

**REPORT TO ENVIRONMENTAL SERVICES COMMITTEE  
MEETING OF WEDNESDAY, SEPTEMBER 13, 2017**

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**SUBJECT**     **Adjustment of Hartland Landfill General Refuse Tipping Fee Rate**

**ISSUE**

To proactively manage waste export risk and protect the viability of the Capital Regional District (CRD) solid waste function by reducing the Hartland tipping fee rate for general refuse.

**BACKGROUND**

Under the current regional solid waste funding model, Environmental Resource Management (ERM) revenue from solid waste tipping fees, third-party stewardship programs and energy recovery are used to fund the fixed and variable costs for the operation of the Hartland landfill, as well as costs associated with Hartland resource recovery initiatives and regional waste diversion programs. Current and projected ERM revenue more than covers the fixed and variable costs associated with ERM disposal, diversion and energy recovery activities (see Reserve Fund balance in Appendix A). Work is currently underway to advance integrated resource management opportunities and revisions to the Solid Waste Management Plan (SWMP) will be coming forward that will necessitate further capital investment and inform a new ERM financial model for the region.

Under the ERM financial framework, revenue in excess of expenses is transferred to the ERM Reserve Fund. The original purpose of the Reserve Fund was to provide a financial buffer for fluctuating revenue streams, primarily recyclable materials. The CRD is no longer exposed to market price fluctuations associated with recycling markets (as contracted collector for Recycle BC). Currently, waste volumes and tipping fee revenue have the most significant impact on the balance in the ERM Reserve Fund. The projected 2017 end-of-year balance in the ERM reserve Fund is \$20 million, with \$10 million being set aside for an investment in potential renewable natural gas infrastructure, leaving a \$10 million unencumbered reserve balance. Revenue and expense projections for the 2018 budget show the reserve balance stabilizing above \$10 million.

Regional Districts have not been granted permission under the Environmental Management Act to require that solid waste generated be disposed of in region. This means that waste haulers are free to dispose the refuse they collect wherever it is most financially advantageous to do so. There are a number of privately-owned landfills in the Lower Mainland, Fraser Valley and Washington State with competitive fees to which solid waste from this region can be exported. Many of these facilities also offer the competitive advantage of taking all material types, including drywall and recyclable materials, for disposal. This allows haulers to avoid the significant costs of separating and recycling these materials.

Metro Vancouver and the Regional District of Nanaimo operate under a similar financial model to the CRD, with the majority of their system costs being supported by solid waste tipping fees. Over the last five years, both of these regional districts have experienced significant waste exports by private haulers, impairing their ability to cover their regional solid waste system costs with tipping fee revenues. In reaction to continued waste export risk, both Metro Vancouver and the Regional District of Nanaimo continue to explore alternative solid waste financial strategies to fund their regional solid waste systems.

Currently in the CRD, the six largest private hauling firms deliver 65% of the waste being received at Hartland landfill. Of these six firms, at least two are known to be already exporting at least some solid waste for disposal out of region. By contrast, refuse delivered by the six municipalities that offer residential garbage collection represent just 13% of Hartland's total tonnage. The potential large-scale export of the solid waste controlled by the six largest hauling firms poses a significant financial risk to maintaining a sustainable revenue-to-cost ratio without a significant tipping fee increase and/or tax requisition.

The current \$110/tonne Hartland tipping fee is the lowest on the South Island (see attached AVICC report table) and, as a result, there is currently a relatively low risk of CRD waste being exported to other landfills on Vancouver Island. However, there is likely already a small financial incentive for private haulers to export waste off Vancouver Island, with the Metro Vancouver tipping fee at \$80/tonne and tipping fees in Washington State in the range of \$60/tonne USD. Adjusting the current Hartland tipping fee downward as an interim measure would help to protect the region against the risk of waste export until a new SWMP for the region is completed.

### **ALTERNATIVES**

That the Environmental Services Committee recommend to the CRD Board:

#### *Alternative 1*

That the Hartland landfill tipping fee rate of \$110 per tonne for general refuse be reduced to \$105 per tonne beginning January 1, 2018, with an annual review of the tipping fee rate to be conducted in consideration of the ERM Reserve Fund balance and potential waste export risk.

#### *Alternative 2*

That the Hartland landfill tipping fee for general refuse be maintained at \$110 per tonne.

#### *Alternative 3*

That staff be directed to further review the matter of general refuse tipping fee rates and report back to the Committee.

### **ENVIRONMENTAL IMPLICATIONS**

Adjusting the Hartland landfill tipping fee to \$105 per tonne will help to ensure that the Capital Region manages the solid waste it generates within the region and also allows us to fund waste diversion strategies, provide support community based collection depots and public education.

### **FINANCIAL IMPLICATIONS**

Under Alternative 1, an adjustment to the Hartland landfill tipping fee down to \$105 per tonne will protect the CRD against the financial impacts associated with the export of solid waste by private haulers and signal the CRD's commitment to managing the waste generated by this region. It will also result in a reduction of tipping fee revenues by an estimated \$650,000 annually, assuming no increase in waste volumes.

Alternative 2 would maintain tipping fees in balance with the current market conditions and provide for additional contributions to reserve to fund future capital requirements. While there is some evidence of minor export, market conditions could change and put revenues at risk.

An annual review of Environmental Resource Management's Reserve Fund balance and landfilled waste volumes will help to inform future tipping fee decisions and help to optimize ERM financially sustainability.

### **CONCLUSION**

The CRD has no regulatory ability to require that solid waste generated in this region be disposed of at the CRD's Hartland landfill. The only means currently available of incenting the disposal of solid waste at Hartland landfill is through price. Given the presence of out-of-region disposal options available to the private waste haulers, the CRD is at risk of having its solid waste management and recycling services undermined by the loss of tipping fee revenue due to waste export. Reducing the Hartland landfill tipping fee rate from \$110 per tonne to \$105 per tonne with an annual review will help to proactively manage the financial stability of the Environmental Resource Management budget by reducing the risk of losing tipping fee revenue due to solid waste export until a new SWMP for the region that informs the division's long-term business plan is completed.

### **RECOMMENDATION**

That the Environmental Services Committee recommend to the Capital Regional District Board:

That the Hartland landfill tipping fee rate of \$110 per tonne for general refuse be reduced to \$105 per tonne beginning January 1, 2018, with an annual review of the tipping fee rate to be conducted in consideration of the Environmental Resource Management Reserve Fund balance and potential waste export risk.

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Attachment: Appendix A – ERM Reserve Fund Balance