April 6, 2006

Mayor and Members of Council
City Of Hamilton
City Hall, 71 Main Street West
Hamilton ON L8P 4Y5

Dear Mayor:

Re: Reduced 2006 Blue Box Funding due to ‘Reasonable Cost’ Bands

Your 2006 Blue Box funding has been reduced by $35,180.82 as a result of ‘reasonable cost’ bands applied by Waste Diversion Ontario under the Blue Box Program Cost Containment Plan, approved by the Minister of the Environment in December 2004.

‘Reasonable cost’ bands are based on a measurement of efficiency and effectiveness to recognize the dual objectives of the Blue Box Program of increasing diversion and minimizing the cost of the municipal Blue Box system. The efficiency of an individual recycling program is measured by dividing the net program cost (gross cost minus gross revenue) by the tonnes of Blue Box material marketed. Effectiveness is measured by dividing the quantity of Blue Box material marketed by the quantity of Blue Box material available in the waste stream. The Efficiency and Effectiveness (E&E) Factor is expressed by dividing a program’s efficiency (net cost per tonne) with its effectiveness (percent of materials recovered). Better performing programs have a relatively low cost per tonne in the numerator combined with a relatively high recovery rate in the denominator, resulting in a low E&E factor.

The ‘reasonable costs’ band for 2006 was set at the mean of the E&E Factors plus one standard deviation for the 75% better performing programs in each municipal group. Your program’s E&E factor was above the reasonable cost band in your municipal group. Your funding was reduced in relation to the amount your E&E Factor was above your municipal group’s cost band. The total of the ‘reasonable cost’ band reduced funding in 2006 was $5 million.

E&E Factors will also be utilized to identify those programs whose funding will be reduced by ‘reasonable cost’ bands in 2007.

For more information on ‘reasonable cost’ bands, E&E Factors and 2006 Blue Box funding allocation, please refer to WDO’s website at www.wdo.ca under Diversion Programs, Blue Box Waste, Municipal Funding.

Sincerely,
Waste Diversion Ontario

Glenda Gies
Executive Director