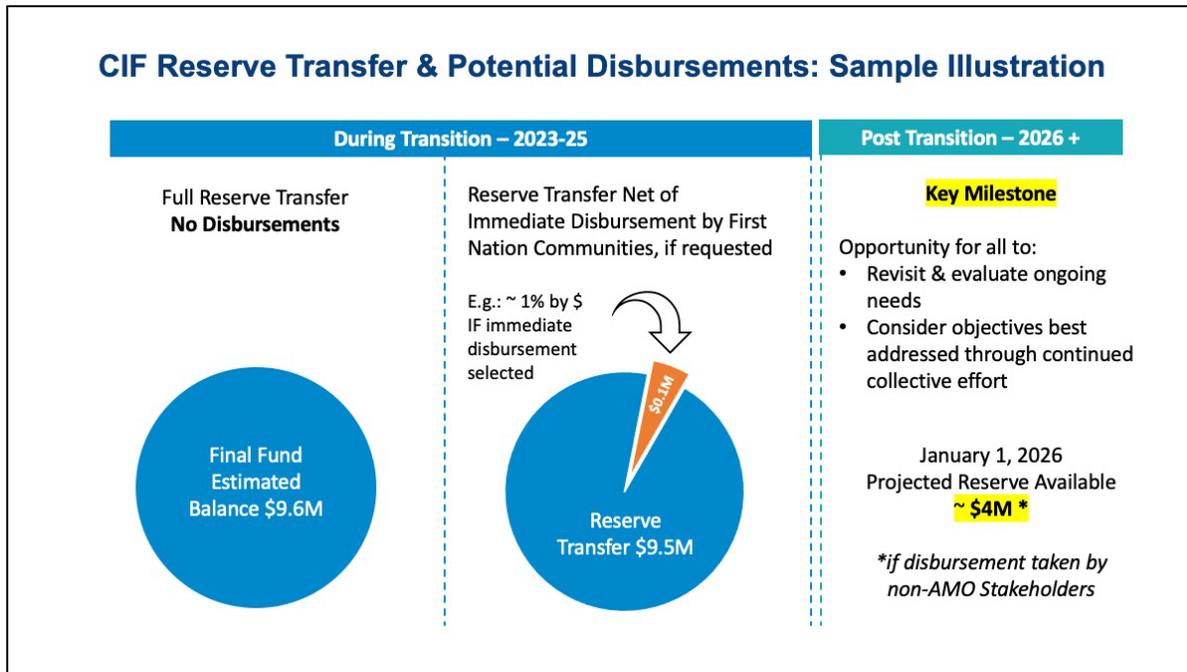
As an example, if any First Nation communities rejected the proposal and chose to leave the collective, those programs would be eligible for an immediate disbursement based on their portion of the reserve balance at the time. If all First Nation communities chose to leave and take an immediate disbursement, the reserve fund would be decreased by approximately \$0.1M in 2023. It is expected that the remaining funds of approximately \$9.5M would be sufficient to continue to support the proposed new structure.

Potential Post-Transition Disbursements

Following the transition to the new Blue Box regulatory framework on December 31, 2025, AMO/LAS intends to consider a review of the need for ongoing CIF services following the completion of transition. This milestone will provide an opportunity for all remaining programs to evaluate the program and be involved in discussion on any future direction, if any, for CIF. Again, non-AMO programs will be given the option to opt-out at that point. If non-AMO members, such as the City of Toronto and First Nation communities choose to exit at this point, their disbursement share would be calculated based on the estimated reserve fund balance at the end of 2025.

For example, if all First Nation communities and the City of Toronto choose to leave and take their respective disbursements, the reserve fund balance at the beginning of 2026 is forecasted to be approximately \$4.1M. With this AMO and LAS may continue to operate the fund. At a run rate of approximately \$2M per year, the Waste and Recycling Services Unit could continue to be funded by the reserve through to 2027, at which time an alternative funding source could be required.

Figure 5: CIF Reserve Transfer & Potential Disbursements



6.6. Precedent for Joint Decisions

Reaching agreement on a course of action or change with this diverse group of communities in the BB system is challenging but has worked successfully throughout the history of the BBPP. Recently, examples of a similar process have been used to consider and approve:

- CIF’s annual Operations Plan and Budget for 2021 and 2022
- \$1M allocation of CIF surplus funds in 2021 to all CIF stakeholders
- Establishment of the MCTF and M3RC (refer to Section 2.5)

In addition, the process used in 2014, led by AMO to secure agreement to proportionately redirect a portion of Steward Obligation payments from each local community recipient (except the City of Toronto which paid directly) to accumulate the \$1M necessary for legal fees is a valuable case study in how to garner and document support for a significant municipal financial matter with collective benefit for all communities.

The 2014 process to collectively fund the arbitration was based on the following principles and process actions.

Principles

- AMO is an association that represents elected municipal governments and acts as their agent on many different files and programs. As such, it regularly spends money and negotiates spending or direction of monies for municipalities.
- This representation is documented in the *Municipal Act*, (Toronto is represented by their own *City of Toronto Act*) and is included in an MOU with the Province of Ontario.
- AMO has historically and continues to operate programs that involve significant funding for municipalities, such as the Canada Community-Building Fund, formerly the federal Gas Tax Fund, that has an annual value of just under \$700M for 2022.
- Pooling local community funds is an administratively efficient process, and AMO, acting as an agent for member municipalities, may approve such expenditures without having to request individual approval or council resolutions for each decision where funding is involved.

Process to Inform and Seek Consensus in 2014 Arbitration Funds Example

- Letter from AMO was sent to all municipal councils
 - All municipalities with a >\$5K deduction were directly contacted by phone
- Letter sent from AMO to all First Nation communities in the BBPP
- One-on-one discussion and agreement for approach by City of Toronto
- Webinar informing of process and opportunity for feedback
 - commitment to resolve outstanding issues
- Approval by AMO's fully representative 43 Member Board
 - Board members represented less than two-thirds of dollar amount requested
- Co-ordination with WDO (now RPRA) throughout process including approval by WDO Board
- After approvals, follow up letter to all communities informing of actual local deduction

Using these principles and this process, no objections to the recommended cost-sharing approach were registered from any municipal council or First Nation community, and the legal funds for the arbitration were successfully transferred to AMO to make it financially whole.

A process similar to this one will be used in the consultation process in that municipalities and first nations communities will be consulted. Those who with concerns will be invited to share them and CIF and AMO staff will follow up with them on a one-to-one basis in an attempt to understand and address the concern. The consultation report will reflect the outcomes.

Appendix A: Mid-Year 2022 Financials Status and Forecast

Mid Year 2022 Financial Status and Forecast			
	<i>Actual 2021</i>	2022 Approved Budget	End Q2 2022 Forecast
CIF Reserve Balance Forward	\$10.32	\$11.15M	\$10.99M
Total Revenue to Reserve	\$2.99M	\$0.16M	\$0.50M
Transition Support	(\$0.85M)	(\$1.25M)	(\$0.80M)
AMO (MCTF)	(\$0, <i>Deferred</i>)	(\$0.50M)	(\$0.50M)
Municipal Disbursement	(\$1.0M)	TBD	TBD
Administration & Program Support	(\$0.47M)	(\$0.65M)	(\$0.55M)
Year End Fund Balance	\$10.99M	\$8.91M	\$9.64M