

Statements of Work Compensation Exhibit Unit Price

Explanatory Note

Revised May 12, 2023

Introduction

This document describes the methodologies to calculate the amount Circular Materials (CM) will pay municipalities with whom it has an agreement to:

- Collect blue box materials from residences and facilities and deliver these materials to a CM receiving facility;
- Operate existing depots and transport blue box materials collected at the depots to a CM receiving facility;
- Collect from public space recycling receptacles and deliver these materials to a CM receiving facility; and
- Deliver local promotion and education (P&E) where the municipality provides residence and facility collection and/or depot collection.

The methodologies are designed to expedite the transition of 376 Ontario communities to extended producer responsibility (EPR) by setting out understandable, transparent and reasonable methodologies to calculate rates of payment to partner municipalities.

Payments are based on the actual costs reported by municipalities in the Datacall and published by the Resource Productivity and Recovery Authority (RPPRA). Reported collection costs will be adjusted from the year in which the costs were incurred (i.e. 2020) to the municipality's transition year to reflect changing operating and inflationary conditions.

Residence and Facility Statement of Work

During transition, CM is offering to contract with municipalities to continue existing residence and facility collections services.

A municipality's 2020 Residential Collection Cost per Stop will be calculated as follows:

1. If a municipality reported zero Residential Processing Costs in the 2020 Datacall, the average processing cost per tonne (based on municipalities reporting processing costs) will be multiplied by the municipality's tonnes collected and the result will be deducted from the municipality's 2020 Residential Collection Costs prior to the calculation of the Residential Collection Cost per stop.
2. Then the Residential Collection Cost per stop will be calculated as follows:

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(Reported 2020 Residential Collection Costs) ÷
(number of stops: single-family and multi-family households served + retirement homes served + long-term care homes served + schools served + public space recycling receptacles collected on residential routes)

Sources of information for the denominator are set out in the following table.
Municipalities will be asked to complete the referenced Exhibits.

Data	Source
Number of households served	Households Served in 2020 as reported in the 2020 Datacall (submitted in 2021)
Number of retirement homes long-term care homes and schools served	Residence and Facility Statement of Work (SoW) Exhibit 4: Retirement Homes, Long-Term Care Homes and Schools
Number of public space recycling receptacles collected on residential routes	Public Space SoW Exhibit 2: Public Space Container Locations and Container Types

A municipality's 2020 Residential Collection Cost per Stop will be adjusted as follows:

To reflect an increase in CPI: apply the change in CPI as published by the Government of Canada ¹ to 80% of the reported Residential Collection Cost per Stop	To adjust from 2020 to 2021	All municipalities
	To adjust from 2021 to 2022	
	To adjust from 2022 to 2023	
	To adjust from 2023 to 2024	Municipalities transitioning in 2024 and 2025
	To adjust from 2024 to 2025	Municipalities transitioning in 2025
To reflect an increase in fuel costs: apply the change in the applicable fuel index ² to 20% of the reported Residential Collection Cost per Stop	To adjust from 2020 to 2021	All municipalities
	To adjust from 2021 to 2022	
	To adjust from 2022 to 2023	
	To adjust from 2023 to 2024	Municipalities transitioning in 2024 and 2025
	To adjust from 2024 to 2025	Municipalities transitioning in 2025

¹All items at <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>

² Table of Fuel Prices at <https://data.ontario.ca/dataset/fuels-price-survey-information>

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The adjusted Residential Collection Cost per Stop plus the Administration Factor will be multiplied by the number of stops to yield the payment due to a municipality under the Residence and Facility Statement of Work. Adjustments to the number of stops and the Residential Collection Cost per Stop during the term of the contract are described in the Statement of Work Compensation Exhibit.

Charges for non-eligible sources ³

As eligible sources are used to calculate payments to municipalities, CM will not be incurring collection costs for non-eligible sources.

As the administrator of the common collection system, CM will be incurring costs to receive and transfer blue box material from non-eligible sources. The cost to receive and transfer material from non-eligible sources will be based on bid prices in response to an RFP for receiving facilities to be operated as part of the common collection system.

Producer responsibility organizations (PROs) will be incurring costs to process and market blue box material from non-eligible sources commingled with blue box material from eligible sources. An average price to process and market materials net of revenue will be set through discussions among the PROs.

These costs ("Non-Eligible Source Blue Box Material Price") will be the basis for calculating the deduction from the amount due to a municipality for residence and facility collection services. The amount to be deducted from payments due to a municipality will be calculated as follows:

- The total kilograms collected will be divided by the total number of stops to yield the kilograms collected per stop;
- The kilograms collected per stop will be multiplied by the number of non-eligible sources to yield total kilograms collected from non-eligible sources; and
- Total kilograms collected from non-eligible sources will be multiplied by the Non-Eligible Source Blue Box Material Price to yield the amount to be charged to a municipality to receive and manage blue box material collected from non-eligible sources on residential collection routes.

³ Non-eligible sources are locations that are collected on residential collection routes that are not households, retirement homes, long-term care homes or schools. Examples of non-eligible sources include municipal buildings, churches and businesses.

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Depot Statement of Work

During transition, CM is offering to contract with municipalities to operate existing depots and transport blue box materials collected at the depots to a CM receiving facility.

A municipality's *Residential Depot/Transfer Costs* may be adjusted as follows:

1. If a municipality reported zero Residential Processing Costs in the 2020 Datacall, the average processing cost per tonne (based on municipalities reported processing costs) will be calculated and deducted from the municipality's 2020 Residential Depot/Transfer Costs.

$$\begin{aligned}
 & 2020 \text{ Residential Depot/Transfer Costs (including processing costs)} - (\text{Average Processing Cost/Tonne} \times \text{Municipality's Tonnes Collected}) \\
 & = 2020 \text{ Residential Depot/Transfer Costs (net of processing costs)}
 \end{aligned}$$

2. If a municipality delivers collected material to a transfer facility (single-family, multi-family and/or depot), the municipality's 2020 Residential Depot/Transfer

$$\begin{aligned}
 & \text{Reported 2020 Residential Depot/Transfer Costs} \times 70\% \\
 & = 2020 \text{ Residential Depot Costs}
 \end{aligned}$$

A municipality's 2020 Residential Depot Collection Costs will be adjusted as follows:

To reflect an increase in CPI: apply the change in CPI as published by the Government of Canada ⁴ to 80% of the reported Residential Depot Costs	To adjust from 2020 to 2021	All municipalities
	To adjust from 2021 to 2022	
	To adjust from 2022 to 2023	
	To adjust from 2023 to 2024	Municipalities transitioning in 2024 and 2025
	To adjust from 2024 to 2025	Municipalities transitioning in 2025
To reflect an increase in fuel costs: apply the	To adjust from 2020 to 2021	All municipalities
	To adjust from 2021 to 2022	

⁴All items at <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401>

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change in fuel index ⁵ to 20% of the reported Residential Depot Collection Costs	To adjust from 2022 to 2023	
	To adjust from 2023 to 2024	Municipalities transitioning in 2024 and 2025
	To adjust from 2024 to 2025	Municipalities transitioning in 2025

A municipality's adjusted Residential Depot Costs represent the total annual payment to a municipality under the Depot Statement of Work. Adjustments to the Residential Depot Costs during the term of the contract are described in in the Statement of Work Compensation Exhibit.

Charges for non-eligible sources ⁶

As a municipality's Residential Depot Costs are net of collection costs associated with materials from non-eligible sources, CM is not incurring depot collection costs for non-eligible sources.

As the administrator of the common collection system, CM will be incurring costs to receive and transfer blue box material from non-eligible sources. The cost to receive and transfer material from non-eligible sources will be based on bid prices in response to an RFP for receiving facilities to be operated as part of the common collection system.

PROs will be incurring costs to process and market blue box material from non-eligible sources commingled with blue box material from eligible sources. An average price to process and market materials net of revenue will be set through discussions among the PROs.

These costs ("Non-Eligible Source Blue Box Material Price") will be the basis for calculating the deduction from the amount due to a municipality for depot collection services. The amount to be deducted from payments due to a municipality will be calculated as follows:

- Total kilograms collected at depots multiplied by 25% (or another percentage if substantiated for a specific depot) to yield total kilograms collected from non-eligible sources; and

⁵ Table of Fuel Prices at <https://data.ontario.ca/dataset/fuels-price-survey-information>

⁶ Non-eligible sources are locations that are collected on residential collection routes that are not households, retirement homes, long-term care homes or schools. Examples of non-eligible sources include municipal buildings, churches and businesses.

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- Total kilograms collected from non-eligible sources multiplied by the Non-Eligible Source Blue Box Material Price to yield the amount to be charged to a municipality to receive and manage blue box material delivered to depots by non-eligible sources.

Promotion and Education

Opt-in Community Statement of Work:

During transition, CM is offering to contract with municipalities that are delivering residence and facility collection and/or depot collection to provide local promotion and education (P&E).

Municipalities report their P&E costs in the Datacall category *Residential Promotion and Education Costs*.

As 48 of the municipalities reporting in the 2020 Datacall did not report P&E costs in the 2020 Datacall, utilizing actual reported 2020 P&E costs as the basis for payment under the P&E Statement of Work would not yield an equitable approach for all municipalities.

The P&E payment per household served is calculated as follows:

- The 48 municipalities that reported zero P&E costs were removed from the calculation;
- The 18 First Nations that reported P&E costs were removed from the calculation (as separate offers will be made to First Nations); and
- P&E costs reported by the remaining municipalities were averaged.

Based on this calculation, the P&E payment offer is \$1.50 per household served in eligible communities that are providing Residence and Facility Collection and \$1.00 per household in eligible communities that are providing only Depot Collection.

Opt-out Community P&E Funding:

During transition, Circular Materials is offering compensation for opt-out communities to design and distribute waste calendars/guides and to subscribe to waste apps in relation to the proportion for Blue Box Material.

Waste guides/calendars funding:

- Circular Materials audited guides and calendars from a range of communities (urban, rural, suburban).

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- Blue Box Material content ranged from 15% to 33% of guides and calendars with some communities promoting 2 types of waste streams, while most promote 3+ types of waste streams.

The payment offer for waste guides and calendars to opt-out communities with 3+ waste streams is \$0.35 per household (\$0.22 per household for development, design and printing + \$0.13 per household for mailing).

The payment offer for waste guides and calendars to opt-out communities with 2 waste streams is \$0.44 per household (\$0.28 per household for development, design and printing + \$0.16 per household for mailing).

Waste widgets and apps funding:

Circular Materials will manage the Blue Box Material portion of community waste widgets and apps through its own login and agreement with an opt-out community.

The payment offer is based on a similar approach as to the waste guide and calendar payment offer:

- The payment offer to opt-out communities with 3+ waste streams is \$0.15 per household.
- The payment offer to opt-out communities with 2 waste streams is \$0.24 per household.