Agenda – Council – September 29, 2021

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – September 13, 2021

Item No. 8 Multi-Materials Stewardship Manitoba and News Media Canada Proposed Funding Agreement for News Print In-Kind Advertising

STANDING COMMITTEE RECOMMENDATION:

On September 21, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the following to Council:

1. That an amendment to the Municipal Funding Agreement accepting the attached Newsprint Proposal be approved.

2. That the Public Service continue to work with MMSM and NMC on exploring and expanding the current list of eligible advertising to which the credits can be applied.

3. That the financial implications of this report be referred to the 2022 Budget Review Process.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the forgoing.

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – September 13, 2021

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 21, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On September 13, 2021, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **MULTI-MATERIALS STEWARDSHIP MANITOBA AND NEWS MEDIA CANADA PROPOSED FUNDING AGREEMENT FOR NEWS PRINT IN-KIND ADVERTISING**

Critical Path: **Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Gordichuk, Manager Solid Waste Services	M. Geer, CPA, CA Director, Water and Waste Department	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

This report is to provide information on a funding proposal from Multi-Material Stewardship Manitoba (MMSM) and News Media Canada with respect to the City of Winnipeg's newsprint recycling program.

For several years, the Province of Manitoba (Province) provided stewardship fees to MMSM on behalf of News Media Canada (NMC). The Province terminated the Newspaper Recycling Agreement in 2017 and since then, MMSM has not received any payments for newsprint recycling and in turn neither has the City of Winnipeg.

MMSM is the not-for-profit, industry-funded organization that funds and provides support for the province's residential recycling programs for packaging and printed paper.

MMSM works on behalf of the manufacturers, retailers and other organizations that supply packaging and printed paper to Manitobans. These businesses pay fees on the materials to MMSM, which are then used to reimburse municipalities for up to 80 percent of the net cost of their residential recycling programs.

As of December 2020, the City is owed $912,064 in funding for newsprint collection and processing. By the end of 2025, the amount will have increased to approximately $4,667,177.

MMSM and NMC provided a proposal to the Public Service to resolve the newsprint shortfall. In lieu of a cash payment, MMSM and NMC proposed that the City receive advertising credits with NMC partners equal to the amount owing between 2017 and 2025 (Newsprint Proposal).

The Public Service reviewed the Newsprint Proposal and negotiated an expanded list of eligible advertising to which these credits could be applied. Although it will result in less overall funding for the City's municipal recycling program, part of the shortfall can be recovered through the increased education and promotion of environmental initiatives through the Water and Waste Department, and can be allocated to other departments, arts organizations and other community groups to promote their activities. The Newsprint Proposal, in its revised form, reflects a coordinated effort to move forward in the absence of what was long-standing provincial subsidization of Manitoba's newsprint industry.

The City, as a whole, spends approximately $500,000 per year on advertising (newsprint, digital and display advertising) with NMC partners. The expanded Newsprint Proposal would enable the City to spend the credits on advertising related to environmental or sustainability programs, and allows for other advertising initiatives to be considered by NMC on a case by case basis.

Separate from the newsprint issue the City and MMSM recently reached an agreement concerning a dispute in the interpretation of provisions in the Municipal Funding Agreement with respect to residential recycling collection. The finalization of this agreement is conditional on the City of Winnipeg accepting the Newsprint Proposal.

RECOMMENDATIONS

1. That an amendment to the Municipal Funding Agreement accepting the attached Newsprint Proposal be approved.

2. That the Public Service continue to work with MMSM and NMC on exploring and expanding the current list of eligible advertising to which the credits can be applied.

3. That the financial implications of this report be referred to the 2022 budget process.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the forgoing.

REASON FOR THE REPORT

To advise Council and seek approval to amend the Municipal Funding Agreement to reflect the in-kind funding proposal from MMSM and NMC.

IMPLICATIONS OF THE RECOMMENDATIONS

Approval of the Newsprint Proposal will enable the City to:

- demonstrate its support of the newsprint industry;
- bolster the City's print/digital advertising on environmental initiatives;
- reduce its eligible advertising costs to offset the loss of funding previously subsidized by the Province;
- allocate the advertising credits to community groups, as appropriate; and
- resolve the dispute concerning the interpretation of the Municipal Funding Agreement interpretation, so that the Public Service can focus its resources on working with MMSM and the Association of Manitoba Municipalities (AMM), to negotiate a new packaging and printed paper program plan and municipal funding agreement that ensures more predictability and financial stability in the administration of the City's recycling program.

If the Newsprint Proposal is not accepted, the City may have to go to arbitration to resolve its disput with MMSM concerning interpretation of the Municipal Funding Agreement.

HISTORY/DISCUSSION

The City of Winnipeg entered into a Municipal Funding Agreement with MMSM for its residential recycling program, which was approved by Council through adoption of the 2011 Operating Budget on March 22, 2011.

Clause 4.1 of the Municipal Funding Agreement states that "MMSM will reimburse [the City] up to 80% of the annual net [municipal recycling] program cost."

MMSM's current Packaging and Printed Paper Program (PPP Program), was approved by the Province and came into effect in July 2018. Section 4.3 of the PPP Program states that "MMSM will pay 80% of eligible costs incurred by municipalities to manage designated materials through efficient and effective municipal residential diversion programs."

As part of the previous and current PPP Programs, the Province remitted newsprint fees to MMSM on behalf of newspaper stewards from PST collected from the sale of newspapers.

The Province terminated the Newspaper Recycling Agreement with newspaper stewards in 2017 and eliminated the funding for the newspapers' stewardship fees. As a result, News Media Canada responded by not paying their fees to MMSM, and funding reductions from MMSM to municipalities followed.

On July 11, 2017, the Public Service received a letter from MMSM indicating that it was reducing its funding to the City because the Province terminated the January 2011 Newspaper Recycling Agreement it had with newspaper stewards.

MMSM and NMC were advised by the Province to come to an agreement regarding the funding issues. Since then MMSM and NMC have been working on a new newsprint funding model that gives municipalities advertising credits in lieu of stewardship fees to MMSM.

The City of Winnipeg has not received any funding from MMSM relating to the newspaper stewards since July 2017 and as of December 2020, the amount of arrears totals $912,064. By the end of 2025, the amount owing will increase an additional $3,755,113 for an approximate total of $4,667,177, in accordance with the MMSM funding forumula.

In lieu of payment, MMSM proposed that the City take this amount in advertising credits, to be used over five years on sustainability programs (e.g. promotion and education on organics, new material diversion programs and environmental programs related to waste management). The advertising credits could be applied to both print advertising and display advertising in digital media currently managed by News Media Canada partners (includes Winnipeg Free Press, Postmedia [The Sun], Globe and Mail, Canstar News Group [community newspapers]).

Cumulatively, all departments at the City of Winnipeg spend roughly $500,000 per year in total on newsprint, digital and display advertising with the NMC partners. The Water and Waste Department spends roughly $100,000 per year on newsprint, digital and display advertising for recycling/diversion programs.

The Public Service has been in discussions with MMSM, NMC, AMM and Manitoba Conservation and Climate since 2017. Early in 2021, the Public Service presented a counter-proposal to MMSM and NMC seeking an equal ratio of monetary and in-kind credits to mitigate against part of the cash shortfall. NMC refused to consider the counter proposal and in response offered an expanded list of eligible advertising that the City could apply the credits to.

The expanded Newsprint Proposal also removes the previous five-year time limit to use the credits, and provides a temporary funding replacement while the Public Service works with other stakeholders on a long-term program plan to address the newsprint processing funding issue going forward.

Subject to any renewals approved by the Province, the current PPP Program will expire on June 30, 2023. As part of the PPP Program, MMSM is looking for municipalities to enter into new funding agreements. The Public Service anticipates that it will begin negotiating a new agreement in the near future.

Also, the Province has given MMSM a mandate to "develop a plan for 100% industry-funded model for collection and recycling of packaging and printed paper in Manitoba." MMSM has just begun the process of conducting consultations with stakeholders, and the Public Service will provide input for this plan.

In addition to the funding issues related to newsprint recycling, the Public Service has been working to resolve funding issues with MMSM related to the City's residential collection contracts. On August 11, 2020 the Public Service was authorized to pursue arbitration if necessary. The Public Service and MMSM have reached an agreement pertaining to the collection contracts and MMSM has made acceptance of the Newsprint Proposal a condition of the agreement.

FINANCIAL IMPACT

Financial Impact Statement **Date:** August 27, 2021

Project Name:

MULTI-MATERIALS STEWARDSHIP MANITOBA AND NEWS MEDIA CANADA PROPOSED FUNDING AGREEMENT FOR NEWS PRINT IN-KIND ADVERTISING

COMMENTS:

The financial impact of the news media proposal is not yet known as advertising credits may be used by the City of Winnipeg overall or approved external parties. Increased advertising in any service area might increase revenues or decrease costs. If City Council approves the proposal a process for distribution and application of credits and criteria for allocation to external parties will be established. The budget impact of this proposal is not expected to be significant as there is no time limit to utilize the credits.

"Original signed by L Szkwarek, CPA, CGA"
Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

- Customer Service and Communications Department

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg policies through:

OurWinnipeg Reference: Section 02-2 Environment – "Incorporate sustainable practices into internal civic operations and programs and services"

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report is in accordance with Winnipeg's Climate Action Plan through Strategic Opportunity #6 Waste Reduction and Diversion, and supports the following key directions:

6.1Reduce Consumption and Increase Waste Diversion from Residential, Commercial and
Industry (Primary Responsibility: Water and Waste Department).

SUBMITTED BY

Department: Water and Waste
Division: Solid Waste Services
Prepared by: Michael Gordichuk, CCLP
Date: August 27, 2021
File No: G-214

Attachments

Appendix A – News Media Canada Letter dated June 18, 2021