

RPRA Consultation

Municipal Hazardous or Special Waste (MHSW) Program Wind-Up Plan

Residual Fund Addendum

January 22, 2020



Asking Questions

01/29/2018 10:00 AM EST

This webcast has not yet started

Questions and Answers

Question : test

Answer pending

Type a question and press 'Enter'.

To ask a question at any time during the presentation or for technical assistance, type your question in the text box and press “Enter”.



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Agenda

- **Purpose of the Consultation**
- **Background**
 - MHSW Program
 - Minister's Direction on Management of Residual Funds
 - Residual Funds vs Surplus Funds
 - MHSW Program Residual Fund Forecast
- **SO's Proposed Residual Fund Addendum to the MHSW Wind-Up Plan**
 - Eligibility
 - Share Calculation Methodology
 - Payment Process
 - De Minimus Threshold

Purpose of the Consultation

- Provide an overview of Stewardship Ontario's proposed Residual Fund Addendum to the Wind-Up Plan for the Municipal Hazardous or Special Waste (MHSW) Program
- Outline key questions we are seeking feedback on during the consultation period
 - You can provide your feedback to RPRA until **January 31, 2020**
 - At the end of the presentation we will explain how you can provide that feedback

Background



MHSW Program

- The Municipal Hazardous or Special Waste (MHSW) Program is operated under the authority of Ontario's *Waste Diversion Transition Act, 2016* (WDTA)
- The program collects certain hazardous and special waste materials, and ensures they are managed in an environmentally responsible way at end of life
- MHSW materials include:
 - single-use batteries
 - pressurized containers
 - oil containers
 - oil filters
 - antifreeze
 - paints and coatings
 - pesticides
 - solvents and
 - fertilizers



Industry Funding Organization (IFO) and Industry Stewardship Organizations (ISOs)

- Under the *Waste Diversion Transition Act, 2016* (WDTA), **Stewardship Ontario (SO)** continues to be responsible for operating the MHSW program
- The Act also permits management of such materials by ISOs
 - **Product Care Association (PCA)**: approved to manage paints & coatings in July 2015 and pesticides, solvents and fertilizers (PSF) in April 2016
 - **Automotive Materials Stewardship (AMS)**: approved to manage oil filters, oil containers, antifreeze and antifreeze containers in April 2017
 - **SodaStream**: approved to manage their own proprietary pressurized containers in July 2016
- SO continues to operate battery and pressurized container programs
- SO continues to represent a small number of stewards in some of the other MHSW categories managed by the ISOs

SO Wind-Up Plan Submitted for Approval in September 2019

Proposed to:

- Pay costs associated with winding up the program between 2019 to 2021, including contingencies
- Distribute **surplus** funds in all MHSW categories as fee reductions to benefit consumers as per the Minister's Direction letter
- To transfer any contingency or **residual** funds to RPRA to offset battery and MHSW registry fees under RRCEA

New Minister's Direction on the Management of MHSW Program Residual Funds

Summary of December 20, 2019 Minister's direction

- All residual funds remaining once the program ceases operating and all financial obligations have been accounted for **should be returned to stewards**
- Where reasonably possible, return of residual funds should be in proportion to stewards' contributions to the funds for each MHSW category
- Applies to MHSM categories whose recovery is managed by Stewardship Ontario as well as stewards of MHSM categories managed through industry stewardship plans
- Revisions to the Plan to be approved by the Authority no later than **February 29, 2020**

SO Wind-Up Plan Approved by RPRA in December 2019

- In response to the Minister's December 20th direction letter, RPRA applied a condition to the approval of SO's MHSW Wind Up Plan

“SO shall revise any sections of the Plan that refer to or deal with the management of residual funds to ensure consistency with the Minister's direction received on December 20, 2019 and shall submit the revised Wind Up Plan to the Authority for approval.”

- SO submitted an Addendum on January 17th to the Plan as a result of the Minister's direction
- RPRA now consulting on the Residual Funds Addendum to the MHSW Wind Up Plan

Residual Funds vs Surplus Funds

Surplus funds:

- Funds in excess of those needed to finance MHSW operations throughout the wind up period
- Estimated in the MHSW WUP Plan to be approximately **\$43.3 Million**
- As per the approved MHSW WUP, these surplus funds will be returned to consumers through the implementation of fee reductions to SO stewards and ISO members

Residual funds:

- Funds remaining in the program following the resolution of outstanding operational and financial obligations (including the disbursement of the material specific surplus funds via fee reduction)
- Forecasted in the MHSW WUP to be approximately **\$376,000**

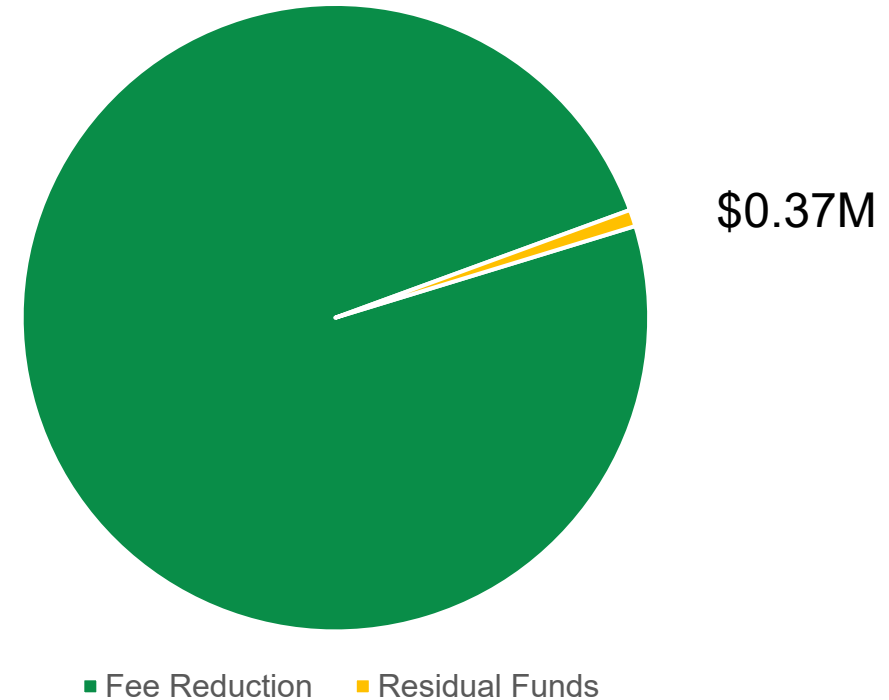
Material Reserves used for Fee Reductions

\$53.1M Total held in both General and Material Reserves at beginning of CY2019

\$9.8M MHSW wind-up expenses and contingencies

\$43.3M Surplus amount remaining in MHSW material reserves available for fee reduction for all MHSW categories during wind up to benefit consumers as per Minister's direction.

Available Material Reserves (\$43.3M)



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MHSW Residual Funds

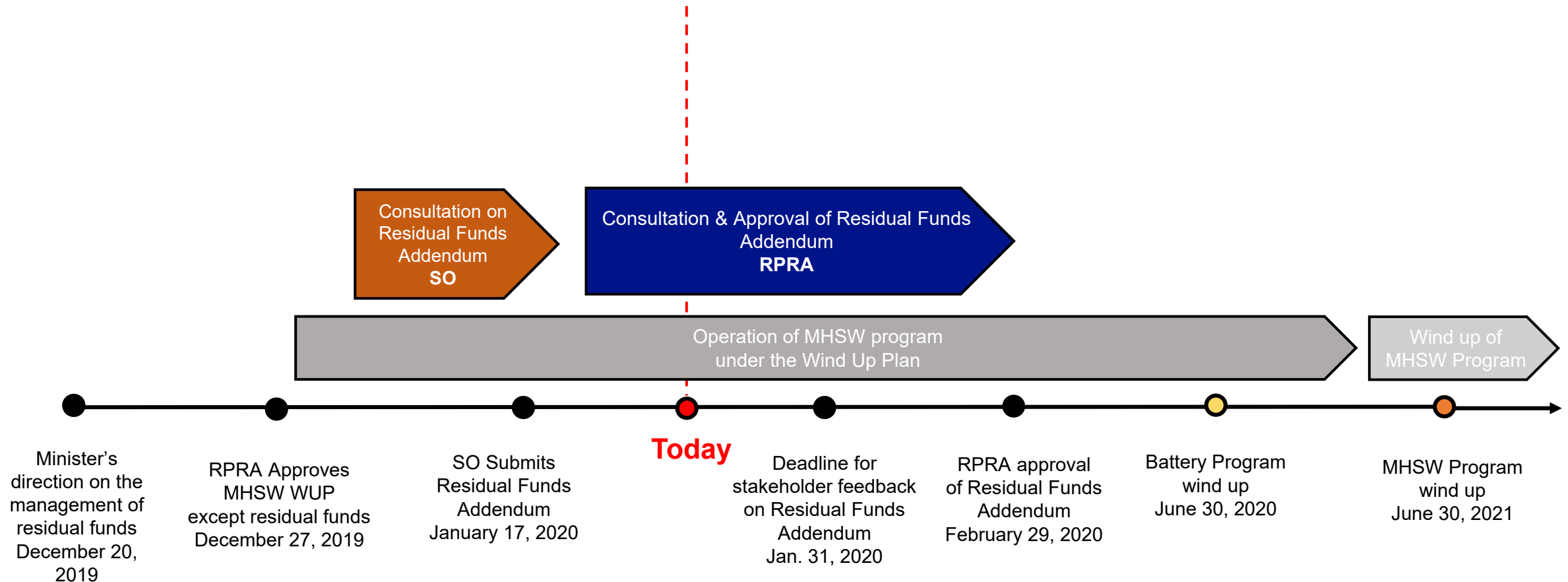
- SO is currently forecasting a total residual fund amount of approximately **\$376,000**
- The final residual funds amount may vary based on actual costs incurred and contingencies
- The goal of the MHSW WUP is to maximize disbursement of surplus funds via fee reductions to SO stewards and ISO members which minimizes the level of residual funds left in the program following its termination.

Table 33: Initial MHSW Residual Fund Forecast (\$000)

Antifreeze	\$55
Fertilizers	\$5
Oil Containers	\$87
Oil Filters	\$58
Paints/Coatings	\$53
Pesticides	\$5
Solvents	\$9
Pressurized Containers (Non-Refillable)	\$44
Pressurized Containers (Refillable)	\$33
Single-Use Batteries	\$27
Residual Funds at program Termination*	\$376



Process and Timeline to Approve Residual Funds Addendum



Questions

Do you have any questions regarding the process and/or timelines to approve the residual funds addendum

Do you have any questions regarding the difference between surplus and residual funds?

Do you have any questions or comments about the amount of residual funds forecasted to remain at point of program termination?



Proposed Residual Funds Addendum to the MHSW WUP



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MHSW Residual Funds

Maximizing Surplus Drawdowns via Fee Reductions and Management of Unspent Contingency Amounts

- The Budget and Forecast contained in approved MHSW WUP includes contingency amounts to ensure that SO can meet all operational and financial obligations.
- Following the termination date of the MHSW Program (**June 31, 2021**), SO will attempt to maximize funds provided toward fee reductions to minimize residual fund amounts left in the program:
 - Final SO Steward invoices will be delayed until 90 days after termination to maximize steward fee reductions in each material category.
- SO proposes to aim to reduce residual funds near to zero in applicable MHSW categories – this would potentially eliminate the need for disbursement of residual funds in some categories.
- For categories which may have residual funds remaining, SO has submitted a draft Residual Funds Addendum to the MHSW WUP to RPRA for assessment and approval.



Proposal to Manage Residual Funds

SO is proposing the following amendments to the MHSW WUP to return residual funds to stewards in a manner consistent with the Minister's direction:

- **Eligibility**
- **Share Calculation Methodology**
- **Payment Process**
- **De Minimus Thresholds**

Residual Fund Proposal

Eligibility

Residual funds would be distributed to existing SO Stewards and ISP Members

- SO Steward or ISP Member must have been active in the program within the last 18 months of the MHSW program operations.
- SO Steward or ISP Members must be in good standing with either Stewardship Ontario or the relevant ISO
- Any amounts related to SO Stewards or ISP Members not in good standing, would be added to the residual fund pool for distribution to those SO Stewards and ISP Members which were in good standing at the time of the disbursement.

Rationale

- Expedite residual fund share calculations
- Represents an administratively reasonable approach to determining eligibility for residual fund payments
- If SO reviewed (audited) historical program contributions and track corporate transitions and changes over the course of the entire program, the resulting accounting costs could represent a significant portion of the amounts available for disbursement



Residual Fund Proposal

Share Calculation Methodology

Surplus fund fee reduction share methodology proposed to be utilized to determine each Steward's or ISP Member's share of residual funds in each MHSW category

- i.e.: If an SO Steward or ISP Member's share of surplus fund fee reduction disbursements in an MHSW category was 5%, that organization would receive 5% of the residual fund disbursement for the category

Each Steward's or ISP Member's share of a potential residual fund disbursement would be based on 18 months of program participation

- For MHSW categories, where SO is not anticipating an 18-month fee reduction process (single- use batteries and non-refillable pressurized containers), for consistency, SO would calculate individual Steward residual fund share as if a fee reduction had been implemented over an 18-month period

Rationale

- Consistent with anticipated fee reduction schedule for most MHSW categories
- Minimize the administrative resources necessary to determine the exact amount of each Steward or ISP Member residual fund payment



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Residual Fund Proposal

Payment Process

- SO would process residual fund payments to Stewards that are registered with SO
- With respect to ISP Members, SO proposes to provide a lump sum payment to the relevant ISOs which would distribute residual funds to individual ISP Members in accordance with the approved residual fund share formula
- SO anticipates that it would calculate and disburse residual fund amounts in each MHSW category six to nine months following the final termination date for the MHSW program of **June 30, 2021**

Residual Fund Proposal

De Minimus Thresholds

- SO and ISOs would not be required to issue residual fund payments to Stewards or ISP Members where those organizations are entitled to receive less than \$25.00.
- Any residual amounts not distributed to organizations in relation to the proposed de minimus threshold be held by Stewardship Ontario or the relevant ISO
- Any unpaid amounts related to de minimus amounts would be retained by:
 - SO to offset the MHSW portion of eventual Stewardship Ontario corporate wind up costs or other residual MHSW program obligations;
 - By ISOs to offset administrative costs

Rationale

- Ensure that administrative costs are reasonable considering small distribution amounts



Summary of SO's DRAFT Residual Fund Addendum to the MHSW WUP

1. Residual funds would be distributed to existing SO Stewards and ISP Members. Only SO Stewards and ISP Members in good standing would be eligible for disbursements
2. The surplus fund fee reduction methodology would be utilized to determine each SO Steward's or ISP Member's share of residual funds in each MHSW category
3. SO would distribute residual funds directly to its registered Stewards. With respect to ISP Members, SO would disburse a lump sum payment to the relevant ISO which would distribute residual funds to its individual ISP Members in accordance with the approved residual fund share formula
4. SO and ISOs would not be required to issue residual fund payments where SO Stewards or ISP Members were entitled to less than \$25.00



Key question – General Feedback on the Residual Funds Addendum to the MHSW WUP

Do you have any questions regarding:

- **Eligibility requirement to receive residual funds**
- **Share Calculation Methodology**
- **Payment Process**
- **De Minimus Thresholds**



Next steps

- You may provide your feedback on SO's Draft Residual Funds Addendum to the MHSW Wind-Up Plan by emailing your comments to consultations@rpra.ca
- Stakeholder feedback is due by **January 31, 2020**
- Final approval of the Residual Fund Addendum to the MHSW WUP will be made by the Authority no later than **February 29, 2020**
- The [MHSW Wind Up Plan](#) and the [RPRA Approval Letter](#) outlining the conditions associated with the approval of the Plan are both available on the Authority's website.

