



STAFF REPORT TO COMMITTEE

DATE OF REPORT May 2, 2024
MEETING TYPE & DATE Electoral Area Services Committee Meeting of May 15, 2024
FROM: Recycling & Waste Management Division
Operations Department
SUBJECT: Three-Stream Curbside Collection Additional Trucking
Requirements
FILE: 5380-30

PURPOSE/INTRODUCTION

The purpose of this report is to amend the 2024 budget function 515 – Curbside Garbage & Recycling to add a seventh curbside truck to support the 2025 three-stream curbside collection service and to provide an update on the three-stream curbside collection service project.

RECOMMENDED RESOLUTION

That it be recommended to the Board that the 2024 budget for function 515 – Curbside Garbage & Recycling be amended by:

1. Increasing MFA Funding – Short Term by \$397,000; and
2. Increasing Capital Expense by \$397,000.

BACKGROUND

The three-stream (organics, recycling and garbage) curbside collection service is a key strategy for meeting the region's solid waste reduction goals in the Cowichan Valley Regional District (CVRD) Solid Waste Management Plan. To assist with the planning and budgetary requirements of the service for the public consultation of this program, the CVRD retained Morrison Hershfield (MH) to prepare a Three-Stream Options Review Report to determine high-level service options and associated cost estimates. MH estimated that the program would require a total of six (6) curbside collection trucks to provide service to all eligible residents in all nine (9) Electoral Areas. This included a total of five (5) collection trucks with one (1) spare truck to assist with service issues and ongoing maintenance. To determine the number of required trucks, calculations considered curbside collection participation rate (i.e., the number of households that put their totes out for collection), collection time (i.e., the time it takes to drive to and between households and collect material), the trucks' carrying capacity for each material type collected (i.e., their payload for recycling, garbage and organics) as well as other capacity limitations, such as lunch breaks for drivers, etc.

Given global supply chain issues and long lead times associated with curbside truck manufacturing and delivery at the time, Staff promptly went to the Board on June 28, 2023 to amend Function 515 (F515) to secure the suggested number of collection trucks in time for the anticipated 2025 three-stream curbside collection service rollout.

As residents identified cost as the primary concern for the three-stream curbside collection program, the Board approved having three (3) of the required trucks covered by the Growing Community Funds; this is estimated to reduce annual curbside utility fees by approximately \$30 per household.

ANALYSIS

1. Detailed Review of Truck Needs

a. Payload Limitations

As part of the detailed curbside service planning that commenced in early 2024 (with the support of an additional Staff member funded by the \$1.86 million dollar Clean-BC Grant), the Recycling and Waste Management (RWM) team is working on a thorough review of all service factors including but not limited to service eligibility, reconciliation of current curbside software and billing data, re-routing to improve efficiency and associated requirements to meet the 2025 service demands. Through this exercise, it has become apparent that MH's truck calculation data did not factor in that, during the collection day, drivers must return to the transfer building to empty the trucks and then drive back out. When factoring this in, data shows that the CVRD requires six (6) trucks with one (1) spare instead of the initial five (5) trucks with one (1) spare to meet current service demands. Additional factors that impact the truck numbers are set out below.

b. Finding Previous Unknown Eligible Dwellings

As Staff is reviewing all service areas and areas where the CVRD does not currently provide curbside collection service, there is a strong indication that a large number of additional households could be included in the three-stream curbside collection service. For example, through recent fieldwork, Staff identified approximately 1,000 additional households across two electoral areas. Fieldwork in other electoral areas is currently underway. Staff anticipate that these 1,000 households can be managed with the help of the seventh truck. As more field information emerges, the CVRD may be required to prioritize a three-stream curbside collection service rollout to residents who already have CVRD recycling services and thus will be expecting enhanced service come 2025. If a significant number of additional households are found in other electoral areas, Staff will work to include them in the program over time. To do so, Staff would need to do a service and costs assessment and seek Board approval to add additional curbside trucks. Overall, the goal is to ensure that all eligible residences in our region receive three-stream curbside collection service to keep the region's waste footprint as low as possible and to meet the objectives of the CVRD Solid Waste Management Plan.

c. Planning for More Eligible Households

In addition to finding households not previously known, RWM Staff will work closely with the CVRD Land Use Services to ensure the CVRD is prepared to service the sizeable housing developments proposed in electoral areas in upcoming years.

2. Utility Fee Impact of a Seventh Truck

Staff is sensitive to the fact that the community wishes to keep utility fees as affordable as possible. The goal of CVRD utility fees is simply to offset service costs. In an effort to limit the cost impact, Staff has worked with truck supplier Rollins Machinery (Rollins) to determine potential cost savings to help partially cover the cost of the required seventh truck. Rollins has estimated that forgoing certain features on the pending four (4) new trucks could save \$82,400 (\$20,600 per

truck). Applying the same \$20,600 savings on the seventh truck and using the \$82,400 savings from the pending four new trucks would reduce the cost of the seventh truck by \$103,000, meaning it would drop from approximately \$500,000 to an estimated \$397,000. As the CVRD does not have sufficient reserves in F515, the CVRD would have to utilize short-term borrowing to fund this truck and the annual borrowing cost would be \$91,064 per year for five years, based on a current borrowing rate of 5.53%. Splitting this cost over approximately 14,000 households, this cost per household would be roughly \$6.50 per household per year.

Considering the \$1.5 million in grant funding from the Growing Community Fund, this \$6.50 per household per year increase would mean that the CVRD would reduce utility fees by \$23.50 instead of the initially anticipated \$30.

If ordered promptly, Rollins has estimated that the seventh truck could be delivered in Q2 of 2025. This means it would arrive within the estimated rollout time of the three-stream curbside collection service.

3. Considering Alternatives to Ordering a Seventh Truck

In the interest of reducing utility fees, Staff has also looked at alternatives to ordering the seventh truck:

a. Continued Use of 2014 Trucks

Under this option, the CVRD would attempt to rely on the six trucks and supplement operational needs with the two old trucks from 2014. However, this option is not advisable as it comes with significant repair costs, service interruption and, thus, reputational risk. As an example of risks realized in 2022, the CVRD was forced to move to Saturday collection to help extend the life of the current two collection trucks from 2014. Repairs cost to keep these old trucks in service have ranged from a "low" of \$44,024 to a high of \$128,848 per truck, with an average of \$82,691 per truck per year since 2021. The combination of high and unpredictable repair costs, with the pressure of operating on a lean budget puts the CVRD at risk of budget deficits. Considering pressures to keep utility fees low and predictable, this issue highlights the importance of supporting robust assets and staff resources for asset management and replacement.

b. Continued Saturday Collection

Another option is that the CVRD could continue offering Saturday collection to residents to reduce the overall number of trucks required (i.e., spreading out the collection service over additional days to manage workload and truck demands). However, this is not ideal from a customer service perspective. Also, when the change to Saturday collection was made, it was communicated to residents that it would be used as a temporary measure. While some residents may have become acclimated to Saturday collection, Saturday collection should ideally be reserved for emergencies only.

4. Other Considerations and Updates

There are still some factors that need to be thoroughly investigated and understood before a clear sense of the 2025 budget and utility fees can be determined. Staff is working diligently to ensure that the final fees will be within the estimated annual cost range as per consultation with the public (i.e., \$290 - \$325 per year for three-stream curbside collection, plus \$20 per year for monthly glass collection to an estimated total of \$345 per household). Below are examples of factors that are still unknown which will impact the final annual household utility fee:

- *Eligibility:* Staff is working to determine service eligibility criteria for the 2025 three-stream curbside collection service. As mentioned, many previously unserved households have been discovered through this exercise. In very few cases, homes may be removed from the service due to road safety conditions, which pose a current safety risk to our truck drivers and truck assets. At this time, a standard for evaluating risks is being developed. The goal is to continue to offer service to as many households as possible.
- *Totes:* Due to high demands on the CVRD Procurement Division, the issuing of the Request for Proposal (RFP) for the curbside collection totes was delayed but recently issued. When the RFP closes, it will provide Staff with detailed pricing for curbside collection totes, shipment and delivery costs. It will also include pricing for bear-resistant hardware. When selecting curbside totes, Staff will endeavour to balance cost-effective measures with durability. The key challenges are expected to be the ability to source effective and affordable bear-resistant tote hardware as well as the effort (cost and time) required to install the hardware.
- *Curbside Software:* Staff is working to evaluate software options that can help meet the CVRD's growing operational needs, including but not limited to the ability to track curbside trucks and curbside issues such as curbside tote contamination. The current software is expensive and limited in scope and technical support. After evaluating available options, Staff will have a better idea of the scope and cost of the software.
- *2025 Recycle BC Incentives:* Staff has been providing input and lobbying for increased financial incentives from Recycle BC to help offset the cost of curbside recycling and glass collection in our widespread region. An announcement on any incentive updates is expected in late 2024 or early 2025. At this time, Staff anticipates that incentive amounts will increase, reducing the utility fees.

5. Conclusion

Staff has identified the need for a seventh curbside truck due to payload constraints and the time required to deliver collected material at the consolidation facility. In addition, the seventh truck will help ensure that several hundred households can be added to the three-stream curbside collection service when it rolls out in 2025.

With the cost-saving measures identified for the pending new trucks (trucks 4 - 7 shown below), the total cost of adding a seventh truck is estimated to be \$397,000 (a borrowing cost of \$91,064 per year for five years, based on a current borrowing rate of 5.53%), translating to approximately \$6.50 per household per year over five years.

With the support of the \$1.5 million dollar grant from the Growing Community Fund, the CVRD will be able to reduce the utility fees associated with purchasing trucks. This grant funding is estimated to decrease utility fees by \$30 per household in 2025. Adding the seventh truck means this savings will decrease to \$23.50 per household. However, an increase in RecycleBC incentives is estimated, which will help close the gap between these two estimates.

Truck No.	Truck Type	Truck Arrival Date	Funding Source
1	2014 Truck Replacement	Arrived 2023	F515 Operating Reserves
2	2014 Truck Replacement	Arrived 2023	F515 Operating Reserves
3	2014 Truck Replacement	Q4 2024	Short-Term Borrowing
4	2025 Three-Stream	Q1 2025	Growing Community Funds
5	2025 Three-Stream	Q1 2025	Growing Community Funds
6	2025 Three-Stream	Q1 2025	Growing Community Funds
7	2025 Three-Stream	Q2 2025, if approved	Short-Term Borrowing

FINANCIAL CONSIDERATIONS:

Limited Reserves & 2025 Utility Fees

Due to limited reserves under F515, the CVRD would require short-term borrowing to offset the estimated \$397,000 needed for the seventh truck. The annual borrowing cost would be \$91,064 annually for five years, based on a current borrowing rate of 5.53%, to a total of \$455,320 over the five years. Splitting this borrowing cost over approximately 14,000 households, the cost per household would be roughly \$6.50 per household per year. Despite the identified need for the seventh truck, the estimated 2025 utility fees are anticipated to range within the amount that was consulted with the public, i.e. \$290 - \$325 per year for three-stream collection, plus \$20 per year for monthly glass collection to an estimated total of \$345 per household.

Prior Borrowing Approval

The amount requested for borrowing has already been approved in 2023 by the Board. At this time, short-term borrowing up to \$6,560,211 at the then borrowing rate of 5.6% was approved to enable the procurement of the required curbside totes and trucks.

In late 2023, the Board supported the allocation of \$1.5 million dollars from the Growing Community Funds for three of the required new curbside trucks (i.e., trucks 4, 5 and 6). By allocating this grant money, it was estimated that the 2025 three-stream curbside collection service utility fees could be reduced by approximately \$30 per household per year over five years. If the Board approves the recommended seventh truck, the CVRD would need to borrow to fund this purchase. As a result, the savings of \$30 per household per year would be reduced to \$23.50.

Future Anticipated Cost Reductions – Borrowing Rates and Recycle BC Incentives

Borrowing costs have recently been dropping; hence, the actual cost of borrowing for the pending totes, as well as the seventh truck, could be lower at the time of borrowing than they are today. More significantly, it is anticipated that Recycle BC will increase the household incentive for curbside collection in 2025, which will reduce utility fees.

COMMUNICATION CONSIDERATIONS

Staff will work diligently to roll out a service that aligns with the estimated utility fees that were developed by Morrison Hershfield for the Phase Two Public Consultation of the three-stream curbside collection service.

When the 2025 budget and associated utility fees have been approved by the Board, the CVRD will communicate this to all residents via the Plan Your Cowichan webpage and 2025 utility billing.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

The recommendation supports the objectives of the Solid Waste Management Plan.

Referred to (upon completion):

- ☐ Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit*)
- ☐ Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services*)
- ☐ Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)
- ☐ Land Use Services (*Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement*)
- ☐ Strategic Services (*Communications & Engagement, Economic Development, Emergency Management, Environmental Services*)

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