Waste Diversion Ontario

Municipal Leaders Meeting

Best Practices Project

March 30, 2007

Meeting Outline

- WDO presentation
  - Best Practices Project
  - In context of 2006 net system cost & 2008 stewards fees/funding
- Questions
  - To ensure common understanding of objectives, roles, responsibilities, process
- Discussion among WDO, SO, municipal representatives
  - To identify issues for MIPC's consideration
  - To identify issues for KPMG's consideration
- Followed by meeting with KPMG
  - To discuss issues for KPMG's consideration

Best Practices Project

- Best Practices Project
  - Origin
  - Scope of work
  - Deliverables
- MIPC's post-deliverables tasks
  - Recommendations to WDO Board
    - 2006 best practice net system cost
    - Methodology to distribute 2008 funding
    - Use of E&E Fund to support municipal implementation of identified best practices

BP Project Origin

- MIPC Retreat June 20/21, 2006 to discuss ‘funding to best practice’
- Agreement reached between steward & municipal representatives to proceed with best practices project
  - Municipal reps initially suggested small project to study 5 to 10 programs
  - Through discussion, project was expanded to larger study of >20 programs
  - Determined that outside expertise needed in the areas of
    - Systems analysis
    - Identification of best practices
    - Diversion systems outside of Ontario

BP Project Scope of Work

- MIPC developed RFP, evaluated submissions, interviewed short list & selected KPMG team to
  - Step # 1 - Identify BB best practices by
    - Assessing better/poorer performing programs
      - Initially identified through E&E Factors
    - Analyzing Datacall & program data
    - Undertaking international research
  - Step # 2 - Based on best practices identified in Step # 1
    - Recommend costing methodology
    - Calculate 2006 best practice system cost
    - Recommend ways to use E&E Fund to support implementation of best practices

BP Project Deliverables

- Set of best practices
  - For use by municipalities to improve programs
- Blueprints for programs participating in assessment process
  - For use by municipalities to improve programs
- Costing methodology
  - As basis for 2006 best practice system cost
  - For consideration by MIPC when developing recommendations to WDO Board on subsequent years' best practice net system costs
- 2006 best practice system cost
  - For use by MIPC when developing recommendation to WDO Board on 2006 best practice net system cost for use in setting 2008 fees
- Recommendations for utilizing E&E Fund
  - For use by MIPC when reviewing E&E Fund priorities for 2008 and beyond

Waste Diversion Ontario

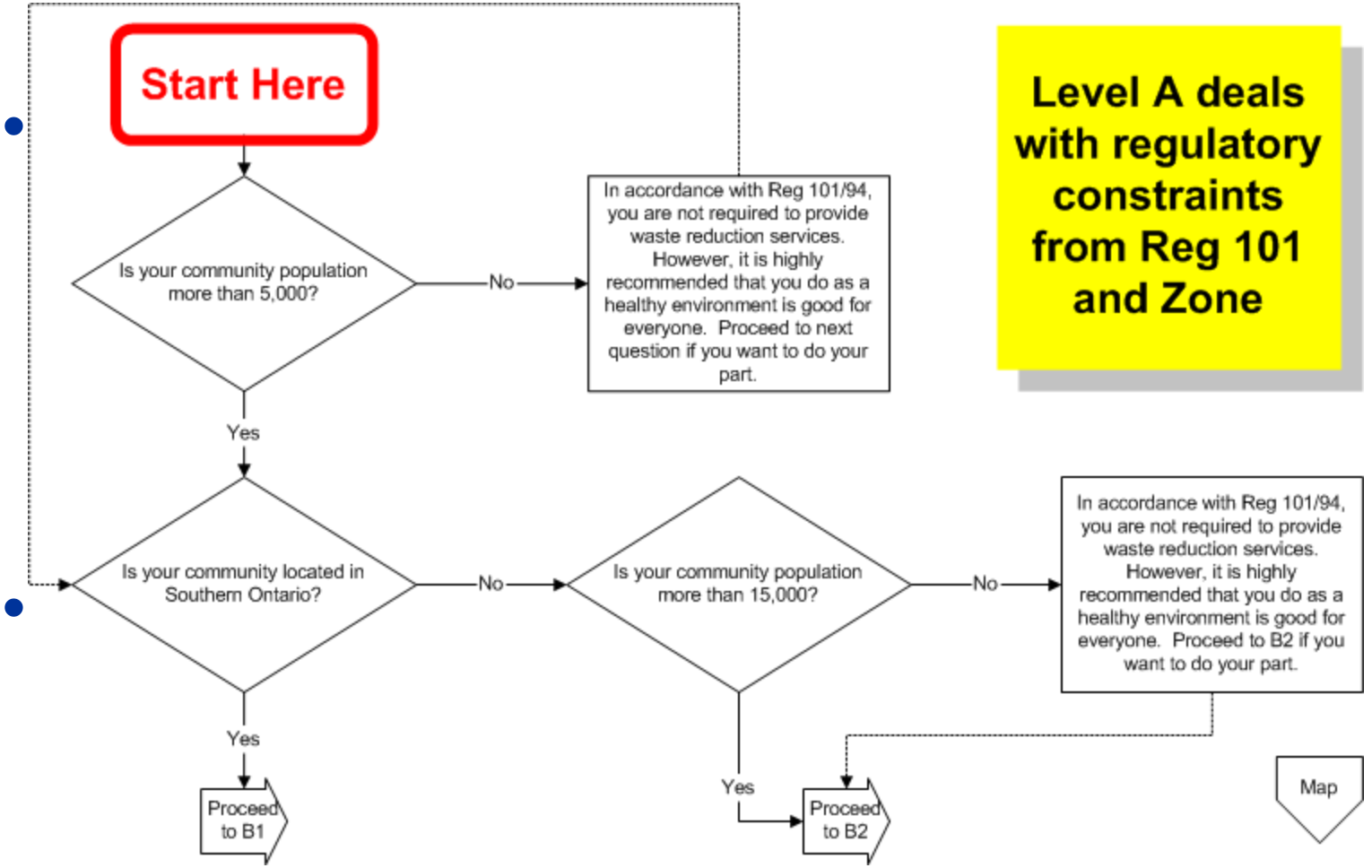
Set of Best Practices

- Fundamental
  - Apply to all programs
- Conditional
  - Applicability to a program identified through use of decision tree
- Others
  - May be useful under some circumstances

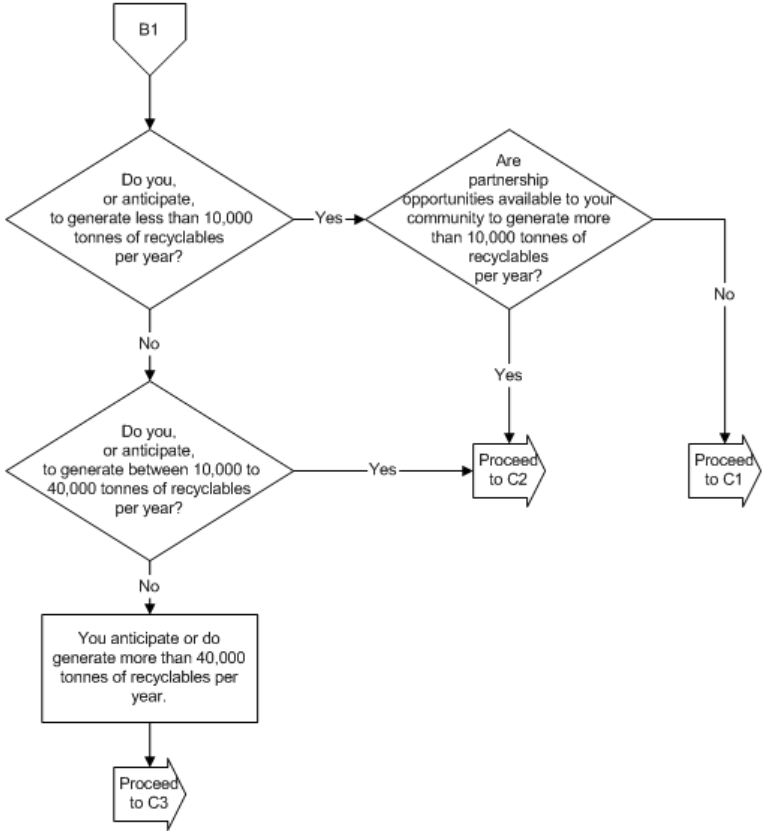
Decision Tree

- Three criteria to create tree ‘branches’
  - Geography: north or south (2 choices)
  - Tonnage: small, medium, large (3 choices)
  - Household Density: low, medium, high (3 choices)
- Produces
  - 18 potential profiles
  - Of which 13 actually exist in Ontario

Decision Tree



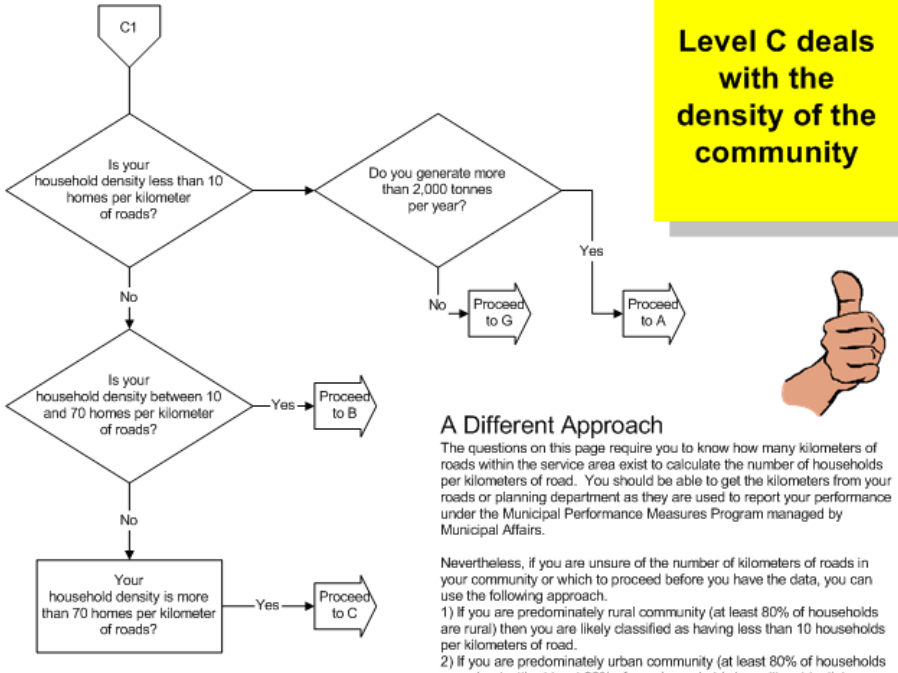
Decision Tree



Level B deals with size of program

Tonnes

Decision Tree



Level C deals with the density of the community

A Different Approach

The questions on this page require you to know how many kilometers of roads within the service area exist to calculate the number of households per kilometers of road. You should be able to get the kilometers from your roads or planning department as they are used to report your performance under the Municipal Performance Measures Program managed by Municipal Affairs.

Nevertheless, if you are unsure of the number of kilometers of roads in your community or which to proceed before you have the data, you can use the following approach.

1) If you are predominately rural community (at least 80% of households are rural) then you are likely classified as having less than 10 households per kilometers of road.

2) If you are predominately urban community (at least 80% of households are urban) with at least 20% of your households in multi residential dwellings then you are likely classified as having more than 70 households per kilometers of road.

3) If you fall in either previous category and are mostly suburban then you are likely classified as having between 10 and 70 households per kilometers of roads.

From the answers given in this, other potential points, and all previous sections the termination point will be a recommendation of potential practices to be considered for a better program as determined based on your profile.

Each Best Practice

- In use today in Ontario municipal programs
  - Best practice in use today
- Where experience and data analyses support performance
- High confidence that performance will be improved if best practice is implemented
- Degree of performance improvement is program specific
  - Depends on starting point
  - Must be assessed by each program when determining how to implement best practices
    - Cost to implement
    - Effect on recovery
    - Net cost benefit

Optional Cost Models

- KPMG presented 4 model options to MIPC
  - Analogy Based Cost Estimate
  - Expert Opinion Cost Estimate
  - Engineering Cost Estimate
  - Parametric Cost Estimate
- With
  - Advantages/disadvantages of each
  - Recommended approach

Optional Cost Models

- Analogy Based Cost Estimate
  - Used in the absence of clearly defined cost relationships
  - Estimating can be either at system or component level
  - Circumstances favour this approach
- Expert Opinion Cost Estimate
  - Involves the use of experienced professionals in building the cost estimate
  - Often used with the Analogy method so that informed analysis of the differences between current and future states can be made

Optional Cost Models

- Engineering Cost Estimate
  - Requires detailed costs for each activity using commercial prices, vendor quotes, standard costs derived from time-motion studies etc.
  - Information to support this approach is not available
- Parametric Cost Estimate
  - Requires quantification of predictable relationship between cost and factors which influence it
  - Extremely difficult to isolate impacts of individual activities since multiple program changes are typically implemented simultaneously
  - Information to support this approach is not available

Preferred Cost Model

- KPMG recommendation
  - Use combination of
    - Analogy Based Cost Estimate
    - Expert Opinion Cost Estimate

Costing Methodology

- Working from set of best practices (Step # 1)
  - Identify ‘model’ programs utilizing identified best practices
- For each ‘model’ program, identify unique circumstances that
  - Result in advantages or disadvantages over its peers
  - Would affect other programs’ ability to achieve similar performance
  - Would be material in impact
  - For example
    - Condition of capital – fully amortized, requires replacement
    - Mix of households – single family, multi-family, seasonal
    - P&E provided
    - Level of training provided

Costing Methodology

- For each unique circumstance
  - For which data are available, identify adjustment methodology
  - For which data are not available, forward to MIPC for consideration
- Methodology must be
  - Measurable
  - Supported by readily available data e.g.
    - WDO Datacall, CPI/PPI, Census
- Using previous examples, adjustments would be calculated based on
  - For condition of capital - data from Datacall & MRF Optimization Study
  - For mix of households - data from Datacall
  - For P&E provided - data from Datacall
  - For level of training provided - data from Datacall & site visits

Costing Methodology

- By adjusting ‘model’ programs for unique circumstances
  - Cost model is not built from actual program costs
  - Rather model is built from calculated ‘normalized’ best practice programs

Costing Methodology

- ‘Model’ program costs & revenues from 2005 Datacall

+/- Adjustments for unique circumstances

= ‘Normalized’ program costs/revenues

X All programs in ‘model’ program’s municipal group

  - Using appropriate unit of measurement e.g.
    - Tonne, household, population

Costing Methodology

- On March 23, MIPC directed KPMG to
  - Use their recommended methodology to calculate a draft 2006 best practice system cost
  - Consider additional factors for adjusting ‘model’ programs including
    - Materials collected
    - Some measure of competition

2006 System Cost

- 2006 best practice system cost
  - Based on ‘normalized’ program costs & revenues extrapolated across each municipal group
  - Adjusted for
    - Inflation
    - Population growth

BP Project Timelines

- Best practices project deliverables
  - Set of best practices
    - Draft preliminary reviewed by MIPC
    - Draft final scheduled for early April
  - Blueprints for programs participating in assessment process
    - Draft for review by programs mid April
    - Final by end of April
  - Costing methodology
    - Options and preferred methodology reviewed by MIPC in March
  - 2006 best practice system cost
    - Draft 2006 best practice system cost scheduled for mid April
  - Recommendations on utilizing E&E Fund
    - Scheduled for late April

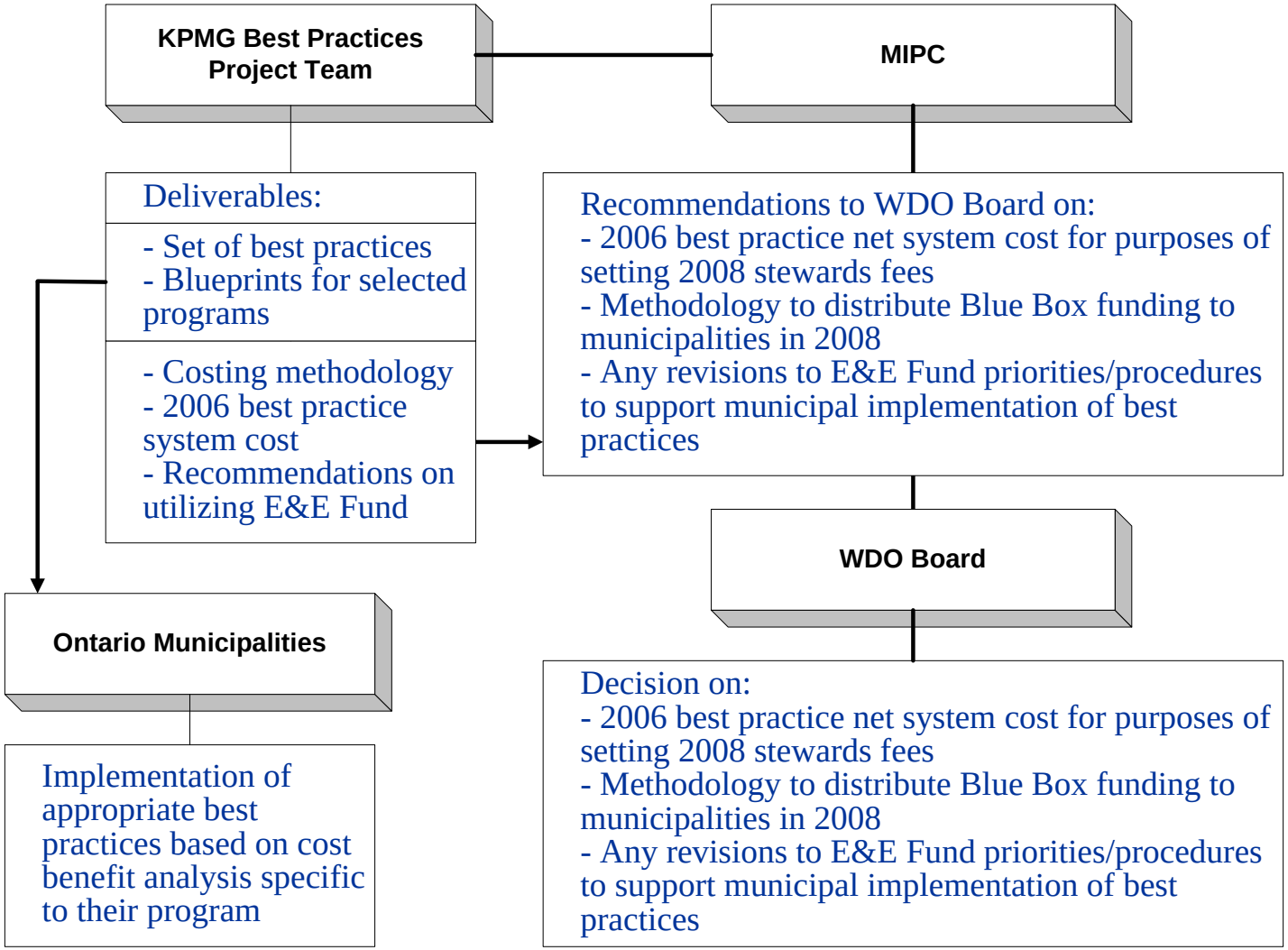
MIPC's Responsibility

- Receive best practices project deliverables
  - Set of best practices
  - Blueprints for programs participating in assessment process
  - Costing methodology
  - 2006 best practice system cost
  - Recommendations on utilizing E&E Fund
- With this information, develop recommendations to WDO Board on
  - 2006 best practice net system cost for purposes of setting 2008 stewards fees
  - Methodology to distribute Blue Box funding to municipalities in 2008
  - Any revisions to E&E Fund priorities/procedures to support municipal implementation of best practices

MIPC's Timelines

- MIPC recommendations to WDO Board
  - 2 day retreat scheduled for May 10/11
- 2006 best practice net system cost for purposes of setting 2008 stewards fees
  - Must be forwarded to WDO Board by July 9
- Methodology to distribute Blue Box funding to municipalities in 2008
  - Should be forwarded to WDO Board by October 5
- Any revisions to E&E Fund priorities/procedures to support municipal implementation of best practices
  - At MIPC's discretion

Roles & Responsibilities for Best Practices



Issues Raised

- Reliability of data
  - Data sources are Ontario municipalities via
    - Datacall
    - Project site visits
  - Municipal data considered to be reliable
- How set of best practices would be used
  - By project team to identify ‘model’ programs
  - By municipalities to improve their performance

Issues Raised

- Methodology to distribute 2008 funding
  - Not part of KPMG's scope of work
  - MIPC's responsibility to provide recommendation
    - To date, MIPC has not considered this issue
  - For decision by WDO Board

Waste Diversion Ontario

Issues Raised

- Expectations that project will produce a process that allows municipalities to
  - Project impact
  - Implement best practice
  - With results within projected impact
- Project will not cost each best practice
  - Extremely difficult to isolate impact of individual activity
  - Each municipality must determine
    - How to implement best practices in their particular circumstances
    - Based on their own cost-benefit analysis

Issues Raised

- Link between set of best practices & best practice system cost
  - Set of best practices used by project team to identify 'model' programs utilizing best practices
  - 'Model' programs, with adjustments for unique circumstances, used as basis for calculating 2006 best practice system cost
- Feasibility of establishing best practice system cost
  - Defined deliverable of best practice project
  - KPMG working with preferred cost model to calculate draft 2006 net system cost
  - MIPC will review on April 12
    - Provide comments and direction to KPMG at that time

Discussion

- Questions
  - ?
- Issues for MIPC's consideration
  - ?
- Issues for KPMG's consideration
  - ?