

**REPORT TO ENVIRONMENTAL SERVICES COMMITTEE
MEETING OF WEDNESDAY, MAY 18, 2022**

SUBJECT **Curbside Blue Box Recycling – 2024 and Beyond**

ISSUE SUMMARY

To seek direction with respect to the Capital Regional District's (CRD) continued involvement with the provision of residential curbside blue box recycling service after December 31, 2023.

BACKGROUND

Recycle BC (RBC) has been responsible for the management of residential packaging and printed products throughout the province of BC, including providing funding to the CRD for the curbside blue box program since May 2014.

At its meeting of July 9, 2014, the CRD Board passed a motion directing staff to enter into an agreement with RBC to provide residential curbside recycling services on its behalf for the capital region beginning May 1, 2015 and ending April 30, 2019. This agreement was renewed on February 14, 2018 when the CRD Board passed a motion directing staff to enter into an agreement with RBC to again provide residential curbside recycling services on its behalf beginning May 1, 2019 and ending December 31, 2023. With the successful execution of the contract with RBC, staff issued a tender to provide curbside blue box collection, and the contract was awarded to Emterra Environmental, which also ends on December 31, 2023.

With both the RBC agreement and the contract with Emterra expiring in approximately 20 months, a decision needs to be made regarding whether the CRD wishes to continue to be involved with the provision of the residential curbside blue box service. Staff wrote to RBC in January seeking confirmation of its plans for the service beyond 2023 and requested a new long-term agreement for the CRD Board's consideration to continue providing the service. RBC responded with a letter to staff on March 8, 2022 instead confirming its intention to extend the term of the contract with the CRD by one year, to December 31, 2024. RBC's rationale for the one-year extension is to allow them time to conduct a province-wide cost study that will be used to establish curbside collection payment rates for 2025 and beyond. The letter also states that RBC considers the CRD a valued partner and that, following the one-year extension to the current agreement, it intends to provide the CRD with a new five-year agreement to continue to provide residential curbside recycling services for the years 2025 through 2029. A copy the RBC letter is provided in Appendix A.

The CRD's contract with Emterra does not contain an option for an extension, and Emterra management has indicated it is not interested in an extension under the current terms. Therefore, the CRD has four options with respect to residential curbside blue box recycling service beyond December 31, 2023:

- discontinue its involvement with the service and turn over responsibility for provision of the service by RBC directly
- negotiate a one-year extension of the Emterra Environmental contract to December 31, 2024
- issue a Request for Proposals (RFP) for a one-year collection contract for 2024 only
- issue an RFP for a new six-year collection contract

Should the CRD elect to discontinue its involvement with RBC and the provision of residential curbside recycling services, it would need to advise RBC in writing of its intentions no less than six months prior to the expiration of the current agreement with RBC. Under the BC Recycling Regulation (BCRR), RBC would be required to instead directly implement its own residential curbside recycling service for all homes that currently receive such service. RBC has requested that it be notified by July 1, 2022 by local governments wanting to turn over curbside recycling services to it, and that it would then look to implement its own direct service beginning January 1, 2025. RBC has indicated that this two-and-a-half year timeline is needed to allow it sufficient time to establish its own program and ensure there is no break in the provision of service resulting from the transition from a CRD-provided service to an RBC-provided service. RBC staff have indicated a shorter timeline could potentially result in a period of time where there is no service being provided.

The issuance of an RFP for a one-year contract to provide curbside blue box collection for 2024 would almost certainly produce an unacceptably expensive contract, as all of the capital costs for collection trucks would be amortized over just one year. Staff believe that this is not a viable option, and do not recommend seeking a new one-year contract.

The CRD could continue to provide curbside recycling services on behalf of RBC beyond December 31, 2023 and issue an RFP for a new six-year collection contract for curbside recycling services. The CRD would need to award a new collection contract approximately 18 months in advance of the start of the work to allow sufficient time for collection trucks to be ordered, manufactured and delivered for use beginning January 1, 2024. The procurement for collection services will include enhanced contract enforcement language to ensure better curbside recycling services during challenging conditions, such as those encountered in 2020-2021.

ALTERNATIVES

Alternative 1

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

1. That staff be directed to issue a Request for Proposals for a six-year contract for Board approval to provide residential curbside blue box collection, from January 1, 2024 to December 31, 2029;
2. That staff be directed to return to the Environmental Services Committee and the Capital Regional District Board for direction prior to awarding the Request for Proposals; and
3. That staff accept the Recycle BC one-year extension to their current agreement with the CRD to provide service to the end of 2024, and then enter into a new five-year agreement with Recycle BC to provide residential curbside recycling services for the capital region on its behalf for January 1, 2025 to December 31, 2029.

Alternative 2

That staff be directed to negotiate a one-year extension of the Emterra Environmental contract to December 31, 2024.

Alternative 3

That staff be directed to serve written notice to Recycle BC that the CRD does not wish to continue to provide residential curbside recycling services on its behalf for the capital region beyond December 31, 2023 when the current agreement expires.

IMPLICATIONS

Environmental & Climate Implications

Alternatives 1 and 2 would see the current residential curbside recycling services maintained in the region. Returning direct responsibility for curbside recycling to RBC under Alternative 3 has the potential to cause a disruption in service while RBC establishes its own direct service in the region. It may also result in a reduction in service levels, such as the discontinuation of curbside glass collection. This may result in some recyclable materials being landfilled, as some residents may choose to dispose of their materials as they become less convenient to recycle.

Social Implications

Alternatives 1 and 2 would see curbside recycling continue, with the CRD being involved in the delivery of this valued community service. It would also allow for delivery of a service designed for local needs to be maintained, such as door pick-up for elderly and/or disabled residents, and would also allow for continued cross promotion with other waste diversion initiatives and environmental programs. Lastly, it would also allow for continued program promotion and messaging that is developed specifically for the region's demographics and delivered to best meet the needs of the local community.

Under Alternative 3, the provision of curbside recycling services would become the responsibility of RBC. RBC would be obligated under the BCRR to continue providing this service, and it would contract private industry to do so. However, since RBC has indicated it would like a two-and-a-half year timeline to transition to its own direct service program, there is the potential that service in the region could be disrupted if the CRD-delivered collection service were to end on December 31, 2023. Returning responsibility for this service to RBC may also result in a reduction in service levels, including the discontinuation of curbside glass collection. Without CRD involvement, residents will need to rely on RBC generic, province-wide communication and education services, rather than those currently provided by the CRD to serve this community specifically. It is also likely to result in confusion amongst residents while service is transitioned from the CRD to RBC.

Financial Implications

The recommended alternative puts the CRD at risk of being 100% responsible for funding of curbside blue box collection, at an estimated cost in excess of \$5 million per year, for up to five years, if Recycle BC does not enter into a new agreement with the CRD starting January 1, 2025. Although this is a very low probability event, it is recommended that the CRD proceed with caution and continue to seek a firm financial commitment from Recycle BC prior to bringing to the proposed curbside blue box RFP to the CRD Board for approval and award.

With the implementation of a scheduled increase beginning July 1 of this year, the fees paid to the CRD under the current agreement with RBC are sufficient to cover 100% of Emterra's collection contract costs. This includes the provision of curbside glass collection, which RBC had sought to discontinue in 2014 in favour of glass collection at depots (to reduce cross contamination with other recyclables), but which the CRD Board directed that curbside glass collection be maintained as a public convenience at an additional cost paid by the CRD.

A six-year collection contract would align with RBC's timing for a one-year extension for 2024, followed by a new five-year agreement for 2025 to 2029. The competitive RFP process

contemplated under Alternative 1 would be expected to attract highly competitive fee rates from prospective bidders, as a six-year contract represents a long-term stable source of work. Despite this, costs under such a contract can be expected to be significantly higher than what is currently in place due to inflationary pressures and significantly increased costs for fuel, labour and collection trucks. Given that fees paid by RBC will remain static for 2024, any increased costs would have to be borne by the CRD in 2024. The 2024 solid waste budget would need to reflect these costs; the solid waste sustainability reserve has sufficient funds to pay these anticipated cost increases. Between 2025 and 2029, the net cost to the CRD, if any, would be conditional upon the compensation rate provided by RBC for the provision of the service. However, RBC has previously demonstrated good faith in increasing rates and has stated its intention to further adjust rates in accordance with service delivery costs following its 2024 cost study.

Under Alternative 2, negotiating a one-year extension to the Emterra contract would likely incur significant additional costs; the existing fleet of collection trucks would be beyond their end-of-life, and attempting to extend their use would likely result in significant challenges with maintaining their serviceability. Moreover, Emterra ownership has indicated it would only be interested in an extension if the CRD significantly increases the fees it is paid to conduct the work.

Alternative 3 avoids any potential financial costs to the CRD, as the provision of curbside recycling services would become the direct responsibility of RBC. The net costs to the CRD for 2024 under Alternative 1 are believed to be comparable to those anticipated under Alternative 2.

CONCLUSION

Recycle BC and the CRD have worked together successfully to provide residential curbside recycling services in the capital region since May 2014. Recycle BC is proposing to extend this mutually beneficial relationship through a one-year extension of the current agreement, followed by a new service agreement that would be in effect from January 1, 2025 to December 31, 2029 that would see current service and support programs maintained for the region's residents. Collection contract costs would be subject to a competitive Request for Proposals process but would be expected to result in some net cost to the CRD for 2024. Any net costs to the CRD for 2025 through 2029 are subject to the as yet undetermined compensation rates paid by Recycle BC, though Recycle BC has demonstrated good faith in aligning its payments to the CRD with actual service delivery costs.

RECOMMENDATION

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

1. That staff be directed to issue a Request for Proposals for a six-year contract for Board approval to provide residential curbside blue box collection, from January 1, 2024 to December 31, 2029;
2. That staff be directed to return to the Environmental Services Committee and the Capital Regional District Board for direction prior to awarding the Request for Proposals; and
3. That staff accept the Recycle BC one-year extension to their current agreement with the CRD to provide service to the end of 2024, and then enter into a new five-year agreement with Recycle BC to provide residential curbside recycling services for the capital region on its behalf for January 1, 2025 to December 31, 2029.

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

ATTACHMENT

Appendix A: Correspondence from Recycle BC – March 8, 2022