



Thinking
beyond
the box

Stewardship Ontario

2013 Annual True Up Calculations

November 2014

Annual True Up Background

- In May, 2013, in response to stewards' requests, Stewardship Ontario introduced what was hoped to be an improvement for the quarterly billing process for stewards of the MHSW program -- using the annual true-up percentage as the basis of each quarterly invoice.
- The quarterly calculation of the SSA could result in large swings in stewards' quarterly invoices due to fluctuating material management costs and variations in individual stewards' sales cycles from quarter to quarter.
- To address these fluctuations, Stewardship Ontario calculated what each steward's share was over the four quarters and conducted a reconciliation (a true-up) to achieve a fair apportioning across the entire year - assigning debits and credits as appropriate.

Annual True Up Background

- Over the course of that first year of operating under Regulation 11/12 our stewards struggled with the volatility of their quarterly invoices, concerned that they were unable to accurately forecast or budget for their costs.
- To address the invoice volatility issue Stewardship Ontario announced in April 2013 that for the upcoming year it would apply each steward's annual true-up percentage to their upcoming year of quarterly invoices.
- Given that the annual true-up percentage did not change quarter to quarter, it was thought that this would provide stewards with some measure of predictability in their quarterly invoices. For example, if you had an SSA for Q1 in 2012 of 8%, then it grew to 13% for Q2, 17% for Q3, and went down to 14% for Q4, and after the annual reconciliation (true up) you ended up with an annual true-up percentage of 13%, then for each quarter in 2013 you were billed for 13% of the costs to manage your materials.

Annual True Up Background

- Despite best efforts, applying the 2012 annual true-up percentage to each quarterly invoice throughout the 2013 obligation year did not provide the predictability of costs for stewards as hoped.
- There was continued volatility in invoices caused by steward billing adjustments, stewards entering and exiting material categories in mid-year and quarter-over-quarter material management cost differences.
- In response to these concerns Stewardship Ontario has reverted back to the previous original method of calculating stewards SSA each quarter.
- As some stewards have had questions regarding their recent 2013 ATU invoice, the next slides will provide detailed explanations for calculating that 2013 Annual True Up.

Annual True Up Calculation

- The ATU is calculated by taking all the steward reports for each material category for the year, which creates the steward universe.
- As some materials have conversion factors, we apply them to the applicable materials (i.e. paints and coatings and oil filters) calculating the total proper tonnage for the universe.

Material Description	Reporting Units	SSA Converted Units	Conversion Factor
Paints < = 250 ml	Units	Litre	0.250
Paints > 250 ml – 1L	Units	Litre	0.945
Paints > 1L – 5L	Units	Litre	3.78
Paints > 5L	Units	Litre	18.9
Paints – Aerosols	Units	Litre	0.300
Oil Filters – less than or equal to 8”	EA	KG	0.404
Oil Filters – greater than 8”	EA	KG	1.60

Annual True Up Calculation

- We then take each obligated steward's own reported amount (by material quantity) and apply it to the total annual universe which gives you your ATU percentage.
- This calculation creates the denominator for the year for each material.
- The denominator includes tonnage from all regular reports and any subsequent adjustments.
- This new percentage is then multiplied by the full program cost for the year per material, which gives you a total amount owing for the year.

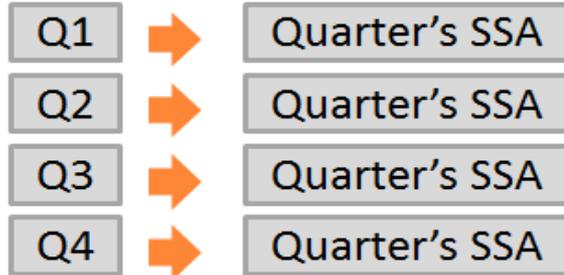
Annual True Up Calculation

- This new amount owing is then compared to the total amount billed to the steward for the year and indicates whether the steward is rendered a debit or credit.

Quarterly Cost Recovery

Reporting &
Cost Quarter

Fee Payment
based on SSA



Total Paid

Annual True-up

Reporting &
Cost Year

Fee Payment
on Year SSA



Total for Year

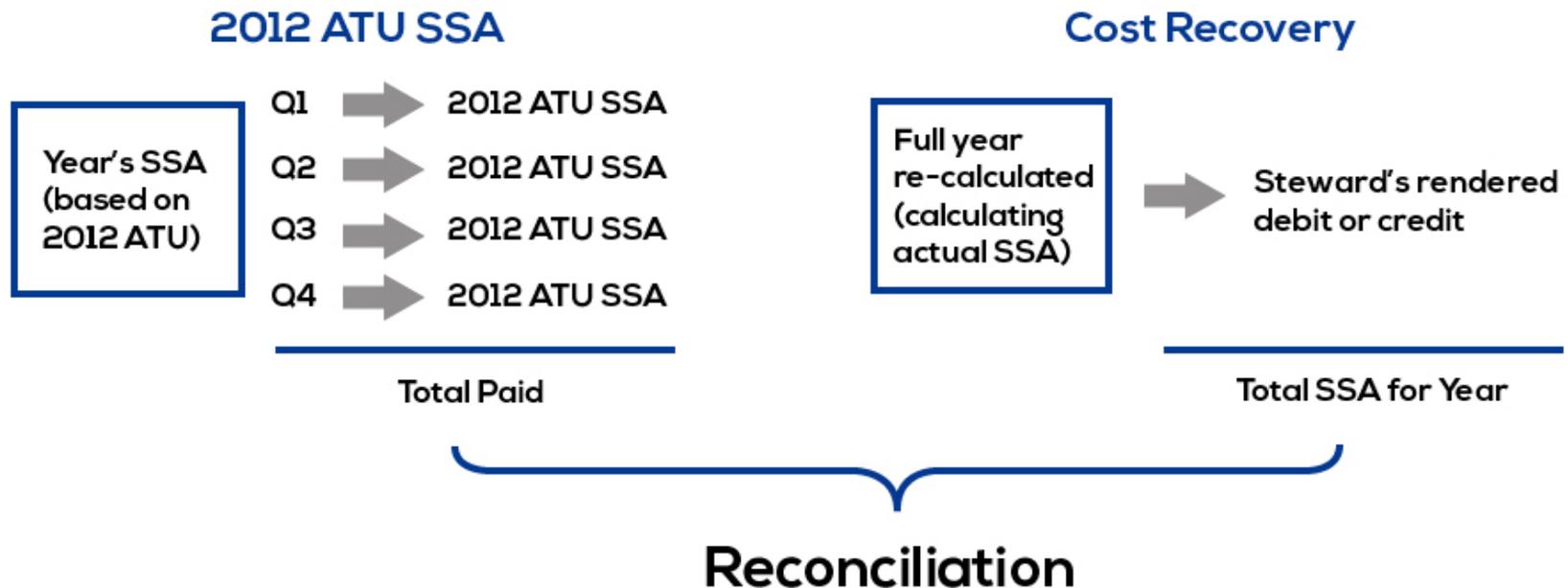
Reconciliation

2013 Annual True Up Calculation

- During the 2013 reporting year, the 2012 ATU that was calculated for each steward was used as their SSA% to calculate quarterly invoices.
- When the 2013 ATU was calculated, Stewardship Ontario took the total amount paid to date for the 2013 year (which was based on the 2012 ATU) and calculated what each steward's SSA should have been.
- The quantities that are used to calculate the ATU are the quantities reported by stewards on their quarterly reports, as well as any quantities associated with adjustments for that year. When stewards are invoiced for adjustments during the 2013 year, the change includes quantities, but not dollars credited/debited. During ATU calculation, the universe includes the quantities associated to these dollars.

2013 Annual True Up Calculation

- The SSA is then compared to the total amount billed to the steward for the year and then indicates whether the steward is rendered a debit or credit.





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Questions?

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