

**REPORT TO ENVIRONMENTAL SERVICES COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 15, 2025**

SUBJECT Environmental Resource Management – 2026 Operating and Capital Budget

ISSUE SUMMARY

To provide an overview of the draft Environmental Resource Management (ERM) 2026 budget, highlighting the changes from the 2025 budget.

BACKGROUND

The Capital Regional District (CRD) established a local service for solid waste disposal in 1973. The ERM division is responsible for municipal solid waste management, including waste reduction, recycling programs and the operation of Hartland Landfill.

ERM, in the capital region, is based on the Ministry of Environment & Parks 5R pollution prevention hierarchy of Reduce, Reuse, Recycle, Resource Recovery and Residuals Management, with the goal of extending the life of Hartland Landfill by minimizing waste disposal and maximizing diversion opportunities. The CRD's solid waste mandate, using the 5R pollution hierarchy, is delivered to the community through a provincially mandated and recently approved regional Solid Waste Management Plan (SWMP). The SWMP targets reducing per capita waste from the current rate of 338 kg/capita (2024) to 250 kg/capita by 2030.

All costs associated with the CRD's solid waste disposal and diversion programs are funded through tipping and user fee revenues at Hartland Landfill, service delivery agreements for stewarded materials, sale of energy and sale of recyclables. There is no requisition for this service.

DISCUSSION

The draft ERM 2026 budget has been prepared for consideration by the Environmental Services Committee (Appendix A).

2025 Year-End Financial Projections

There is an estimated net unfavorable variance of \$1.2 million for ERM's 2025 operating budget. This variance will result in a reduction of the capital reserve transfer at year end. The net variance is due to a reduction in revenue (\$4.9 million) offset by savings in operating expenditures (\$3.7 million). Details can be found in Appendix A under the 2025 Estimated Actual column.

Year-end revenue and expenditure projections for 2025 have been established, and estimated variances are summarized, as follows:

Budget Item	Variance (\$) 2025 Estimated Surplus / - Deficit	Variance (%) 2025 Estimated Surplus / - Deficit
Diversion Services Expenditures	\$2,700,000	9.6%
Landfilling Services Expenditures	\$275,000	1.8%
Energy Recovery Services Expenditures	\$700,000	19.2%
Total Operating Expenditures	\$3,725,000	7.9%
Revenue: Tipping Fee	-\$850,000	-2.8%
Revenue: Other	-\$4,100,000	-17.1%
Total Revenue	-\$4,950,000	-6.0%
Reserve Fund Transfers	-\$1,225,000	-30.6%

Operating cost variance/savings (7.9%): Expenses related to the program development in the Hartland diversion program, community support program in the waste diversion services, and contract for services and electricity cost in the energy recovery services are forecasted to be lower than budget, due to delayed completion of the Renewable Natural Gas (RNG) plant, resulting in \$3.7 million savings.

Revenue variance/pressures (-6.0%): Overall total revenue is expected to be lower than budgeted by \$4.9 million. While other revenue for 2025 forecasted to be higher than budgeted by \$1.4 million, the solid waste tipping revenue for 2025 is forecasted to be lower than budget due to decreased tipping fee revenues from quantity of solid waste being received by \$850,000. The Operating Reserve transfer is forecasted to be \$2.9 million below the budget, and RNG sales revenue is forecasted to be lower than budgeted by \$2.6 million due to the postponed project completion date of the Hartland Biogas Upgrading Plant construction.

The 2025 net budget deficit of \$1.2 million will be funded by reducing the capital reserve transfer.

2026 Operating Budget

The draft ERM 2026 budget was prepared, considering the Board's 2026 Service and Financial Planning Guidelines, and the goals set out in the new Board approved SWMP. The following are key components of the proposed ERM 2026 budget:

Operating Budget

Operating budget expenses have increased by a total of \$1.5 million over 2025 budget (3.2%), as follows:

- Diversion Services: decreased expenses by \$1.1 million over 2025 budget (-3.9%)
 - Reduced Hartland diversion program development expenditures including the new diversion initiatives such as the waste collector incentive program to more accurately reflect projected program uptake based on actual 2025 experience.
- Landfilling Services: increased by \$1.3 million over 2025 budget (8.8%)
 - Standard Overhead Allocation
- Energy Recovery Services: increased by \$1.3 million over 2025 budget (35.8%)
 - Annualization of RNG operating contract and utility usage. The 2025 budget only includes a partial year of RNG expenses based on assumed project completion timing.

Operating budget revenues are budgeted to increase by a total of \$2.7 million (13.3%), as follows:

- Diversion Services revenue increase \$2.5 million (18.8%): Blue Box revenue increase from Recycle BC, recycling tipping fees, and compost tipping fees
- Landfilling Services revenue increase \$110,000 (0.4%): revenue from general refuse tipping fee increases
- Energy Recovery Services revenue increase of \$150,000 (2.3%): revenue from the new RNG facility, based on first full year of operation

Capital/Reserve Transfer

Transfers to reserves are allocated to the Operating Reserve fund, Equipment Replacement fund and Capital Reserve fund. The 2026 transfer to reserve budget is \$1.6 million, which is a 68% decrease over 2025. This decrease is due to lower RNG revenue and annualization of RNG operating contract and utility cost adjustments. While transfers to reserves may fluctuate year to year, reserve balances are managed to meet minimum corporate reserve balance guidelines.

Debt Servicing

Current debt servicing costs relate to borrowing under Loan Authorization Bylaw No. 4515 for funding to complete the planned infrastructure and improvements in the 2023-2027 capital plan. The authorized \$22.1 million in borrowing was issued under four separate loan issues, which are set to expire between 2038 and 2040. Annual interest and principal payments under this bylaw are \$1.9 million per year. The total 2026 budgeted debt servicing costs include the above-mentioned interest and principal payments, as well as an additional \$580,000 of new debt servicing costs associated with Cell 5 and 6 Gravity Retaining Wall Construction and Existing Utilities - Relocate for Cell 5 projects. Details can be found in Appendix A – Operating Budget.

Table 1: 2026 Year-Over-Year Budget Comparison

Expenditure Type	2026 Financial Plan	2025 Financial Plan	Change	% Change
Operations	\$48,842,421	\$47,312,957	\$1,529,464	3.2%
Debt Servicing	\$2,554,790	\$2,026,178	\$528,612	26.1%
Transfers to Capital / Reserves	\$1,562,222	\$4,880,389	-\$3,318,167	-68.0%
Total	\$52,959,432	\$54,219,524	-\$1,260,091	-2.3%

2026 Capital Budget

Capital Plan

The Hartland Landfill five-year capital plan is made up of 30 projects totaling \$40 million. These projects can be grouped into five categories:

- **Sustaining Capital:** This group includes projects that are required to support ongoing daily operations. There are 17 projects that cover items such as computer and vehicle replacements, aggregate production, gas and leachate piping purchase and installation. It also includes projects required to maintain regular operations such as landfill gas capture, Operating Certificate renewal, Design, Operations and Closure Plan update, road improvements, vegetation buffer improvements, aging electrical infrastructure replacement

and planning/permitting. The estimated cost for this group of projects for 2026 is \$2.3 million, with an estimated five-year total cost of \$12.2 million.

- **Progressive Closure of the Landfill:** There are two projects over five years totalling \$10 million (\$1 million for 2026), which include projects such as final closure and interim cover of external faces. The completion of Cell 3 requires closure of the areas that will not be utilized in the future.
- **Cell 4, 5 and 6 Preparation and North End Commercial Access Improvements:** There are 8 projects over five years totalling \$14.1 million (\$12.9 million in 2026), which include design and installation of complete liner system for Cell 5, a truck wheel wash system, relining the stormwater sedimentation pond and a new storm water retention pond.
- **Renewable Natural Gas (RNG):** There are two RNG projects over five years totalling \$1.9 million (\$1.2 million in 2026) to optimize and take advantage of excess biogas from the Residuals Treatment Facility, such that all gas captured at the landfill is processed and injected into the FortisBC natural gas distribution system, while ensuring all environmental requirements are met.
- **Solid Waste Management Plan Diversion and Beneficial Use Targets:** There is one project in 2027 totalling \$1 million to acquire land/depot asset to further diversion initiatives in the region.

Capital Funding

There are two primary elements to the capital program funding - reserve funds and debt servicing. The reserve funds are established through annual contributions to allow accumulation of funds for future expenditures. Debt servicing costs (principal and interest payments) are associated with long-term capital infrastructure financing.

Debt: New financing under the \$36 million loan authorization was approved in 2022 for the purpose of financing the solid waste facility five-year capital plan. The future capital funding will be a combination of reserves and debt financing.

Reserves: There are currently three reserve funds established for this service (2025 estimated year-end balances). Reserve balances are managed to meet minimum corporate reserve balance guidelines:

- **Operating Reserve (\$6.4 million):** This fund was established by Bylaw No. 3867 for mitigating fluctuations in tipping fee revenue and for covering operational expenditures, as required, including debt servicing.
- **Equipment Replacement Reserve (\$2.1 million):** This fund was established by Bylaw No. 945 to fund replacement of computer equipment and solid waste small equipment that lasts less than 15 years. The 2026 equipment replacement reserve fund annual contributions are set at \$204,000.
- **Capital Reserve (\$22.7 million):** This fund was established by Bylaw No. 2164 to fund major equipment and infrastructure replacement that has a service life of 5 to 25 years or more, such as landfill facilities, roads and improvements at the Hartland Landfill site, construction of remote transfer stations, composting facilities, watershed management, closure of Phase 2 (cell 3) and post closure maintenance, and all related ancillary works

and equipment necessary for landfill and operations. The 2026 capital reserve fund will be used to fund \$474,000 of the 2026 capital plan.

ALTERNATIVES

Alternative 1

The Environmental Services Committee recommends the Committee of the Whole recommend to the Capital Regional Board:

That Appendix A, 2026 Operating and Capital Budget – Environmental Resource Management be approved as presented and form the basis of the Provisional 2026-2030 Financial Plan.

Alternative 2

The Environmental Services Committee recommends the Committee of the Whole recommend to the Capital Regional Board:

That Appendix A, 2026 Operating and Capital Budget – Environmental Resource Management be approved as amended and form the basis of the Final 2026-2030 Financial Plan.

IMPLICATIONS

If the proposed budget is amended, the implications will vary depending on how the amendment impacts specific initiatives, ongoing operations, or the capital work program.

CONCLUSION

The draft 2026 Environmental Resource Management budget has been prepared for consideration by the Environmental Services Committee. The Committee will make budget recommendations to the Capital Regional District Board through the Committee of the Whole. The draft 2026 budget will assist the community in achieving the goals set out in the new Board approved Solid Waste Management Plan.

RECOMMENDATION

The Environmental Services Committee recommends the Committee of the Whole recommend to the Capital Regional Board:

That Appendix A, 2026 Operating and Capital Budget – Environmental Resource Management be approved as presented and form the basis of the Provisional 2026-2030 Financial Plan.

Submitted by:	Russ Smith, Senior Manager, Environmental Resource Management
Concurrence:	Luisa Jones, MBA, General Manager, Parks, Recreation & Environmental Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: 2026 Environmental Resource Management Budget
Presentation - 2026 Environmental Resource Management Budget