

**REPORT TO ENVIRONMENTAL SERVICES COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 17, 2021**

SUBJECT **Kitchen Scraps Tipping Fee Rate**

ISSUE SUMMARY

To seek direction regarding the tipping fee charged at the Hartland Landfill transfer station for source-separated kitchen scraps.

BACKGROUND

At its November 18, 2020 meeting, the Capital Regional District (CRD) Board approved a new Kitchen Scraps Hauling and Processing contract and directed staff to bring back a report to the Environmental Services Committee on aligning tipping fees with actual costs. Under the new contract, the cost to haul and process kitchen scraps to create compost and energy for beneficial use in compliance with regulatory requirements will result in a projected subsidy over the term of the contract of approximately \$972,000. The tipping fee at the Hartland transfer station for source-separated kitchen scraps is currently \$120 per tonne. The kitchen scraps tipping fee was increased from \$110 to \$120 per tonne in 2016. Since 2017, the cost to haul and process kitchen scraps has exceeded the tipping fee charge set by the Board, resulting in the subsidization of the Hartland kitchen scraps transfer station.

Any proposed change to kitchen scraps tipping fee will need to occur no earlier than 2022, to account for the municipal budget cycle.

ALTERNATIVES

Alternative 1

The Environmental Services Committee recommends to the Capital Regional District Board:

That Bylaw No. 3881, Hartland Landfill and Tipping Fee Regulation Bylaw No. 6, be amended to set the tipping fee rate for kitchen scraps at \$140 per tonne beginning January 1, 2022 to offset kitchen scraps hauling and processing costs.

Alternative 2

That the Hartland tipping fee rate for kitchen scraps be maintained at \$120 per tonne.

FINANCIAL IMPLICATIONS

The cost to haul and process kitchen scraps under Contract 30.20.16-1 (March 1, 2021-February 28, 2025) will be \$138.60 per tonne, meaning the CRD will incur a net loss of \$18.60 per tonne of kitchen scraps it receives at Hartland for a total annual net subsidy of about \$223,000 in the first year of the contract. Since the contract contains a 1.5% inflation adjustment that will come into effect January 1, 2022, this loss will grow to \$20.68 per tonne for the remainder of the contract, assuming the tipping fee remains unchanged, for a total project subsidy over the term of the contract of approximately \$972,000, as follows:

Year	Annual Tonnage	Tipping Fee	Processing Fee	Difference	Total Annual Loss
2021	10,000	\$120.00	\$138.60	-\$18.60	-\$186,000.00
2022	12,000	\$120.00	\$140.68	-\$20.68	-\$248,148.00
2023	12,000	\$120.00	\$140.68	-\$20.68	-\$248,148.00
2024	12,000	\$120.00	\$140.68	-\$20.68	-\$248,148.00
2025	2,000	\$120.00	\$140.68	-\$20.68	-\$41,358.00
Total Subsidy					-\$971,802.00

This subsidy can be curtailed by adjusting the fee levied at Hartland for the receipt of kitchen scraps, as follows:

Year	Estimated Tonnage	Tipping Fee	Processing Fee	Difference	Total Annual Loss
2021	10,000	\$120.00	\$138.60	-\$18.60	-\$186,000.00
2022	12,000	\$140.00	\$140.68	-\$0.68	-\$8,148.00
2023	12,000	\$140.00	\$140.68	-\$0.68	-\$8,148.00
2024	12,000	\$140.00	\$140.68	-\$0.68	-\$8,148.00
2025	2,000	\$140.00	\$140.68	-\$0.68	-\$1,358.00
Total Subsidy					-\$211,802.00

Bylaw No. 3881, Hartland Landfill and Tipping Fee Regulation Bylaw No. 6, could be amended to increase the tipping fee for kitchen scraps to offset processing costs. This would necessitate a rate of \$140 per tonne, which represents an increase of about 17%. In order to provide time for both municipalities to adjust their budgets, and for businesses to adjust rates charged to their customers, should the Board wish to implement an increased tipping fee, it is recommended that it be put into effect January 1, 2022.

It should also be noted that a tipping fee of \$140 per tonne may result in a decrease in the quantity of kitchen scraps received at the transfer station, as private haulers may seek to find other less costly alternatives.

INTERGOVERNMENTAL IMPLICATIONS

Kitchen scraps collected by the municipalities of Esquimalt, Sidney and View Royal have historically been managed through CRD kitchen scraps hauling and processing contracts. Increasing the tipping fee for kitchen scraps under Alternative 1 will require these municipalities to increase the budgets for their programs.

Victoria, Oak Bay and Saanich have made separate arrangements for the processing of their kitchen scraps which, in the case of the latter municipality, are co-collected with yard and garden material.

ENVIRONMENTAL IMPLICATIONS

The diversion of kitchen scraps saves landfill air space and reduces greenhouse gas emissions by avoiding methane generation at Hartland Landfill. The finished compost produced from kitchen scraps can also help reduce the use of fossil-fuel based fertilizers when used in agriculture. The higher tipping fee posed under Alternative 1 may serve as a disincentive to divert kitchen scraps. Alternative 2 will help to facilitate the diversion of kitchen scraps by maintaining a subsidized kitchen scraps diversion option to both public and private haulers using the Hartland transfer station.

CONCLUSION

The current Hartland kitchen scraps tipping fee is \$120 per tonne; however, the rate the CRD will pay to manage these materials under the four-year hauling and processing contract that is scheduled to begin March 1, 2021 is \$138.60 and will rise to \$140.68 by January 1, 2022. This represents a net average cost to the CRD of approximately \$20.16 per tonne over the four years of that contract. Amending Bylaw 3881 to increase the tipping fee for kitchen scraps to \$140 per tonne beginning January 1, 2022 would significantly reduce the subsidy over the term of the contract.

RECOMMENDATION

The Environmental Services Committee recommends to the Capital Regional District Board:

That Bylaw No. 3881, Hartland Landfill and Tipping Fee Regulation Bylaw No. 6, be amended to set the tipping fee rate for kitchen scraps at \$140 per tonne beginning January 1, 2022 to offset kitchen scraps hauling and processing costs.

Submitted by:	Russ Smith, Senior Manager, Environmental Resource Management
Concurrence:	Larisa Hutcheson, P. Eng., General Manager, Parks & Environmental Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer