



Stewardship Ontario

Stewardship Ontario Q&A, December 12, 2014

	Question	Answer
2014 Steward Obligation & Fees		
1	What is the outstanding amount owed by stewards for 2014?	The municipal obligation shortfall, as a result of the arbitration decision is \$17.4M which is owed to municipalities by March 31, 2015.
2	The difference between \$115M and \$99.7M is \$15.3M, why do stewards owe \$17.4M? What makes up the additional \$2.1M?	The additional \$2.1M represents Stewardship Ontario's program management and regulatory costs and also includes the legal costs associated with the lengthy arbitration process. Stewardship Ontario's program management and regulatory costs are less than 4% of the 2014 fee obligation.
3	Will SO be covering the additional 2014 obligation with reserves?	Stewardship Ontario has adopted a reserve policy in accordance with Waste Diversion Ontario's guidance to maintain a minimum of 10% of annual operating costs in reserve. Despite this restriction, Stewardship Ontario is able to apply \$9.7M of reserves against the funding gap, leaving \$7.7M to be raised from our Blue Box stewards.
4.	Why will Stewardship Ontario not apply all its reserves to cover the funding gap?	If Stewardship Ontario were to apply all its reserves to cover the funding gap, it would immediately need to replenish those reserves. This would represent an additional 5%-10% on the 2015 fees.
5	If this outstanding amount owing is not being covered by reserves, how will Stewardship Ontario calculate material fees to cover this outstanding obligation?	In order to establish the Adjustment Fee Schedule, Stewardship Ontario created a 2014 fee schedule in keeping with the established fee setting methodology. The difference between the 2014 fee schedule and the 2013 fee schedule (against which stewards paid fees in 2014) plus the application of the \$9.7M reserve funds, results in the 2014 Adjustment Fee Schedule.
6	Why do some materials have a 0.00¢/kg adjustment fee?	The reserves were applied to each material category based on their proportion of system costs. For some materials, this approach (which is consistent with the established fee setting methodology) resulted in the applied reserve covering the funding gap associated with those materials.



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7	Why does CNA/OCNA get a credit through the adjustment fee? Does that mean they will receive a refund?	CNA/OCNA stewards pay a portion of Stewardship Ontario's program management costs only. Program management costs declined in 2014 from 2013 levels largely due to benefits from CSSA's harmonized back office functions. Because CNA/OCNA members were charged 2013 fees pending the outcome of the arbitration and the actual 2014 program management costs are lower, these steward will receive a credit.
8	What steward data was used to calculate the adjustment fee?	The quantities reported by stewards in 2013, using 2012 sales data, will be used to calculate steward invoices for the 2014 adjustment fees.
9	When will stewards know how much they owe for the 2014 outstanding obligation and when will this additional amount be due?	Stewardship Ontario will endeavour to issue invoices by the end of December 2014. Stewards' payments will be due by February 27, 2015.
10	Why do municipalities need to be paid by March 31, 2015?	Stewardship Ontario makes four quarterly payments to municipalities, with remaining payments due on December 31, 2014 and March 31, 2015.
11	How will stewards be billed for the additional amount owing for 2014?	Stewards will receive an invoice for the adjustment fee based on the quantities reported by stewards in 2013 using their 2012 sales data. If a steward submitted any subsequent adjustment(s) to their 2013 report, they will receive additional invoice(s) or credit note(s) that reflect those adjustment(s). This approach ensures that stewards are able to easily track the adjustment fee to their 2013 steward report and any subsequent adjustments they submitted.
12	Under what circumstances would a steward receive a credit note as part of the adjustment fee?	If a steward reported an adjustment to their report that decreased the tonnage of a particular material, they may receive a credit against that particular material.
13	Can stewards pay the 2014 obligation as part of their 2015 fees on a quarterly basis?	No, stewards will receive a single invoice for the full amount owing for the 2014 adjustment fee payable in full on February 27 th .
14	What if a steward is not able to pay the adjustment fee by the February 27 th deadline?	If any steward is unable to make the necessary payments by February 27 th , please call National Steward Services at 1-888-980-9549 as soon as possible to discuss the provision of a payment plan.
15	Why were Rules and Fee Schedule not approved for 2014?	Ongoing arbitration prevented the WDO Board from approving the 2014 Blue Box Program Rules and fee schedule.



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16	Tell me more about the special 2014 Rule that had to be approved in order for SO to issue a 5 th invoice for 2014.	The arbitration decision established the 2014 municipal obligation at \$115M. This amount results in a funding gap that will increase the 2014 steward payment obligation. Since Stewardship Ontario has already issued the fourth and final 2014 invoice to stewards, it required a special adjustment rule to issue a fifth invoice. The Adjustment Rule has been approved by Stewardship Ontario's Board, as well as the WDO and allows for an additional payment of fees by stewards. The total of the adjustment fees and the 2013 fees equals the 2014 fee rates that would have been billed to stewards had the municipal obligation been known in the fall of 2013.
2015 Steward Obligation & Fees		
17	Does the arbitration decision pertain only to 2014 fees, or might it apply to any future or prior year obligations?	The arbitrator was asked to rule on the 2014 obligation only, but was given the opportunity to provide comments for how future years' obligations could be determined. This decision has no impact on any prior years.
18	What is the process for determining the 2015 obligation and the fees?	Similar to previous years, Stewardship Ontario will determine the 2015 steward obligation with the municipalities and the City of Toronto via the Municipal Industry Program Committee (MIPC). Now that the Arbitrator has rendered a decision with respect to the 2014 obligation, those discussions can begin.
19	Given that the 2015 steward obligation has not yet been decided, why are stewards being required to pay fees to cover municipal Reported Costs and not Reasonable costs?	Since the 2015 obligation has not yet been determined, Stewardship Ontario will meet with municipal representatives to negotiate the 2015 costs in accordance with the Program Plan as amended, and will look to the arbitrator's reasons for guidance in this process. Stewardship Ontario has decided to take a conservative approach to the 2015 fees in order to ensure that sufficient funds will be available when the final obligation is determined.
20	When will stewards see the 2015 fee schedule and when will stewards be able to see the 2015 fees in the portal?	The 2015 fee schedule, based on the Reported Net Cost was initially shared with stewards in the 2014 Annual Steward meeting pre-read document and available here . The fees will be available on the portal (in your print report) by January 1, 2015. At that time, stewards may access their detailed



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		<p>submissions via the WeRecycle portal to view their 2015 total fee obligation. The first invoice for 2015 will be issued on April 1 for payment by April 30th 2015.</p> <p>* Note that the 2015 fee schedule will only be effective once WDO has granted <u>final</u> approval of the 2015 Rules for Stewards.</p>
21	<p>The Reported Net Cost obligation for 2015 as shown in the Annual Steward Meeting pre-read assumes a steward obligation of \$113,517,621 and the 2015 fee schedule is based on that obligation. If the 2014 obligation has been set at \$115M, does Stewardship Ontario believe that the 2015 obligation will be lower than the 2014 obligation? Can stewards be certain that there won't be another shortfall in fees collected for 2015 given that we don't know the obligation yet?</p>	<p>In the absence of an agreed upon 2015 obligation, stewards will be invoiced beginning April 1, 2015 based on the Net Reported Costs fee schedule, which can be found here. Stewardship Ontario believes that the 2015 fee schedule, which is based on Reported Net Costs will raise adequate funds for the 2015 obligation because they are based on municipalities' net reported costs. Discussions with municipalities will now commence to determine "reasonable costs" in accordance with the Blue Box Program Plan as amended and using the arbitrator's decision for guidance.</p>
22	<p>Given how late in the year stewards are going to be advised of the 2015 fees will Stewardship Ontario consider delaying the first invoice from April 2015?</p>	<p>The invoice and payment schedule for Stewardship Ontario stewards is laid out in the Blue Box Rules which can be viewed here. As per these Rules, invoices must be issued on April 1, June 1, September 1 and December 1 payable on 30 day terms. The 2015 fee schedule was made available to stewards at the October 15th CSSA Annual Steward meeting and in the pre-read document shared prior to the meeting.</p>
23	<p>Is the 2015 fee schedule the one published in the 2014 Annual Steward Meeting Pre-Read document on Page 35 entitled <u>Reported Net Cost – Fee rates 2015</u>?</p>	<p>Yes, this is correct. The Fee schedule published in the 2014 Annual Steward Meeting pre-read document under the column Reported Net Costs – Fee Rates 2015 is the fee rate against which stewards will be invoiced beginning April 1, 2015.</p>
24	<p>When do you expect final approval from WDO on the 2015 Rules and fees?</p>	<p>We expect the 2015 Rules to be approved following the consultation period. The rules, once approved, will give legal effect to the fee rates.</p>
Miscellaneous		
25	<p>What was the Arbitrator's ruling on the permissibility under the Waste Diversion Act of "in-kind" contributions by the newspaper publishers?</p>	<p>Justice Robert Armstrong stated that it was not entirely within his jurisdiction to render a decision on this specific issue. However, he did write that from his viewpoint, the system of in-kind payments by the newspapers was unfair to the Municipalities and on the evidence before him, did not</p>



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		believe that municipalities are getting what they are paying for. He recommended that the Minister either end the in-kind program or place a cap on the amount that can be paid in-kind.
26	Why did Stewardship Ontario revise the Rules in 2015 to remove the fee schedule?	By replacing the fee schedule with a reference to the fee methodology in the Blue Box Rules means that Stewardship Ontario is able to establish the fee schedule based on the approved methodology in the Rules. We believe this will streamline the process by which the fee schedule is set and provided to stewards.
27	When will the 2014 and 2015 PIM Tables be published?	The PIM Tables are just being finalized and will be published during the week of December 15, 2014.