

--	--

TO:	CHAIR AND MEMBERS COMMUNITY AND NEIGHBOURHOODS COMMITTEE MEETING ON AUGUST 16, 2011
FROM:	JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS & SOLID WASTE
SUBJECT	MUNICIPAL PARTNER AGREEMENTS FOR BLUE BOX PROCESSING SERVICES

RECOMMENDATION

That on the recommendation of the Director – Environmental Programs & Solid Waste, the following actions **BE TAKEN** with respect to providing Blue Box processing services to other municipalities:

- (a) the attached proposed By-Law (Appendix A) **BE INTRODUCED** at the Municipal Council meeting of August 29, 2011 for the purpose of approving the standard Municipal Partner Blue Box Recyclables Processing Agreement between the City and Municipalities wanting to process recyclables at the City’s new regional Material Recovery Facility;
- (b) the Executive Director of Planning, Environmental and Engineering Services **BE DELEGATED** the authority to establish the pricing in Schedule C of the standard *Municipal Partner Blue Box Recyclables Processing Agreement* for each agreement with a partner municipality;
- (c) the Mayor and Clerk **BE AUTHORIZED** to execute all agreements employing the standard form with no further approval required from Council;
- (d) the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this matter;
- (e) the Civic Administration **BE DIRECTED** to report back on any agreements signed; and
- (f) the Civic Administration **BE DIRECTED** to develop principles that would be used to establish pricing when responding to Request for Proposals or Tenders from municipalities seeking Blue Box processing services and report back to the Community and Neighbourhoods Committee at a future meeting.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

Relevant reports that can be found at www.london.ca under City Hall (meetings) include:

- Additional Information on RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, Special Committee of the Whole Meeting on February 26, 2010
- Additional Information on RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, Special Board of Control (BoC) Meeting on February 22, 2010
- Update On RFP 08-03 Design, Construction And Operation of a Material Recovery Facility, BoC Meeting on February 10, 2010, Agenda Item #16
- Design, Construction and Operation of a Material Recovery Facility and Related Program Changes, Environment and Transportation Committee (ETC) Meeting on February 8, 2010, Agenda Item # 9
- Update on RFP 08-03 Initial Design of a Material Recovery Facility, BoC Meeting on November 18, 2009, Agenda Item #9
- RFP 08-03 Design, Construction and Operation of a Material Recovery Facility, BoC Meeting on June 3, 2009, Agenda Item #6

--	--

BACKGROUND

PURPOSE & CONTEXT

In the operating agreement for the new regional Materials Recovery Facility (MRF) with Miller Waste Systems the price to process a tonne of recyclables decreases, at specified intervals, as the quantity of material increases. This provides an opportunity for the City and partner municipalities to save money by having other municipalities use the facility.

The purpose of this report is to seek approval for the Mayor and Clerk to sign agreements for the City to provide Blue Box processing services to other municipalities.

DISCUSSION

Unit Processing Price Lowers as Quantity Processed Increases

The operating agreement for the new regional MRF contains 168 different price points for processing recyclables depending on:

- the quantity of material,
- the quality of material, and
- whether or not plastics bags are allowed to be used as a recycling container.

Pricing varies from less than \$50 per tonne to approximately \$100 per tonne within the 168 different price points.

A significant reduction occurs in the per tonne processing fee between 28,000 tonnes (quantity currently collected by the City) and 36,000 tonnes per year. There is approximately a \$20 per tonne drop in the unit processing price. Therefore the City could lower its recycling costs by \$20 per tonne or more than \$500,000 annually if other municipalities with a combined amount of 8,000 tonnes of recyclables also used the regional MRF.

Area Municipalities Interested in Using the Regional MRF

Staff have provided information and had discussions with a number of area municipalities (staff level) about using the new regional MRF. Most of these municipalities have aligned their contracts to end within the first year of operation of the new regional MRF opening. These municipalities are listed in Table 2 (next page) and represent approximately 14,000 tonnes per year of recyclables.

Table 2 – Potential Municipal Partners in First Year of Operation

Municipality	Contract Expiry Date	Quantity (tonnes/yr)
Aylmer	Spring, 2012	400
Bayham	Spring, 2012	300
Central Elgin	Spring, 2012	1,000
Malahide	Spring, 2012	300
Oxford	June, 2012	3,600
Sarnia	June, 2012	4,000
South-West Middlesex	June, 2012	500
Stratford	January, 2012	2,800
Thames Centre	Spring, 2012	1,100
Total		14,000

--	--

Some of these municipalities are willing to enter into direct negotiations with the City to sign an agreement to provide Blue Box processing services (Arrangement #1). Other municipalities are obligated by their purchasing policy to seek competitive pricing through a tender or request for proposal process (Arrangement #2)

Arrangement #1 - Negotiated Agreement

Attached to Appendix A is the proposed standard agreement between the City and municipalities wanting to use the new regional MRF to process their recyclables. This agreement has been reviewed by several of the municipalities in Table 2 and the City’s Legal Services and Risk Management Divisions.

Key features of the agreement are:

- municipality pays a processing fee and receives revenue from the sale of their recyclables
- processing fee covers direct operating costs (e.g., Miller Waste Systems’ processing fee), payment towards a reserve fund for future capital costs and administration costs
- processing fee is based on the quality of material and quantity being processed (same as City’s contract with Miller Waste Systems) and therefore is reduced, at specific intervals, as the quantity increases
- revenue is based on a guaranteed capture rate (97.2%) less a 2.5% marketing fee (same as City’s contract with Miller Waste Systems)
- the City has the right to revise the processing fee with 120 days notice
- either party has the right to terminate the contact on June 30 of each year by providing six months notice

It should be noted that the Town of Aylmer has already passed the following resolution and it is expected will sign the attached agreement;

That Council endorses “Option 2”, the London/Regional MRF; and furthermore Council forgoes the provisions as per the Town’s Procurement By-law and authorizes Staff to negotiate a contract agreement with the City of London to provide material processing services; it being noted that upon completion, Staff will bring back the agreement for Council’s review and endorsement

Arrangement #2 - Competitive Pricing

As noted above, some area municipalities will want to seek competitive pricing for processing Blue Box recyclables. In some cases the municipality may get pricing for processing and for collection/hauling separately (Option One) and in other cases the municipality will be seeking pricing for collection, hauling and processing from one organization (Option Two).

Option One: Obtain Pricing for Processing and Collection/Hauling Separately

In this option, a tender or request for proposals (RFP) is issued for processing Blue Box recyclables. Once the decision has been made on which facility is processing the recyclables, a second tender or RFP is issued for the collection and hauling of Blue Box recyclables.

It will generally be to the City’s and partner municipality’s financial benefit to respond to these tenders or RFPs in order to lower the City’s processing cost. Bidding on Blue Box processing contracts has been done by other municipalities. For example, the Region of Niagara bid and won the contract to process the paper fiber stream for the Region of Waterloo.

Responding to tenders or RFPs will require that the City supply the necessary documents asked for in the tender/RFP (e.g., bid bonds) and submit pricing based on the requirements in the tender/RFP. Tenders/RFPs sometimes have relatively short time periods between when they are issued and when they close. This may preclude getting Council approval to respond a tenders/RFP.

Consequently, it is recommended that a set of principles be developed for approval by Council that would be used to establish pricing when responding to Request for Proposals or Tenders for municipalities seeking Blue Box processing services.

--	--

Option Two: Obtain Pricing for Collection, Hauling and Processing from one Contractor

In this option the municipality seeks pricing for collection, hauling and processing from one organization. It is not practical or appropriate for the City to respond directly to these types of tenders/RFPs however it may be to the City's financial benefit to provide pricing to contractors wishing to bid on these types of tenders/RFPs. Contractors may or may not mark up this price.

Similar to option one, it is recommended that a set of principles be developed for approval by Council that would be used to establish pricing to provide private contractors for processing services.

ACKNOWLEDGEMENTS

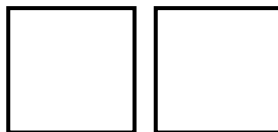
This report was prepared with assistance from Joy Jackson, Manager – Risk Management; David Mounteer, Solicitor; Anne Boyd, Waste Diversion Coordinator and Mike Losee, Manager – Solid Waste Engineering.

PREPARED BY:	
WESLEY ABBOTT, P. ENG. DIVISION MANAGER SOLID WASTE MANAGEMENT	
PREPARED AND RECOMMENDED BY:	REVIEWED & CONCURRED BY:
JAY STANFORD, M.A., M.P.A. DIRECTOR, ENVIRONMENTAL PROGRAMS & SOLID WASTE MANAGEMENT	PAT McNALLY, P. ENG. EXECUTIVE DIRECTOR, PLANNING, ENVIRONMENTAL AND ENGINEERING SERVICES

y:\shared\administration\committee reports\cnc 2011 07 mrf partner agreements.doc

c John Braam, P. Eng., Director of Water & City Engineer

Appendix "A" – By-law for Blue Box Recyclables Processing Agreement



APPENDIX A

By-law No.

A By-law to approve the standard form for Blue Box Recyclables Processing Agreements between The Corporation of the City of London and other municipalities to provide Blue Box recyclables processing capacity and to authorize the Mayor and Clerk to execute the Agreements which employ this form.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS section 10 of the *Municipal Act, 2001* provides that the City may provide any service or thing that the City considers necessary or desirable for the public, and may pass by-laws respecting the same, and respecting economic, social and environmental well-being of the City, and the health, safety and well-being of persons.

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The standard form for the Blue Box Recyclables Processing Agreement to be entered into between The Corporation of the City of London and other municipalities, attached hereto as Schedule A to this By-law, is hereby approved as the standard form for all such agreements.
2. The Mayor and the City Clerk be hereby authorized to execute all agreements employing the standard form with no further approval required from Council.
3. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on August 29, 2011

Joe Fontana
Mayor

Catharine Saunders
City Clerk

First reading –
Second reading –
Third reading –

--	--

Schedule A: Blue Box Recyclables Processing Agreement

This Agreement made the _____ day of _____, 2011.

BETWEEN:

THE CORPORATION OF THE CITY OF LONDON
hereinafter referred to as the "City"

OF THE FIRST PART

- and -

THE CORPORATION OF THE _____
hereinafter referred to as the "Partner Municipality"

OF THE SECOND PART

Whereas the City owns as part of its recycling program a Material Recovery Facility, the purpose of which is to sort, process and prepare recyclable materials for sale in the marketplace;

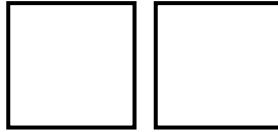
And Whereas the Partner Municipality wishes to purchase for the benefit of its ratepayers certain recyclable materials processing services and marketing services from the City and the City has agreed to provide these services on the terms and conditions set forth herein;

Now Therefore Witnesseth that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the parties agree as follows:

1. Definitions

As used in this Agreement, the following definitions shall apply unless otherwise indicated:

- 1.1 "Acceptable Recyclable Materials" means those categories of Recyclable Materials designated on Schedule "A" as being acceptable for the purposes of this Agreement.
- 1.2 "Applicable Fees" means the fees payable by the Partner Municipality for the provision of services under this agreement by the City.
- 1.3 "City" means the Corporation of the City of London.
- 1.4 "Commencement Date" means *(to be determined)*.
- 1.5 "Contamination" means materials that are Non-Recyclable Materials and Acceptable Recyclable Materials that are in the wrong Contract Stream.
- 1.6 "Contract Stream" means the following two categories of Acceptable Recyclable Materials as sorted by the Partner Municipality as more particularly described in Schedule "A" into Mixed Paper Fibres and Mixed Containers.
- 1.7 "Facility" means the building, equipment and machinery located at 3290 Manning Drive, London, Ontario, to be used for the receipt, processing and storage of Acceptable Recyclable Materials in accordance with the terms of this Agreement.



- 1.8 “Marketing Services” means the marketing of Acceptable Recyclable Materials after they have been processed and made into market ready materials.
- 1.9 “Non-Recyclable Materials” means materials not listed in Schedule “A”.
- 1.10 “Processing Services” means the acceptance and processing of any Acceptable Recyclable Materials and Contamination whether accepted at or delivered to the Facility, and includes sorting, baling and storage.
- 1.11 “Recyclable Material Not Practical to Recover” means glass less than 64 mm (2 ½”) in length and width at its longest/widest points, fibre products less than 150 mm (6”) in length and width at their longest/widest points, containers less than 64 mm (2 ½”) in length and width at their longest/widest points, individual materials compounded together (i.e., separate recyclable materials that have become entwined/bound together and as a result causes them to act as one physical object), “spiral wound” containers (e.g., cardboard cans such as: frozen juice cans, Pringles containers, refrigerated dough containers, powder drink mixes, baby formula containers), waxed boxes (e.g. frozen food boxes) or paper, foil coated boxes (e.g., dishwasher detergent boxes) or paper, dark coloured or construction paper, metallic foil wrapping paper and containers containing product (i.e., bottles, tubs and jugs that contain at least 10% (by volume of the container) retained product)
- 1.12 “Split Weighing” means weighing trucks that deliver recyclables after unloading each Contract Stream.
- 1.13 “Partner Municipality” means the Corporation of the _____.
- 1.14 “Waste Audit” means a study, the purpose of which is to determine the typical composition by weight of the Acceptable Recyclable Materials, Non-Recyclable Materials and Recyclable Material Not Practical to Recover collected by the Partner Municipality and delivered to the Facility and the results of any Waste Audits shall be accepted by the parties for the purpose of calculating the Applicable Fees.

2. Provision of Services by the City

- 2.1 The City agrees to provide Blue Box material Processing Services and Marketing Services to the Partner Municipality over the course of the Term (Section 11), for the fees and in accordance with the terms and conditions set out in this agreement.
- 2.2 The Acceptable Recyclable Materials that may be delivered to the facility are listed in Schedule A. The Partner Municipality is not required to collect all the Acceptable Recyclable Materials listed in Schedule A. The Partner Municipality shall deliver to the Facility all Acceptable Recyclable Materials collected by or on behalf of the Partner Municipality in separate Contract Streams.
- 2.4 In providing Processing Services and Marketing Services hereunder, the City shall retain the sole and exclusive right to redefine and revise, in its sole discretion and exercisable from time to time, the materials included as Acceptable Recyclable Materials and the nature, type or content of the Contract Streams provided at least one hundred twenty (120) days’ notice of its intention to revise or redefine is delivered to the Partner Municipality, together with a copy of all such proposed revisions or redefinitions. The City will consult with the Partner Municipality prior to issuing the notice of intention to redefine or revise the list of acceptable materials.

3. Facility Operation Requirements

- 3.1 The Partner Municipality shall deliver Acceptable Recyclable Materials to the Facility on days and during hours as designated by the City, initially as set out in Schedule “B” attached hereto, subject to revision by the City in its sole discretion exercisable from time to time provided at least one hundred twenty (120) days’ notice of its intention to revise the hours of operation is delivered to the Partner Municipality. The City will

--	--

consult with the Partner Municipality prior to issuing the notice of intention to revise the hours and days of operation.

3.2 The Partner Municipality shall ensure all vehicles under their ownership and / or control and engaged in the transportation of Acceptable Recyclable Materials to the Facility shall possess all necessary licenses, permits and approvals as required by law.

3.3 The Partner Municipality, prior to commencing work, shall obtain and maintain or ensure that its agents, officers, employees or other persons delivering materials to the Materials Recycling Facility obtain and maintain, the insurance coverage described below:

a) Comprehensive general liability insurance on an occurrence basis for an amount not less than five million (\$5,000,000) dollars, excepting that only the Partner Municipality's insurance shall include the City as an additional insured with respect to the Partner Municipality's operations, acts and omissions relating to its obligations under this Agreement, such policy to include non-owned automobile liability, personal injury, broad form property damage, contractual liability, owners' and contractors' protective, products and completed operations, contingent employers liability, cross liability and severability of interest clauses; and

b) Automobile liability insurance for an amount not less than five million (\$5,000,000) dollars on forms meeting statutory requirements covering all vehicles used in any manner in connection with the delivery of material to the Facility; and

c) Environmental impairment liability insurance covering its obligations under this contract and those of its agents, officers, employees or other persons acting on its behalf including loss or claims arising from contamination to third party property or bodily injury during transit. Such policy shall provide coverage for an amount not less than one million (\$1,000,000.) dollars and shall remain in force for twelve (12) months following the final delivery to the Material Recycling Facility.

d) The policies shown above will not be cancelled or permitted to lapse unless the insurer notifies the City in writing at least thirty (30) days prior to the effective date of cancellation or expiry. The City reserves the right to request such higher limits of insurance or other types of policies appropriate to the work as the City may reasonable require.

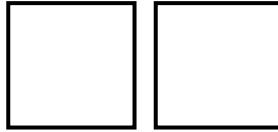
e) The Partner Municipality shall not commence work until such time as satisfactory evidence of insurance has been filed with and approved by the City Solicitor. The Partner Municipality shall further provide that evidence of the continuance of said insurance is filed at each policy renewal date of the duration of the contract.

f) Mutual Indemnification

(i) The Partner Municipality shall indemnify and hold the City harmless from and against all liability, loss, claims, demands, costs and expenses, including reasonable legal fees, occasioned wholly or in part by: any negligence or acts or omissions by the Partner Municipality, its officers, agents, employees and persons for whom it is at law responsible; or out of a breach of the Partner Municipality's delivery of materials under this Agreement; and

(ii) The City shall indemnify and hold the Partner Municipality harmless from and against all liability, loss, claims, demands, costs and expenses, including reasonable legal fees, occasioned wholly or in part by: any negligence or acts or omissions by the City, its officers, agents, employees and persons for whom it is at law responsible; or, out of ownership of the Material Recycling Facility or a breach of the City's obligations under this Agreement.

3.4 The City may require Split Weighing of any load in order to establish quantities in each Contract Stream.



- 3.5 All vehicles under the ownership and/or control of the Partner Municipality and using the Facility shall have the driver inspect each load after it is dumped and remove all visible Non-Recyclable Materials.
- 3.6 All vehicles under the ownership and/or control of the Partner Municipality shall follow all Facility operational protocols (e.g. unloading) and health & safety procedures while at the Facility. The City shall retain the sole and exclusive right to redefine and revise any operational protocol and health & safety procedure, in its sole discretion and exercisable from time to time.

4. Acceptable Recyclable Material Requirements

- 4.1 The maximum allowable compaction of Mixed Containers stream received at the Facility is a ratio of 2 or a density of 100 kg/m³, whichever is lower. The maximum allowable compaction of Mixed Paper Fibres stream received at the Facility is a ratio of 2.5 or a density of 375 kg/m³, whichever is lower. Failure to deliver loads that meet this requirement may result in future loads being rejected until the situation is rectified to the satisfaction of the City.
- 4.2 The Partner Municipality agrees to take all reasonable measures to delivery only Acceptable Recyclable Materials and to deliver these materials in the correct Contract Stream. The Acceptable Recyclables Materials shall be delivered loose (not in plastic bags).

Material with more than three percent (3%) Contamination, by weight may be subject to increased processing fees, as per Schedule C, and the Partner Municipality may be responsible for the cost of any Waste Audits performed by the City on the incoming material from the Partner Municipality, the cost of which shall be charged as a Waste Audit Fee.

Audits to determine the level of Contamination in the Partner Municipality’s incoming material will be performed according to Schedule D.

Loads with more than eight percent (8%) Contamination, by weight, may be rejected and may result in future loads being rejected until the situation is rectified to the satisfaction of the City.

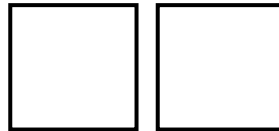
5. Processing Service Fee

- 5.1 The Partner Municipality shall pay the following fees for Processing Services under this agreement as calculated below:

Facility Fee

- a) A facility fee shall be assessed on a monthly basis.
- b) The unit rate (per tonne fee) for the facility fee will be determined from Schedule “C” according to the total incoming tonnage of material received at the Facility from all sources and the Contamination in the material received.
- c) Schedule “C” may be adjusted, redefined or revised, and from time to time reflect changes to operating or capital costs due to changing composition of the Acceptable Recyclable Materials (e.g., more containers and less paper fibers), changes to the materials listed in Schedule “A”, new processing technology and other unforeseen events. All changes are at the City’s sole discretion provided at least sixty (60) day’s notice of its intention to adjust, revise or redefine Schedule “C” is delivered to the Partner Municipality, together with a copy of all such proposed adjustments, revisions or redefinitions.

When practical, the City will provide at least one hundred twenty (120) days’ notice of its intention to adjust, revise or redefine Schedule “C” is delivered to the Partner Municipality, together with a copy of all such proposed adjustments, revisions or redefinitions.



The City will consult with the Partner Municipality prior to issuing the notice of intention to adjust, redefine or revise Schedule “C”. This clause does not apply to changes in Schedule “C” for the cost of living as outlined in clause 5.1 e).

d) The unit rate for a month shall be multiplied by the marketed (outgoing) tonnes of the Partner Municipality for the month. The marketed (outgoing) tonnes of the Partner Municipality shall be equal to the ratio of the incoming tonnage accepted from the Partner Municipality during the month, to the total incoming tonnage accepted at the Facility from all sources during the month multiplied by the total marketed (outgoing) tonnes.

e) The facility fees in Schedule “C” will be adjusted each year on October 1st, for the cost of living as follows:

Step 1: $\text{Applicable percentage change in CPI} = \frac{\text{current year for October} - \text{previous year CPI}}{\text{previous year CPI}} \times 100\%$

Step 2: $\text{Current year per-tonne processing fee} = \text{previous year per-tonne processing fee} \times (1 + (\text{applicable percentage change in CPI}/100))$.

Where CPI is the Consumer Price Index for Ontario – All Items.

Waste Audit Fee

The Partner Municipality shall pay the full cost incurred by the City for performing any Waste Audit on the Partner Municipality’s incoming material if the level of Contamination, as determined by the Waste Audit, is greater than three per cent by weight and greater than the average level of Contamination in incoming material from all sources. The City in its sole discretion will determine when and if Waste Audits on incoming material are required. The Partner Municipality will be given at least three (3) days’ notice of any audit of their material.

Late Payment Fee

The City reserves the right to charge the Partner Municipality a fee for late payments at the rate established by the City, currently 1.5% per month on overdue amounts.

6. Reserve Fund

6.1 Any fees, as detailed in Section 5, in excess of the direct operating costs, capital costs and overhead costs (maximum of 8% of direct operating costs and capital costs) shall be placed in a reserve fund to pay for future capital costs of the Material Recovery Facility.

7. Revenue Sharing

7.1 The City will perform Waste Audits on the residue from the Facility on a monthly basis to determine capture rates of the Acceptable Recyclable Materials. The Waste Audit procedures will be performed according to Schedule E.

7.2 The contract with the City’s operator guarantees a capture rate of 98% of Mixed Paper Fibres, 95% of glass and 94% of Mixed Containers excluding glass. The City’s contractor will pay the City 100% of the lost revenue (net after transportation to Market) based on the CSR Price Sheet for the applicable month if the aforementioned capture rates not be achieved. The City’s contractor will retain all revenue above the aforementioned capture rates.

7.3 The City shall retain 2.5% of the revenue to pay for Marketing Services.



7.4 The Partner Municipality will receive revenue from the sale of Acceptable Recyclable Materials, for the guaranteed capture rate of materials, according to the following:

$$\text{Partner Municipality Revenue} = 97.5\% \times \left[\begin{array}{l} \% \text{ of Material Received at} \\ \text{the Facility Belonging to} \\ \text{the Partner Municipality} \end{array} \right] \times \left[\begin{array}{l} \text{Revenue Based on} \\ \text{CSR Price Sheet} \end{array} + \begin{array}{l} \text{(Actual Revenue -} \\ \text{Revenue Based on} \\ \text{CSR Price Sheet)/2} \end{array} \right]$$

Where;

$$\begin{array}{l} \% \text{ of Material Received} \\ \text{at the Facility Belonging} \\ \text{to the Partner} \\ \text{Municipality} \end{array} = \frac{\begin{array}{l} \text{Total incoming tonnage} \\ \text{material received at the} \\ \text{Facility from the Partner} \\ \text{Municipality for the month} \end{array}}{\begin{array}{l} \text{Total incoming tonnage of} \\ \text{material received at the} \\ \text{Facility from all sources} \\ \text{during the same month} \end{array}} \times 100$$

$$\begin{array}{l} \text{Revenue Based on} \\ \text{CSR Price Sheet} \end{array} = \begin{array}{l} \text{Mixed Paper Fiber, by} \\ \text{material type, marketed} \\ \text{from all sources for the} \\ \text{month based on a 98\%} \\ \text{capture rate} \end{array} \times \begin{array}{l} \text{Unit price for Mixed Paper} \\ \text{Fiber, by material type, from the} \\ \text{CSR Price Sheet during the} \\ \text{same month} \end{array}$$

plus

$$\begin{array}{l} \text{Glass, by material type,} \\ \text{marketed from all sources} \\ \text{for the month based on a} \\ \text{95\% capture rate} \end{array} \times \begin{array}{l} \text{Unit price for Glass, by material} \\ \text{type, from the CSR Price Sheet} \\ \text{during the same month} \end{array}$$

plus

$$\begin{array}{l} \text{Mixed Containers} \\ \text{excluding Glass, by} \\ \text{material type, marketed} \\ \text{from all sources for the} \\ \text{month based on a 94\%} \\ \text{capture rate} \end{array} \times \begin{array}{l} \text{Unit price for Mixed Containers} \\ \text{excluding Glass, by material} \\ \text{type, from the CSR Price Sheet} \\ \text{during the same month} \end{array}$$

$$\text{Actual Revenue} = \begin{array}{l} \text{Revenue from the sale of Mixed Paper Fiber from all sources for} \\ \text{the month based on a 98\% capture rate} \end{array}$$

plus

$$\begin{array}{l} \text{Revenue from the sale of Glass from all sources for the month} \\ \text{based on a 95\% capture rate} \end{array}$$

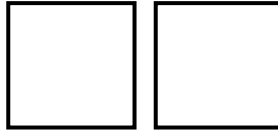
plus

$$\begin{array}{l} \text{Revenue from the sale of Mixed Containers excluding Glass} \\ \text{from all sources for the month based on a 94\% capture rate} \end{array}$$

An example of the calculation of revenue to be retained by the Partner Municipality is presented in Schedule F.

7.5 Revenue in the form of Stewardship Ontario payments made under the Blue Box Program Plan administered by the Waste Diversion Ontario (WDO) shall be retained by each municipality and not shared.

7.6 The Partner Municipality's share of revenue determined in accordance with Section 7.4 above shall be used to offset the Partner Municipality's share of expenses in the calculation of the Partner Municipality's Applicable Fees.



8. Invoicing

- 8.1 The City shall calculate all Applicable Fees owed to the City and all revenues owed to the Partner Municipality on a quarterly basis. Calculation of the Applicable Fees and revenues shall be completed within sixty (60) days after the end of the quarter.
- 8.2 The City will invoice the Partner Municipality when the Applicable Fees exceed revenues within sixty (60) days after the end of the quarter. The invoice will include supporting calculations of all Applicable Fees and revenues. Any invoice shall be due and payable within thirty (30) days.
- 8.3 The City will provide the Partner Municipality supporting calculations of all Applicable Fees and revenues within sixty (60) days after the end of the quarter when the Applicable Fees are less than revenues. The City will pay the Partner Municipality any money owed, in accordance with this Section, within thirty (30) days of sending a Partner Municipality supporting calculations showing Applicable Fees are less than revenues.

9. City's Reporting Requirements

- 9.1 The City shall provide to the Partner Municipality on a quarterly basis copies of data collected with respect to quantity of material delivered by the Partner Municipality, quantity of material delivered from all sources, quantity of material delivered to each market and price paid by each market.
- 9.2 The City shall provide to the Partner Municipality data with respect to the Acceptable Recyclable Materials received at the Facility required for the Waste Diversion Ontario, or any successor, Blue Box Datacall submission when it becomes available.

10. Facility Advisory Committee

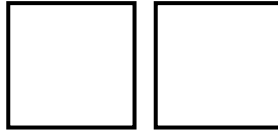
- 10.1 A Facility Advisory Committee will be established and be comprised of representatives from the City of London and each Partner Municipality. The purpose of the Facility Advisory Committee is to provide input and transparency to the management and operation of the Facility. The Facility Advisory Committee may review and provide input on; operating records and procedures for the facility, potential changes and revisions to the materials included as Acceptable Recyclable Materials, planned capital expenditures, hours of operation and other matters as appropriate.
- 10.2 As the contracting authority, the City of London will retain responsibility for all final decisions related to the management and operation of the facility.

11. Term of Agreement

- 11.1 This agreement shall continue from the Commencement Date until terminated in accordance with Section 12.

12. Default and Termination

- 12.1 This agreement may be terminated by either party effective midnight on the 30th day of June of any year provided that written notice setting out the intention to so terminate is served on the non-terminating party prior to the 1st day of January of the same year.
- 12.2 Notwithstanding Section 12.1 above, in the event that the City assigns its obligations under this Agreement in accordance with Section 13, either party may terminate this Agreement upon the giving of six (6) month's written notice delivered to the other party at any time within the six (6) months following the effective date of assignment.
- 12.3 Failure by either party to pay any sum due under this Agreement on the day or dates appointed for the payment thereof, or to perform or observe any other provision of this Agreement to be observed or performed by it, shall entitle the other party to terminate this Agreement in the event that such default has continued for a period of thirty (30) days after the defaulting party has been advised of such default in writing.



13. Assignment

- 13.1 Only the City may assign its rights and obligations under the terms of this Agreement.
- 13.2 In the event that the City exercises its right of assignment as set forth above, the City shall provide written notice to the Partner Municipality of its intention to assign at least thirty (30) days prior to the effective date of assignment.

14. Dispute Resolution

- 14.1 All disputes, claims, controversies or questions arising out of, under, or in connection with, or in relation to this Agreement or its interpretation, performance or non-performance, or any breach of it, shall be submitted to binding arbitration as follows:
 - A. the Partner Municipality and the City may agree to appoint a single arbitrator whose decision shall be final and binding; or
 - B. in the event that the Partner Municipality and the City cannot agree upon a single arbitrator, then the Partner Municipality shall select one individual and the City shall select one individual and the resulting two individuals shall select a third individual who shall be the sole arbitrator. If either the Partner Municipality or the City fails to appoint a nominee within fifteen (15) days after receipt of a written notice from the other of them requiring that such appointment be made, then the individual chosen by either the Partner Municipality or the City, as the case may be, shall be the sole arbitrator.
- 14.2 In all other respects, the rules and procedures to be used by the arbitrator shall be as set out in the *Arbitrations Act*, R.S.O. 1990, c. A.24 and every statutory provision that may be substituted for it or for any provision in it. The parties agree that the decision of the arbitrator shall be final and binding and that there shall be no appeal from it; that the arbitrator shall have the discretion to award the non-offending party his or its costs and expenses incurred in connection with or as a result of such arbitration and on a solicitor and his client basis; and, further, that the decision and award of the arbitrator may be entered and enforced in the relevant courts having jurisdiction.

15. Governing Law

- 15.1 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario.

16. Notices

- 16.1 Any written notice given pursuant to this agreement must be addressed to:
In the case of the Partner Municipality, at:

Attention:...

In the case of the City, at:
 City of London
 300 Dufferin Avenue
 P.O. Box 5035
 London, Ontario
 N6A 4L9
 Attention: Mr. Wesley Abbott, Division Manager - Solid Waste Management or designate

- 16.2 If hand delivered, the notice is effective on the date of delivery; if faxed, the notice is effective on the date and time the fax is sent; if sent by registered mail, the notice is deemed to be effective on the fifth business day following the day of mailing.

--	--

17. Entire Agreement

- 17.1 The parties agree that this Agreement and any Schedules attached hereto constitutes the entire agreement between the parties with respect to the subject-matter hereof, and that this Agreement supersedes all proposals, oral or written, all previous negotiations and all other communications between the parties with respect to the subject-matter hereof.
- 17.2 No amendment to this agreement shall be effective unless it is made in writing with the mutual consent of both parties.

18. Binding Effect

- 18.1 This agreement will ensure to the benefit of, and be binding upon, the parties and their respective successors, administrators and assigns.

IN WITNESS WHEREOF the parties have caused this agreement, which shall enure to the benefit of and be binding upon the successors of the respective parties, to be signed and entered as of the date first mentioned above.

SIGNED, SEALED AND DELIVERED

in the presence of:

**The Corporation of the City of London
Per:**

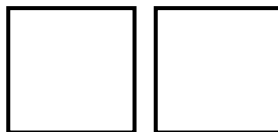
Joe Fontana, Mayor

Catharine Saunders, City Clerk

**The Corporation of the Partner Municipality
Per:**

- Mayor

- Clerk



**Schedule “A”
Acceptable Recyclable Materials**

For the purposes of this agreement the following are Acceptable Recyclable Materials and accepted by the Facility

MATERIAL	DEFINITION IF ANY
<u>Mixed Paper Fibres</u>	
Newsprint	Including all newspaper flyers, magazines and telephone directories
Mixed Household Paper	Including envelopes and writing paper
Cardboard	Including pizza and other corrugated cardboard boxes
Boxboard	Including molded pulp and excluding waxed paperboard
 <u>Mixed Containers</u>	
Aluminium	Liquid, food or beverage containers
Aluminium Foil	Items made from aluminum foil including pie plates
#1 PET (Polyethylene Terephthalate)	Rigid household liquid, food or beverage containers
#2 HDPE (High Density Polyethylene)	Rigid household liquid, food or beverage containers
#3 PVC (Vinyl)	Rigid household liquid, food or beverage containers
#4 LDPE (Low Density Polyethylene)	Rigid household liquid, food or beverage containers
#5 PP (Polypropylene)	Rigid household liquid, food or beverage containers
#6 PS (Polystyrene)	Rigid household liquid, food or beverage containers excluding expanded polystyrene (e.g., foam cups and meat trays)
#7 Other Plastics	Rigid liquid, food or beverage containers
Glass	Liquid, food or beverage containers (clear, green and amber)
Polycoated Paperboard Containers	Containers made primarily of paperboard and coated with low density polyethylene and/or aluminum, and used for food and beverages. Includes gabletop (e.g., milk and juice containers) and drinking boxes.
Spiral Wound (Cardboard) Cans	Composite (cardboard) can with a single wrap rigid body involving several layers of materials (including paper, foil and plastics) with at least one steel end (e.g., frozen juice containers).
Steel	Liquid, food or beverage containers; empty paint cans; empty aerosol cans

--	--

**Schedule “B”
Facility Hours of Operation**

The Material Recovery Facility, for the acceptance of Acceptable Recyclable Materials is open year round to accept materials Monday to Friday from 8:00 a.m. to 7:00 p.m. except for days which are recognized as a legal holiday by the City which are:

1. New Year’s Day
2. Family Day
3. Good Friday
4. Easter Monday
5. Victoria Day
6. Canada Day
7. Ontario Civic Holiday
8. Labour Day
9. Thanksgiving Day
10. Christmas Day
11. Boxing

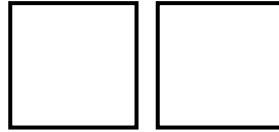
The facility will be open such additional hours and/or days (i.e., Saturdays) as may be required to accommodate closures on holidays.

--	--

**Schedule “C”
Facility Fee**

Received Materials ^a (tonnes per month)	Per-Tonne Processing Fee (excluding HST) ^c (\$/tonne)						
	Level of Contamination ^b -->	up to 3%	>3% up to 4%	>4% up to 5%	>5% up to 6%	>6% up to 7%	>7% up to 8%
2,100 - 2,399							
2,400 - 2,699							
2,700 - 2,999							
3,000 - 3,299							
3,300 - 3,599		Schedule C to be completed for each partner municipality at the time of contract execution					
3,600 - 3,899							
3,900 - 4,199							
4,200 - 4,499							
4,500 - 4,799							
4,800 - 5,099							
5,100 - 5,399							
5,400 - 5,699							
5,700 - 5,999							
6,000 - 6,299							

- a) *Quantity Received at Facility* for the determination of the unit rate shall be total tonnage accepted at the Facility from all sources during the month (incoming tonnes).
- b) The *Level of Contamination* for the determination of the unit rate shall be the higher of the average *Level of Contamination* in the material accepted at the Facility from all sources during the month or the *Level of Contamination* in the material accepted at the Facility from the Partner Municipality.
- c) Facility Fee is paid on Partner Municipality share of tonnes made market ready (outgoing tonnes).



Schedule “D”

Residue Auditing Protocol for Partner Municipality

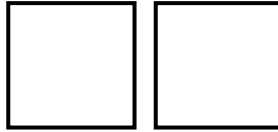
Overview and Objectives

1. The City, with assistance from the Facility Operator, will conduct periodic audits of the residue from the materials collected by the Partner Municipality and delivered to the Facility. The Partner Municipality is encouraged to have a representative attend the audits. Initially there will be one (1) audit per month for at least the first two months to establish baseline information. Audits will be conducted after the first two months only if there is reason to believe the percent Non-Recyclable Material level (including Cross Contamination) of the incoming materials from the Partner Municipality exceeds the average percent Non-Recyclable Material level (including Cross Contamination) of the incoming materials from all sources. The determination as to whether an audit is required will be made by the City and will be based on a number of factors including the data from previous audits and visual inspections of the incoming material.
2. The fundamental objective of the residue audits is to determine the % Non-Recyclable Material level (including Cross Contamination) applicable to the materials collected by the Partner Municipality and delivered to the Facility.
3. The City will randomly select the truck(s) to be audited and the audit date each month, giving the Partner Municipality agreed upon notice of the audit date. The audit dates will be chosen during relatively “dry” times so as to not introduce moisture issues.
4. The City and the Partner Municipality warrant that the trucks chosen for the audits and the residue samples from those trucks shall be accepted as representative, in both nature and composition, of the materials delivered to the Facility by the Partner Municipality.

Residue Auditing Methodology

Audit Sample Size and Source

5. The City will randomly select one (1) or two (2) of the Partner Municipality’s trucks to be audited each month. The trucks identified for auditing will be instructed to deposit their contents on a clean, isolated area of the Facility tip floor. This material set aside for auditing will be processed separately through the MRF (i.e., without other materials from other sources) so that a residue sample for auditing from only the Partner Municipality’s trucks can be obtained. Because the weights of the individual material streams (fibres and containers) in the trucks are required for this auditing protocol and for determination of the % Non-Recyclable Material level, the trucks will be instructed to deposit one material stream first then be reweighed on the main weigh scales prior to depositing the second material stream.
6. It is proposed that the Facility will operate the fibre and container lines independently during an audit of the Partner Municipality’s materials. Thus a fibre stream residue audit and a separate container stream residue audit will be conducted, both such audits constituting a complete residue audit.
7. In the case of the fibres stream, since all fibre products are negative sorted into bunkers the residue from the fibre stream will be limited to positive sorted items only. These positive sorted residue items will be collected by sorting staff in large pails (lined with clear plastic bags) and other containers (emptied and tared prior to the audit) suitable for the materials captured. Following the processing of the Partner Municipality’s fibre materials, the bags/containers of positive sorted material will be taken to the audit area for identification and weighing.



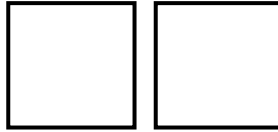
8. In the case of the container stream, container line residue will be a combination of positive sorted items (which will be collected/weighed in the same manner as described above for fibre line residue) and negative sorted material. During the processing of the Partner Municipality's container materials, the negative sorted material will accumulate in a dedicated compactor bin (tared and empty at the start of the audit). A representative sample of the total negative sorted residue will be isolated for auditing using a "V" shaped plow that is temporarily positioned on the residue conveyor and that temporarily directs all residue on the conveyor into containers for auditing. The plow will be left on the conveyor for sufficient time to generate an approximately 100 kg audit sample. Following the processing of the Partner Municipality's container materials, the residue accumulated in the compactor bin will be weighed on the main weigh scales and the representative audit sample will be audited as discussed below.

Determination of Residue Component Weights

9. All weigh scales intended to be used for the audits will be checked prior to the audit to confirm accuracy.
10. As discussed above, auditing of the fibre line residue will be confined to confirmation and weighing of the positive sorted items. This will include the following components:
- Non-Recyclable Material
 - Cross Contamination (containers in the fibre stream)
 - Recyclable Material Not Practical to Recover (see definition for this item below)
11. The containers line representative audit sample will be spread out onto a clean, open floor area at the Facility and separated into the following components:
- Missed Recyclables
 - Non-Recyclable Material
 - Cross Contamination (fibre in the containers stream)
 - Recyclable Material Not Practical to Recover (see definition for this item below)
- Note: During processing of the Partner Municipality's containers materials, positively sorted items (for example, oversize residue collected at the pre-sort stations) will be collected in pails or other suitable containers and then incorporated into the audit spreadsheet and calculations.
12. The City, with assistance from the Facility Operator, will provide audit sort staff to sort the residue into the above components.
13. Each of the above components will be collected in clear plastic bags then weighed (using a 1.5m x 1.5m weigh scale available in the audit area) and recorded directly into an audit details spreadsheet. The clear plastic bags containing materials will be set aside until the audit spreadsheet is confirmed to have correct/accurate entries. The clear plastic bags makes for easy identification of materials by those doing spreadsheet weight entries and also easy re-weighing if necessary.

Recyclable Material Not Practical to Recover (RMNPR)

14. It is expected that there will be recyclable materials delivered to the Facility that are not practical to recover as a product due to their nature (size, physical condition and characteristics, composition, etc.).
15. The following items are considered (defined as) Recyclable Materials Not Practical to Recover (RMNPR):
- glass less than 64 mm (2 ½") in length and width at its longest/widest points
 - fibre products less than 150 mm (6") in length and width at their longest/widest points
 - containers less than 64 mm (2 ½") in length and width at their longest/widest points



- individual materials compounded together (i.e., separate recyclable materials that have become entwined/bound together and as a result causes them to act as one physical object)
- “spiral wound” containers (e.g., cardboard cans such as: frozen juice cans, Pringles containers, refrigerated dough containers, powder drink mixes, baby formula containers)
- waxed boxes (e.g. frozen food boxes) or paper
- foil coated boxes (e.g., dishwasher detergent boxes) or paper
- dark coloured or construction paper
- metallic foil wrapping paper
- Containers containing product (i.e., bottles, tubs and jugs that contain at least 10% (by volume of the container) retained product)

16. A determination of the % RMNPR in the residue is important to the City as these items will not be included in the determination of the % Non-Recyclable Material or in the % Cross-Contamination in the Partner Municipality’s material.

Determination of MRF Products Weights

17. The audits proposed by the City of the Partner Municipality’s material are intended only to determine the % Non-Recyclable Material level in the residue and are not intended to determine the composition of the fibre and container streams. Consequently products from either stream will not be isolated and product weights will not be determined during the audits.

Determination of % Non-Recyclable & Cross Contamination Material Level

18. In the case of the container stream residue audit, the findings from auditing the 100 kg +/- representative sample shall be considered representative of the total weight of residue.

19. The Non-Recyclable Material level (including Cross Contamination) in the materials collected by the Partner Municipality and delivered to the Facility will be determined based on the % of Non-Recyclable Material level (including Cross Contamination) in the residue and the % of residue in the overall mix of materials in the trucks identified for auditing. The weights of the individual streams (fibres and containers) in the trucks will be required to complete this calculation.

20. By way of example, assume the following is determined from a particular month’s audit:

Stream Weights

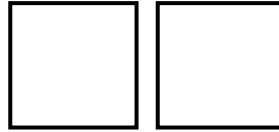
- Total weight of fibre stream in truck(s) audited (from main weigh scales): 4,000 kg
- Total weight of containers stream in truck(s) audited (from main weigh scales): 1,000 kg
- Calculated Fibre Stream / Containers Stream mix: 80% / 20%

Fibre Line Residue Audit

- Non-Recyclable Material (from positive sort during audit): 40 kg
- Cross Contamination (from positive sort during audit): 10 kg
- RMNPR (from positive sort during audit): 5 kg

Containers Line Residue Audit

- Weight of representative audit sample (plowed off of residue conveyor): 100 kg
- Weight of remaining residue in compactor bin (from main weigh scales): 150 kg
- Missed Recyclables (in representative audit sample): 20 kg
- Non-Recyclable Material (in representative audit sample): 60 kg
- Cross Contamination (in representative audit sample): 10 kg
- RMNPR (in representative audit sample): 10 kg



- Non-Recyclable Material (from positive sort during audit): 50 kg

Calculations

Fibres Stream

- Weight of Non-Recyclable Material in residue: 40 kg
- Weight of Cross Contamination in residue: 10 kg
- Total weight of Non-Recyclable & Cross Contamination Material in residue: 50 kg
- Total Non-Recyclable Material & Cross Contamination Level of Fibre Stream: 1.25% (50 kg / 4,000 kg)

Containers Stream

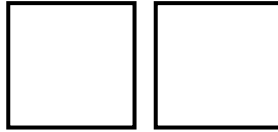
- Non-Recyclable Material level in representative audit sample: 60% (60 kg / 100 kg)
- Cross Contamination level in representative audit sample: 10% (10 kg / 100 kg)
- Total Non-Recyclable Material & Cross Contamination Level in representative audit sample: 70% (60% + 10%)
- RMNPR level in representative audit sample: 10% (10 kg / 100 kg)
- Missed Recyclables level in representative audit sample: 20% (20 kg / 100 kg)
- Total weight of residue in representative audit sample and in bin: 250 kg (100 kg + 150 kg)
- Weight of missed recyclables in above: 50 kg (250 kg x 20%)
- Weight of RMNPR in above: 25 kg (250 kg x 10%)
- Weight of Non-Recyclable Material in above: 175 kg (250 kg x 70%)
- Weight of Non-Recyclable Material & Cross Contamination from positive sort during audit: 50 kg
- Total weight of Non-Recyclable Material & Cross Contamination in Containers Stream: 225 kg (175 kg + 50 kg)
- Total Non-Recyclable Material & Cross Contamination Level of Containers Stream: 22.5% (225 kg / 1,000 kg)

Both Streams Combined

- Non-Recyclable Material & Cross Contamination Level in both streams combined: 5.5% [(1.25% x 80%) + (22.5% x 20%)]

Reporting

21. The City will prepare a monthly Audit Summary Report outlining the results of the audits conducted and with all spreadsheets and other supporting material (e.g., weigh tickets) appended.
22. The City or the Partner Municipality may ask for a new audit to replace an audit if the audit findings are significantly different than normal. Each additional audit will be at the expense of the party that requested the additional audit.



Schedule “E”

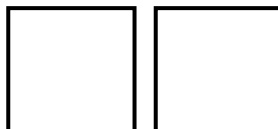
Residue Auditing Protocol for Material Recovery Facility

Overview

1. Miller Waste Systems Limited (“Miller Waste”) will conduct and the City will witness monthly audits. There will be two (2) audits per month; one conducted on a Monday or Tuesday in the first two weeks of the month and one conducted on a Thursday or Friday in the third or fourth weeks of the month. If both parties agree, the number of audits per month can be reduced to one (1). The City will request the audit dates each month giving sufficient notice for Miller Waste to prepare.
2. The audit dates will be chosen during relatively “dry” times so as to not introduce moisture issues.
3. It is assumed herein that the fibre and container lines are operated independently. Thus separate audits can be conducted of the Fibre Material Processing line and the Container Material Processing line. It is envisaged that the two separate audits will be conducted on the same day.
4. If the Fibre Material Processing line and Container Material Processing Line are operated concurrently, the two parties will work together to develop a modified auditing protocol that addresses matters related to the mixed nature (partly from the Container Material Processing line and partly from the Fibre Material Processing line; proportions of each not definitively known) of the Residue.
5. Miller Waste and the City warrant that the Residue samples chosen for the monthly audits shall be accepted as representative, in both nature and composition, of the Residue generated at the Materials Recovery Facility that month.
6. Miller Waste or the City may ask for an additional audit to replace one of the mandatory audits if the percentage of Residue on the audit day(s) or during the collection of the sample is significantly higher or lower than normal. A new audit would likely be required if the difference in the Residue between the audit sample and normal operations is more than 15%. For example, if the Residue rate over the preceding two weeks was 8 % and the Residue rate during the audit was 10%, a new audit may be required. Each additional audit will be at the expense of the party that requested the additional audit.
7. The City may conduct audits in addition to those required in the Request for Proposal 08-03 (RFP), at their expense. Audits may be undertaken to confirm the composition of the Residue.

Residue Audit Objectives

8. Confirm:
 - the Recoverable Fibre Materials Required Recovery Rate of 98% is met;
 - the Recoverable Container Materials Required Recovery Rate of 94% is met;
 - and
 - the Recoverable Glass Materials Required Recovery Rate of 95% is met.
 - See the Agreement for the list of materials making up each of the three (3) material categories identified above.
9. Confirm the MRF is operated during the audit at the RFP-specified throughput of 23 tonnes/hr. Note: Required throughput for each Processing line will be apportioned in accordance with the determined mix of fibres/containers. At the time of preparing this audit protocol it is estimated that a 78% fibres / 22% containers mix exists, thus the Fibre



Processing line minimum throughput to be 18 tonnes/hr and the Container Processing line minimum throughput to be 5 tonnes/hr.

10. Determine the % Non-Recyclable Material (including Cross-Contamination) and % Recyclable Material Not Practical to Recover level applicable for the month.

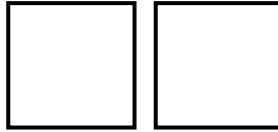
Residue Auditing Methodology

Audit Sample Size and Source

11. With the plant running the Fibre and Container Processing lines independently, generally each audit day the morning shift will be dedicated to one of the Processing streams and the afternoon shift will be dedicated to the other Processing stream.
12. In the case of Fibres, since all products are negative sorted into bunkers the Residue will be limited to positive sorted items. These positive sorted Residue items will be collected in both large pails (lined with clear plastic bags) and other containers suitable for the Residue materials captured. When a pail becomes full, the bag of Residue material will be removed from the pail and taken to the audit area for identification and weighing. Spare pails/bags should be available at each positive Residue sort station to minimize disruption to processing. Other containers will be moved to the audit area for identification and weighing after the Fibre line Processing is completed. These positive sorted Residue items will be accumulated throughout the audit day's shift devoted to the Fibre Materials and thus the audit sample size each audit day will be the accumulated positive sorted Residue items.
13. Container Processing line Residue will be a combination of positive sorted items (which are to be collected/weighed in the same manner as described above for Fibre Processing line Residue) and negative sorted material. The negative sorted material will accumulate in a dedicated compactor bin, which is to be empty at the start of the audit day. After the audit day's Container line Processing is complete, the Residue bin is to be weighed (the bin is to be tared so that the total Residue sample weight is determined). The contents of the bin are then discharged onto a suitable, clean floor area and, using a loader, a representative sample of the total Residue is isolated for auditing. The size of this representative sample shall be such that the total Residue sample for auditing, including positive sorted items, is approximately 500 kg.
14. The exact run time for each Processing stream's audit is to be recorded so that a calculation of the tonnes/hr throughput can be made each audit day. It is proposed that the run time clock starts with the start of the main feed conveyor for each line (P-1 for the Fibre Processing line, C-1 for the Container Processing line). After the required run time for each line the main feed conveyors are stopped (and the run time clock stopped) and material is allowed to run through the system until all downstream conveyors are cleared of material.

Determination of Residue Component Weights

15. All weigh scales intended to be used for the audits will be checked prior to the audit to confirm accuracy.
16. As discussed above, auditing of the Fibre Processing line Residue will be confined to confirmation and weighing of the positive sorted items. This is to include the following components:
 - Missed Recyclables (there may not be any due to the negative sorting of all fibre products)
 - Non-Recyclable Material
 - Recyclable Material Not Practical to Recover
 - Cross Contamination (Containers in the Fibre Residue)



17. Each Containers Processing line audit sample will be spread out onto a clean, open floor area at the MRF and separated into the following components:
- Missed Recyclables (each individual material separately identified)
 - Non-Recyclable Material
 - Recyclable Material Not Practical to Recover
 - Cross Contamination (Fibre in the Containers Residue)
 - Note: As discussed earlier, some materials will be positively sorted during the audit (for example, Cross Contamination on the Fibre Processing line and oversize Residue collected at the pre-sort on either Processing line) and such material is to be collected in pails or other suitable containers during the audit and then incorporated into the audit spreadsheet and calculations.
18. Miller Waste Systems is to provide audit sort staff to sort the Residue into the above components.
19. Each of the above components will be collected in clear plastic bags then weighed (using the 1.5m x 1.5m weighscale) and recorded directly into an audit details spreadsheet. The clear plastic bags containing materials should be set aside until the audit spreadsheet is confirmed to have correct/accurate entries. The clear plastic bags makes for easy identification of materials by those doing spreadsheet weight entries and also easy re-weighing if necessary.
20. Ultimately with each audit the following information will be recorded into the audit details spreadsheet:
- the weight of all Residue;
 - the weight of missed Recoverable Fibre, Containers and glass in the Residue;
 - the weight of Cross Contamination in the Residue;
 - the weight of Recyclable Material Not Practical to Recover in the Residue; and
 - the weight of Non-Recyclable Material in the Residue.

Recyclable Material Not Practical to Recover

21. The following items are considered Recyclable Materials Not Practical to Recover:
- program bags used to contain recyclables (e.g., clear plastic bags, translucent plastic bags and grocery sacs)
 - glass less than 64 mm (2 ½") in length and width at its longest/widest points
 - fibre products less than 150 mm (6") in length and width at their longest/widest points
 - containers less than 64 mm (2 ½") in length and width at their longest/widest points
 - individual materials compounded together (i.e., separate recyclable materials that have become entwined/bound together and as a result causes them to act as one physical object)
 - "spiral wound" containers (e.g., cardboard cans such as: frozen juice cans, Pringles containers, refrigerated dough containers, powder drink mixes, baby formula containers)
 - waxed boxes (e.g. frozen food boxes) or paper
 - foil coated boxes (e.g., dishwasher detergent boxes) or paper
 - dark coloured or construction paper
 - metallic foil wrapping paper
 - Containers containing product (i.e., bottles, tubs and jugs that contain at least 10% (by volume of the container) retained product)

--	--

22. Recyclable Material Not Practical to Recover shall not be included in the determination of the % Recyclable or % Non-Recyclable Material each month. The weight of these items is to be included in any throughput calculations.

Determination of Products Weights

23. All weigh scales intended to be used for the audits will be checked prior to the audit to confirm accuracy.
24. Prior to the start of the audit (i.e., the night before) all bunkers, cages and containers that are used to store Recovered Materials are to be emptied so that the weights of each Recovered Material accumulated during the audit can be determined.
25. Each baleable Recovered Material will be separately baled and weighed using the forklift scales and recoded directly in the audit details spreadsheet.
26. In the case of glass, for convenience of weighing on the main truck scales, clear and coloured glass shall be accumulated in separate roll-off containers in the glass bunker. In the case of loose-loaded ONP, bales of this material will be accumulated.
27. In the case of plastic film, bales of this material will be accumulated.

Determination of Throughput and Recovery Rates

28. Throughput requirements (tonnes/hr) will be assessed based on the calculated throughput achieved during the audits only. Throughput achieved during each audit will be the total weight of material processed during the audit (i.e., sum of all products plus the residue sample) divided by the total audit run time for the audit.
29. Required Recovery Rates will be assessed based on the recovery rates achieved during the audits only. Each material category's recovery rate achieved will be determined based on the following formula (expressed as a percentage):
- $\frac{\text{Quantity of Recovered Material captured for the category}}{\text{Sum of quantity of Recovered Material captured for the category} + \text{quantity of missed Recoverable Recyclable Material for the category}}$
30. The recovery rates for the month are determined based on a weighted average of the month's two audits.

Determination of % Non-Recyclable Material Level

31. The Non-Recyclable Material level in the Residue will be determined for each audit based on the following formula (expressed as a percentage):
- $\frac{\text{Quantity of Non Recyclable Material} + \text{Cross Contamination}}{\text{Total Weight of Residue Audit Sample}}$
32. The Non-Recyclable Material level in the Residue for the month is determined based on a weighted average of the month's two audits.

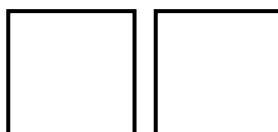
Determination of % Recyclable Material Not Practical to Recover Level

33. The Recyclable Material Not Practical to Recover level in the Residue will be determined for each audit based on the following formula (expressed as a percentage):
- $\frac{\text{Quantity of Recyclable Material Not Practical to Recover}}{\text{Total Weight of Residue Audit Sample}}$
34. The Recyclable Material Not Practical to Recover level in the Residue for the month is determined based on a weighted average of the month's two audits.

--	--

Reporting

- 35. Miller Waste Systems is to prepare a monthly Audit Summary Report outlining the weighted average results of the month's two audits audit and with all spreadsheets and other supporting material appended.



Schedule “F” Sample Calculation of Revenue Sharing with Partner Municipality

Example Revenue Calculation #1 - Selling Price Exceeds CSR Price

Calculation of Total Municipal Revenue From All Sources

Mixed Paper Fibers	100%	98%
Containers	95%	94%
Glass	98%	95%

Revenue	Quantity Marketed		Contract Revenue Goal		Selling Price Adjustment			Total Municipal Revenue
	Actual (tonnes)	Contract ^a (tonnes)	CSR Priceshet ^b	Revenue	Selling Price	Per Tonne Adjustment ^c	Revenue Adjustment	
<i>Total Mixed Paper Fibers Shipped to Market</i>								
ONP	1,200	1,176	149	175,224	169	10	11,760	186,984
Cardboard	240	235	174	40,925	190	8	1,882	42,806
Hardpack	360	353	94	33,163	94	0	0	33,163
Mixed Residential Paper	0	0	-	-	-	-	-	-
Boxboard	120	118	75	8,820	75	0	0	8,820
Subtotal	1,920	1,882	\$137	\$258,132	\$152	\$7.25	\$13,642	\$271,774
<i>Total Containers (excluding glass) Shipped to Market</i>								
Aluminium	0	24	1,954	46,402	1,954	0	0	46,402
#1 Pet	0	95	697	66,208	697	0	0	66,208
#2 HDPE	0	47	688	32,676	688	0	0	32,676
#3 to #7 Mixed Plastics	0	24	59	1,401	59	0	0	1,401
Polycoat	0	24	124	2,945	140	8	190	3,135
Steel	0	95	343	32,581	343	0	0	32,581
Subtotal	0	309	\$584	\$182,214	\$591	\$0.62	\$190	\$182,404
<i>Total Glass Shipped to Market</i>								
Clear	96	93	27	2,513	27	0	0	2,513
Mixed	72	70	-10	-698	-10	0	0	-698
Subtotal	168	163	\$11	\$1,815	\$11	\$0.00	\$0	\$1,815
Total	2,400		184	\$442,160			\$13,832	\$455,992
Less Marketing Fees (2.5% of Revenue Goal in Contract)								\$11,054
Total Municipal Revenue								\$444,938

Notes

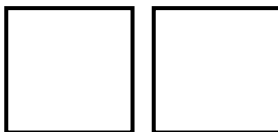
- a) Contract guarantees a specified capture rate of recyclables for which municipalities are to receive revenue for regardless of the actual quantity captured.
- b) Revenue paid for materials marketed is based on pricing in the CSR price sheet (<http://www.stewardedge.ca/pricesheet/>) plus a price adjustment.
- c) Price adjustment for market materials is 50% of the difference between the actual revenue less revenue based on CSR pricing.

Calculation of Revenue Belonging to Partner Municipality

Total Material Received from all Sources	2,500	tonnes
Total Material Received from Partner Municipality	25	tonnes
Portion of Material belonging to Partner Municipality	1%	
Portion of Total Municipal Revenue belonging to Partner Municipality	\$4,449	

Calculation of Partner Municipality's Processing Fees

Total Material Marketed from all Sources	2,400	tonnes
Portion of Material belonging to Partner Municipality	1%	
Marketed Material belonging to Partner Municipality	24	tonnes
Processing Fees (\$86/tonne based on < 3% non-recyclables)	\$2,064	
NET PAYMENT TO PARTNER MUNICIPALITY	\$2,385	



Example Revenue Calculation #2 - Selling Price is less than CSR Price

Calculation of Total Municipal Revenue From All Sources

Capture Rate Based on Monthly Audits	Actual Capture Rate	Guaranteed Capture Rate
Mixed Paper Fibers	100%	98%
Containers	95%	94%
Glass	98%	95%

Revenue	Quantity Marketed		Revenue Goal in Contract		Selling Price Adjustment			Total Municipal Revenue
	Actual (tonnes)	Contract (tonnes)	CSR Priceshheet	Revenue	Selling Price	Per Tonne Adjustment	Revenue Adjustment	
<i>Total Mixed Paper Fibers Shipped to Market</i>								
ONP	1,200	1,176	149	175,224	129	-10	-11,760	163,464
Cardboard	240	235	174	40,925	158	-8	-1,882	39,043
Hardpack	360	353	94	33,163	94	0	0	33,163
Mixed Residential Paper	0	0	-	-	-	-	-	-
Boxboard	120	118	75	8,820	75	0	0	8,820
Subtotal	1,920	1,882	\$137	\$258,132	\$123	-\$7.25	-\$13,642	\$244,490
<i>Total Containers (excluding glass) Shipped to Market</i>								
Aluminium	0	24	1,954	46,402	1,954	0	0	46,402
#1 Pet	0	95	697	66,208	697	0	0	66,208
#2 HDPE	0	47	688	32,676	688	0	0	32,676
#3 to #7 Mixed Plastics	0	24	59	1,401	59	0	0	1,401
Polycoat	0	24	124	2,945	108	-8	-190	2,755
Steel	0	95	343	32,581	343	0	0	32,581
Subtotal	0	309	\$584	\$182,214	\$589	-\$0.62	-\$190	\$182,024
<i>Total Glass Shipped to Market</i>								
Clear	96	93	27	2,513	27	0	0	2,513
Mixed	72	70	-10	-698	-10	0	0	-698
Subtotal	168	163	\$11	\$1,815	\$11	\$0.00	\$0	\$1,815
Total	2,400		184	\$442,160			-\$13,832	\$428,329
<i>Less Marketing Fees (2.5% of Revenue Goal in Contract)</i>								\$11,054
Total Municipal Revenue								\$417,275

Calculation of Revenue Belonging to Partner Municipality

Total Material Received from all Sources	2,500	tonnes
Total Material Received from Partner Municipality	25	tonnes
Portion of Material belonging to Partner Municipality	1%	
Portion of Total Municipal Revenue belonging to Partner Municipality	\$4,173	

Calculation of Partner Municipality's Processing Fees

Total Material Marketed from all Sources	2,400	tonnes
Portion of Material belonging to Partner Municipality	1%	
Marketed Material belonging to Partner Municipality	24	tonnes
Processing Fees (\$86/tonne based on < 3% non-recyclables)	\$2,064	

NET PAYMENT TO PARTNER MUNICIPALITY \$2,109