



Regional Board Report

Information

Approved for Board Consideration

A handwritten signature in black ink, appearing to read "Brian Reardon".

Brian Reardon, CAO

To: Regional Board

From: David Komaike, Director of Engineering Services

Date: April 25, 2022

Subject: Recycle BC Partnership & Curbside Recycling Services

Voting Entitlement: *All Directors – Unweighted Corporate Vote – Simple Majority (LGA s.208)*

Purpose: To advise of the RDCO - Recycle BC agreement provisions related to future recycling services and seek support for consultation with regional partners on the Recycle BC Partnership.

Executive Summary:

The RDCO administers Single Family curbside garbage, yard waste, and recycling collection throughout the Central Okanagan, and is transitioning into services to support Multifamily, Commercial, and Construction waste reduction.

The RDCO Waste Reduction Office follows the Board approved Solid Waste Management Plan to reduce our community's collective footprint and establish the Central Okanagan as a leader in Solid Waste Management. One key component that will impact the next decade of recycling activities within the Central Okanagan is the Central Okanagan's agreement with Recycle BC.

The RDCO and its member Municipalities partner with Recycle BC to collect curbside recycling. As part of the existing partnership agreement, if the RDCO and its member Municipalities intend to change that relationship, they must inform Recycle BC before July 2022 with changes effective at the completion date of December 31, 2024. As the agreement is currently laid out, in the absence of notice regarding a relationship change, the Recycle BC partnership and recycling services will continue as status quo for at least the next 7 years.

A change to our Recycle BC partnership would be substantial and could fundamentally change the way our residents are engaged in and undertake recycling within the Central Okanagan. Based on a comparative analysis the most cost-effective method to improve curbside recycling service in our communities, including potentially more-frequent collection and curbside commodities (ie: glass), is to opt for Recycle BC to directly provide curbside recycling services.

In consideration of the Boards strategic priorities, service financials, and input from the Solid Waste Technical Advisory Committee (SWTAC), it is recommended that RDCO staff consult municipal members on the option of Recycle BC directly providing curbside recycling services in the Central Okanagan and return to the Board with the results of this consultation no later than May 30, 2022.

Recommendation(s):

THAT the Regional Board receive the Recycle BC Partnership & Curbside Recycling Services report from the Director of Engineering Services dated April 25, 2022 for information.

AND THAT the Regional Board support further consultation with municipal members regarding the regional Recycle BC partnership and report findings back to the RDCO Board, no later than May 30, 2022.

Respectfully Submitted:



David Komaike, Director of Engineering Services

Prepared by: Travis Kendel, Manager, Engineering Services

Attachment(s): Powerpoint Presentation – Curbside Recycling

Strategic Plan Alignment:

Priorities: Environment

Values: Regional Perspective, Relationships

Background:*Recycle BC and current agreements*

Since 2011, the BC Recycling Regulation has required businesses to assume responsibility for the cost of collecting, sorting, and recycling. In response to this regulated requirement Recycle BC was created in 2014. Recycle BC ensures that residential packaging and paper product (PPP) is collected from households and recycling depots by either directly servicing communities or by working in partnership with local governments.

The Regional District of Central Okanagan (RDCO) and its member municipalities renewed partnership agreements with Recycle BC to collect residential recyclables on behalf of Recycle BC on November 30, 2018. The current partnership agreements will expire December 31, 2024.

Contamination Reduction Challenges

Recycle BC provides funding and financial incentives to member municipalities and requires that collected recyclables contain less than 3% contamination, with potential penalties if contamination is beyond 3%. Historically Recycle BC had not indicated intent to pursue penalties for communities actively working to reduce recycling contamination. In 2021, Recycle BC formalized contamination plan

requirements and for the first time has included very specific reduction targets that if not met, may result in future 'Service Level Failure Credits'.

While the RDCO has very strong and leading practices when it comes to contamination reduction, the RDCO and SWTAC are not confident that 3% contamination can be achieved with a co-mingled recyclable stream. We expect that Recycle BC will be positioned to obtain up to \$780,000 per year in 'Service Level Failure Credits' across the Central Okanagan.

To continue to minimize the potential for 'Service Level Failure Credits' the RDCO and member Municipalities have committed resources towards recycling contamination reduction. This results in Waste Reduction resources being reassigned to recycling contamination reduction, reduce overall progress towards other regional waste reduction efforts such as organics diversion, commercial recycling, multi-family policy development, and new educational campaigns.

Contractual Timelines

As required by our contract agreement with Recycle BC, the RDCO and member municipalities must inform Recycle BC by mid-year 2022 if intending to transition away from the partnership agreement. It is very important to note that as the agreement is currently laid out: in the absence of a decision the Recycle BC partnership will continue as is for the next 7 to 9 years. (2 years of remaining contract term + 5 years of the next contract)

The regional contracts with E360s, the Curbside Collection Service Provider, end on April 30, 2026. The RDCO and E360s have discussed the potential impact a change in the Recycle BC partnership may have on the ongoing curbside collection contracts. E360s is committed to working with the RDCO and member Municipalities through this potential transition, including adjustments to the contract to align with our regional Recycle BC service model.

Recycle BC Financials

The existing Recycle BC agreements result in an annual incentive payable to member Municipalities that totals over \$2 million for curbside recycling service expenses, plus an additional \$260k directly to the RDCO for recycling education programming and administration. Our estimates suggest that all member Municipalities realize a net-positive cash flow between revenue and service expenses.

Table 1: Curbside Finances (Based on June 2021 Households)

Estimated 2022 Finances - Curbside RECYCLING Collection					
Municipality / Area	#Households (HH)	Incentive (\$/HH)	Estimated Revenue	Estimated Expense**	Maximum Annual Financial Penalty*
Kelowna Recycling	40,586	\$37.40	\$1,517,916	\$1,486,570	\$480,000
West Kelowna Recycling	11,559	\$37.40	\$432,307	\$423,379	\$120,000
Lake Country Recycling	5,236	\$37.40	\$195,826	\$191,782	\$90,000
Peachland Recycling	2,547	\$37.40	\$95,258	\$93,291	\$60,000
EA Recycling	1,727	\$37.40	\$64,590	\$63,256	\$30,000
Education / Admin	-	\$4.25	\$262,034	\$255,914	-

*Potential financial penalty

**Expense as estimated includes service fees, capital expenses, 10% overhead, and other budgeted expenses.

Prior to consideration of potential financial penalties, the current curbside recycling program is funded through Recycle BC. If financial penalties are applied, additional funding and budget adjustments will likely be required to maintain the status-quo program.

Potential Service Changes and Public Feedback

Recycle BC is unable to confirm collection frequency or the method (single comingled or multi-stream) of collection if they undertook direct service. There are too many variables to consider before deciding on the best collection method.

If Recycle BC were to provide direct service rather than continuing with the existing partnership, curbside collection of recyclables may change from a single automated comingled container to multiple curbside containers, a process referred to as 'source separation'. Given the potential extra onus on residents under such a program, the RDCO undertook a statistically valid survey to gauge Central Okanagan receptivity towards a potential change.

Preliminary survey results suggest that approximately 90% of existing curbside recycling customers are satisfied with the existing service, and approximately 90% of residents expressed a willingness to separate recyclables into up to three (3) carts at curbside. Approximately 80% of residents identified that if curbside glass collection was offered, they'd be even more willing to sort their recyclables into separate recycling containers at curbside.

Solid Waste Technical Advisory Committee (SWTAC) Feedback

The option to transition away from the existing Recycle BC partnership was also discussed within the Solid Waste Technical Advisory Committee (SWTAC), a group of technical experts comprised of staff from the RDCO and all member Municipalities. The SWTAC concluded that:

"The current partnership between the RDCO, member municipalities, and Recycle BC has funded our curbside recycling services and has successfully diverted recyclables from landfill for over 8 years. This has been a very beneficial partnership for our region. We are concerned recycling contamination will trigger contractual penalties and continue to take focus away from waste reduction in our communities. We recommend continuing to deliver waste reduction strategies and service improvements in alignment with the Solid Waste Management Plan (SWMP)."

It is important to note that the SWMP does not include recycling contamination reduction, and emphasizes reduce, reuse, then recycle. The SWTAC acknowledges that if our relationship with Recycle BC changes, significant effort and collaboration will be required to transition successfully.

Analysis:

The following comparative table was prepared to provide a high-level comparison:

	Option 1		Option 2
	RDCO partner with Recycle BC to continue status quo recycling services		Recycle BC directly administer and undertake curbside recycling services
Revenue	Total Estimated Revenue: \$2.56 million		\$0
Expenses	Total Estimated Expenses: \$2.51 million <ul style="list-style-type: none"> - Service Expenses: \$1,808,000 - Capital: \$244,000 - Overhead and Admin: \$241,000 - Contamination Reduction: \$221,000 Financial Penalty: \$780,000*		\$0
Service	<u>Curbside Program</u> Single Co-mingled recycling cart <u>Optional - Curbside Glass Collection</u> Annual Expense: \$1.6M/year Start-up expense: \$2.3M in year 1 Diversion Potential: 1%		<u>Curbside Program</u> Up to three carts: Paper, Glass, Containers
Public Onus	Required to sort into <u>five categories</u> : Curbside collection: Paper and Packaging (1 cart) Depot: Glass, Coloured Foam, Uncoloured Foam, Plastic Bags and Overwrap, Other Flexible Plastics		May be required to sort into <u>seven categories</u> . Curbside collection: Paper, Glass, Containers. (3 carts) Depot: Coloured Foam, Uncoloured Foam, Plastic Bags and Overwrap, Other Flexible Plastics
Net annual financials	Status Quo	w/ Glass	\$0
	Best: +\$54,000 Worse: -\$730,000	Best: -\$1,546,000 Worse: -\$2,326,000	
Pros	-Traditional and simple service, easy -Maintain “direct control” over contractor -Uses existing recycling cart inventory -Continue to receive financial incentives		-Weekly recycling collection (potential) -Curbside glass collection (potential) -Decreased recycling contamination -Increased landfill diversion -No additional Recycling expenses -Curbside enforcement by Recycle BC -Reallocate existing resources towards upcoming services (organics, commercial, etc)
*Cons	-Recycling contamination concerns -Subject to contamination credits -Curbside glass requires extra expense (\$1.6M) -No changes to program for 7 - 9 years		-Loss of ‘direct control’ of contractor -Extra sorting may be required -Curbside enforcement by Recycle BC -Existing recycling carts reallocated to yard waste and garbage service, if not required by Recycle BC -Loss of Recycle BC revenue -RecycleCoach App may be redundant

*Potential maximum annual financial penalty total value (Failure Level Service Credit)

This comparative analysis suggests that the most cost-effective method to improve curbside recycling service to include potentially more-frequent collection and curbside commodities (ie: glass) is to opt for Recycle BC to directly provide curbside recycling services. This also enables the Waste Reduction office (WRO) to focus resources towards other sectors, including organic wastes and commercial waste generators. With the Organics Feasibility study to be completed this summer, and a future organics management service planned to be functional in 2024, timelines are aligned for WRO resources to shift from Curbside Recycling to Organics Management.

Next Steps:

- If proceeding as recommended:
 - Engage Municipal members regarding our relationship with Recycle BC. As each Municipal member holds a distinct and separate agreement with Recycle BC, it is imperative that we obtain feedback with all members to ensure a consistent regional approach towards waste reduction.
 - Return to the Board with a recommendation inclusive of regional feedback no later than May 30, 2022.
 - Continue to complete SWMP strategies and initiatives prior to the 2024 effectiveness review such that year 2025 through 2030 of the Solid Waste Management Plan will be expanding innovative and leading waste diversion approaches.
-

Considerations:Organizational/External:

- Contractual and service changes would not take place until January 1, 2025 at the earliest
- Significant changes to existing curbside services may take place in 2025 and may result in short-term frustration to residents while adapting to changes.
- Recycle BC is willing to consider a contract extension to align the Recycle BC contract with the existing curbside collector contract, if formally requested by the RDCO and member municipalities.

Financial:

- No changes expected until January 1, 2025
- Contamination 'service level failure credits' may be applied as early as 2022, up to a maximum \$750,000 per year under the existing agreement.
- A change to our Recycle BC relationship will result in an overall likely improvement to recycling services and reduction in environmental footprint, at no additional expense, with a net loss of approximately \$54,000 in surplus revenue.
- The portion of Wages and Salaries currently allocated to the Recycle BC Partnership would be re-assigned to future programs upon agreement expiration. Those re-assigned expenses would be included in future program details when presented to the Board for consideration.

Legal/Statutory Authority:

- The RDCO coordinates Solid Waste Management on behalf of all member Municipalities as outlined within cross-municipal agreements, the Municipal Act, and the Solid Waste Management Plan.

Alternate Recommendation:

THAT the Board receive the Curbside Recycling Program report from the Director of Engineering Services dated April 14, 2022, as information.
