

2008 Financial Datacall Residential Blue Box System

Background

The 2008 Financial Datacall represents the seventh that WDO has implemented.

In addition to costs reported by participating municipalities, the Financial Datacall includes:

- a calculation of administration cost based on the proportion of contracted and non-contracted services:
 - The factors used in the administration cost calculation were 3% of contracted costs and 5% of municipal costs.
- a calculation of interest on municipal capital:
 - For capital expenditures with an amortization period of seven years or more commissioned in or after 2006, the average of the prime interest rate for the year in which the capital was commissioned is utilized to calculate interest.
 - For capital expenditures with an amortization period of seven years or more commissioned prior to 2006, the average of the prime interest rate for the year in which the capital was commissioned less 1% is utilized to calculate interest on the basis that capital has historically been funded as an opportunity cost.

Verification of the 2008 Financial Datacall

In order to improve the Financial Datacall process and reduce requirements for post-submission verification, pre-submission support visits were provided to 11 municipal programs.

Verification of the Financial Datacall commenced in May and was completed by the end of July. The verification process includes year over year database variance analyses to identify outliers and follow up with municipal programs to clarify questions regarding the data.

2008 Financial Datacall Summary Report

The financial data, as submitted by municipal programs and including adjustments as a result of WDO's verification process, are provided in a WDO 2008 Blue Box Financial Datacall Summary Report.

The 2008 Financial Datacall Summary Report contains data as reported by 216 recycling programs serving 370 of the 446 municipalities in the Province of Ontario in 2008, and as reviewed and verified by WDO to July 31, 2008, in accordance with Section 6.3.2 of the Blue Box Program Plan.

2008 Financial Datacall Residential Blue Box System

Setting the Industry Funding Contribution for 2010

The Financial Datacall is used to determine the net Blue Box system cost in 2008 in order to calculate the 50% industry funding contribution to municipalities to support programs to manage residential Blue Box Waste in 2010.

The 2008 Blue Box gross system cost:

- Is based on reported Blue Box costs and revenues verified by WDO;
- Includes calculated administration and interest on municipal capital costs; and
- Is adjusted for prior year Datacall corrections.

As outlined in the Cost Containment Plan, approved by the Minister in December 2004 and subsequently revised in January 2005 (as directed by the Minister), the 2008 Blue Box steward fees are to be based on best practice system costs.

The output from the Best Practice Cost Model, a component of the Blue Box Program Enhancement and Best Practices Assessment Project, indicates that the residential Blue Box system operating at best practices in 2008 would cost \$259,984,328 as compared with the 2008 reported Blue Box system gross cost of \$274,245,169. Pending development of a tolerance variance between the Best Practice Cost Model, which is a theoretical model, and the reported system cost, MIPC recommended and the WDO Board approved setting the 2008 best practice Blue Box system cost for the purpose of setting 2010 stewards fees using the mid-point between the Best Practice gross cost model output and the verified reported system gross cost as set out in the following table.

	Reported	Best Practice	Mid-Point
Gross System Cost	\$274,245,169	\$259,984,328	\$ 267,114,749

The 2008 Blue Box net system cost is calculated by applying prior year adjustments to and deducting a three year rolling average revenue from the mid-point between the Best Practice gross cost model output and the verified reported system gross cost.

2008 Gross Cost (mid-point between Best Practice cost model output and verified reported system cost)	\$267,114,749
Apply Adjustments in Cost for Prior Years	\$9,225
Total Gross Cost	\$267,123,974
Less Three Year Average Revenue	\$100,138,121
2008 Net Cost	\$166,985,852
2010 Stewards Obligation comprised of	\$83,492,926
CNA/OCNA In-kind Obligation	\$1,442,510
Contribution to Continuous Improvement Fund	\$16,410,098
Cash Disbursements	\$65,640,318