Garbage and Recycling:
Local Governments Managing the Global Issue

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Overview of State Statutes:
Management of Solid Waste Collection

- **Government Entities Responsible for Solid Waste Management**
  - State – Ex. Delaware
  - Counties – Ex. Idaho, Kentucky
  - Cities – Ex. California, Oregon, Illinois, Oklahoma
- **Contracts Allowed**
  - Non-competitive process expressly allowed – Ex. Oregon, Illinois, Indiana (limited)
  - Contracts generally allowed – Ex. Arkansas, Florida
- **Franchises**
  - Exclusive Allowed – Ex. California, Oregon, Indiana, Louisiana
  - Non-exclusive Allowed – Ex. Kansas
  - Vote Required to Approve – Ex. South Dakota
- **Terms**
  - 10 years – Ex. Kansas, Louisiana, South Dakota
  - 30 years – Ex. Connecticut
- **Promote Private Enterprises**
  - Ex. Arizona – government cannot restrain private enterprises from providing services to commercial, industrial, or multifamily residential properties

Wilsonville's Approach

- State allows for contracting with hauler outside of standard public contracting statutes and rules (ORS 459A.085)
- Jurisdictions generally enter into a franchise agreement with one or more haulers to provide services at the exclusion of any other hauler or like business
- City undertook comprehensive rewrite of agreement with hauler (Republic Services)
  - Prior agreement was over 35 years old
- Indexing approach for adjusting customer fees
- Increased franchise fee
- Changed termination provision
- Addressed customer service oversight
- Developed administrative rules
- Created temporary recycling surcharge

Annual Adjustment Using Index

- Previously reviewed proposed rate increases on a periodic basis
- Used six nebulous factors to evaluate rate increase
  - Cost of providing service
  - Anticipated increases in cost of providing service
  - Need for new or replacement equipment
  - Necessity for reasonable rate of return
  - Rates in other cities
  - Public interest in assuring reasonable rates
- Now using index for adjusting customer fees based on operating margin

Operating Margin	Percent of CPI Increase, If Any
12% or greater	No adjustment
10% up to, but not including, 12%	75% of CPI increase
8% up to, but not including, 10%	100% of CPI increase
Less than 8%	125% of CPI increase

Franchise Fee

- Percent of hauler's revenues from service in jurisdiction
- Payment to City for allowing hauler to operate within the City (some are exclusive franchises)
- Oregon cities' franchise fees range generally from 3%-5%; most common is 5%
- City increasing franchise fee from 3% to 5%

Termination

- Prior agreement had rolling 3 year term
  - Renewed agreement every year for another 3-year term
- New agreement is 10 years with 2 5-year options

Customer Service

- No prior reporting requirements specifically regarding customer service
- Additional reporting now required:
  - Annual Franchise Report
  - Bi-Annual Informational Report
  - Quarterly Franchise Fee Report
- Administrative Rules require promotional and educational outreach and participation in the City's Fall Leaf Day and Bulky Waste Days
- Provides remedies for both hauler and customers when there is a dispute regarding service or billing

Administrative Rules

- Covers the rights/responsibilities between hauler and customers
- Examples
  - Types of services, when services may be performed
  - Where receptacles may be placed
  - Time frame for setting out and removing receptacles for service
  - Service when inclement weather
  - Preparation of materials
- Can be amended by City Manager with review by hauler
  - Appeal process
- Allows flexibility and nimbleness when new services added or change in way collection is handled

Recycling Surcharge

- $2.50/month for residential customers
- $1.50/yard based on size of recycling container for commercial/industrial customers
- Reviewed periodically by Council
- Separate line item on customers' bills

Ex. Rate Increase + Recycling Surcharge for Residential Customers:

Garbage Cart Size	Number of Customers with Cart Size	Percentage of Customers with Cart Size	Current Rate	July 1, 2018 – 3.25% Increase + Recycling Surcharge	Cost Increase from Current Rate	October 1, 2018 – 3.25% Rate Increase	January 1, 2019 – Rate Increase + Recycling Surcharge	Cost Increase from Current Rate
20 gal	555	13.7%	$20.00	$23.15 ($20.65 + $2.50)	$3.15	$21.32	$23.82 ($21.32 + $2.50)	$3.82
35 gal	2,497	61.7%	$26.37	$29.73 ($27.23 + $2.50)	$3.36	$28.15	$30.65 ($28.15 + $2.50)	$4.28
60 gal	996	24.6%	$34.60	$38.22 ($35.72 + $2.50)	$3.62	$36.88	$39.38 ($36.88 + $2.50)	$4.78

Questions/Discussion

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Recycling is Broken

A Look at the Economics…



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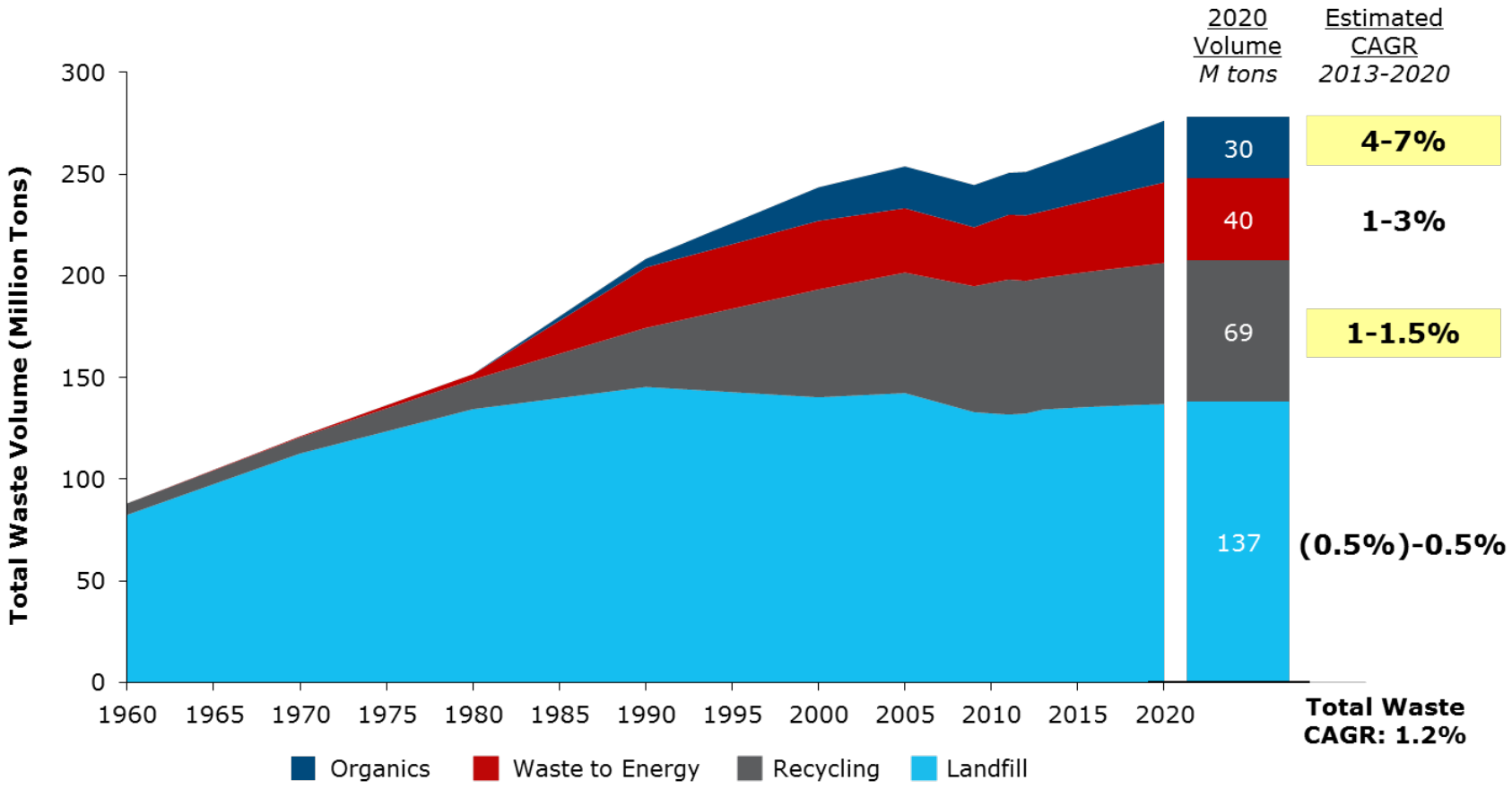
Evolving Ton



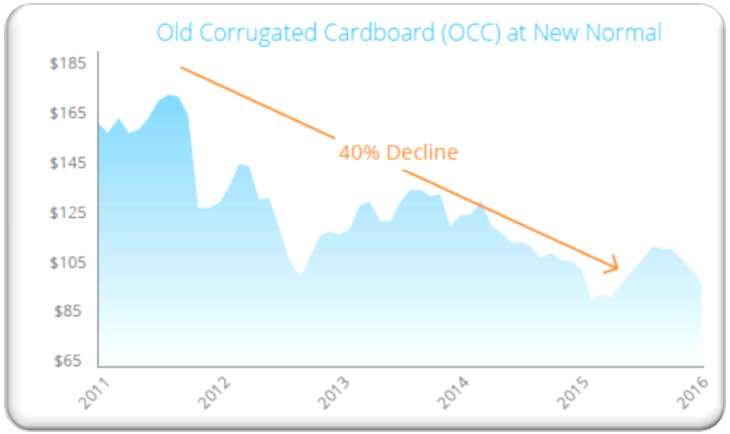
Recycling and organics growing faster than disposal, with most customers demanding recycling

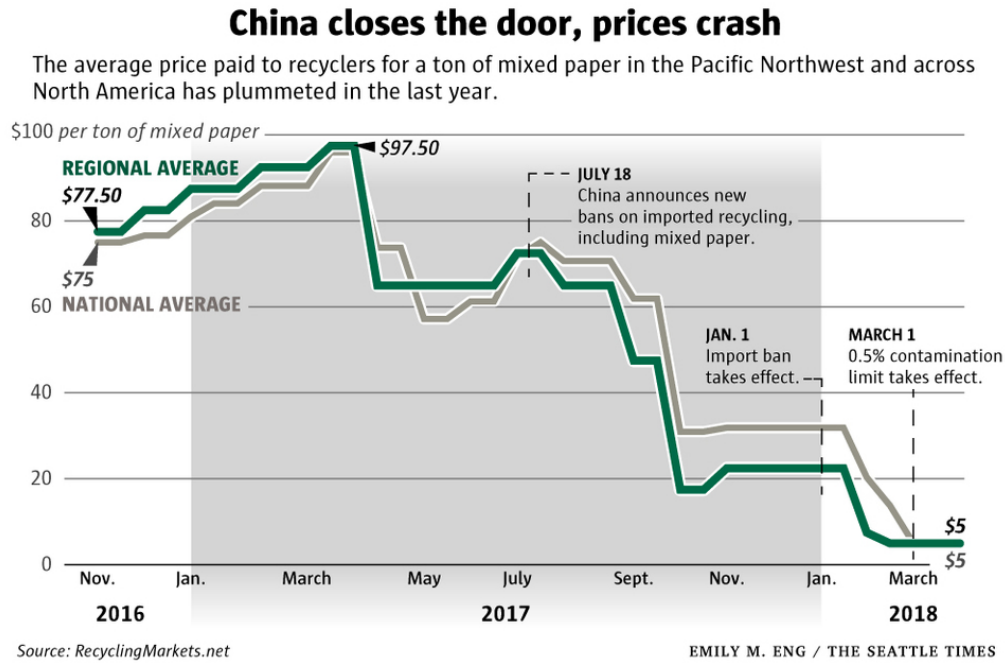
Trends in Material

Trends	Implications
	Material no longer in circulation *18M tons in 2000 → ~2M in 2015*
	Lighter-weight and limited end markets *HDPE → off-spec PET*
	Lighter-weight and new packaging not recyclable *Tin can → copolymer pouch*
	Lighter-weight impacts current success metrics *Water Bottles → Almost 2x transactions*

Trends in Markets







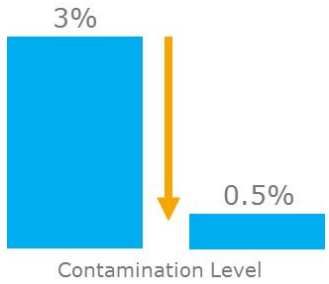
- Glass has negative value in most markets, unless supported by subsidies
- Corrugated Cardboard has decreased in price per ton for last 5 years
- Recent market impacts from China Sword show significant declines

China Sword Explained

For decades, China has been the largest importer of the world's recycled commodity, and the U.S. was 40% of the inbound stream.

In 2017, China announced efforts to clean up the country, which included dramatic changes for acceptance criteria of imported recyclables.

- A significant reduction in acceptable contamination levels (From ~3% to 0.5%) in any recovered paper and plastic grades.



- Additionally, China banned <u>all</u> mixed paper from import, regardless of contamination levels. (20% of historical stream).



Reductions took effect in March 2018, and drive costs and changes at most recycling facilities in the country to meet new standards

Recycling Costs: Then and Now

THEN

	Household cost artificially low	Costs lower due to less stringent acceptance criteria	Average commodity value (less cost to dispose of residual) initially covered collection and processing costs
Industry Avg	**$2.00/Mo**	**$60/Ton**	**$175/Ton**
Per Home	**$5.00/Mo[2]**	**$1.55/Mo[1]**	**$4.55/Mo[1]**
Net Position	**($3.00/Mo) + ($1.55/Mo) + $4.55/Mo =**		**$0.00**

COLLECTION	PROCESSING	VALUE OF COLLECTED MATERIAL
		Commodity Value Minus Residual Costs









NOW

	Still artificially low but no longer covered by commodity value	Dramatically higher costs from labor, technology and equipment to meet stringent acceptance criteria	Average values down 50%, on top of higher residual costs due to contamination
Industry Avg	**$3.00/Mo**	**$100/Ton**	**$40/Ton**
Per Home	**$7.00/Mo[2]**	**$2.60/Mo[1]**	**$1.00/Mo[1]**
Net Position	**($4.00/Mo) + ($2.60/Mo) + $1.00/Mo =**		**($5.60)**

1 – Assumes 12 pounds per setout, weekly service = .026 Tons per Home per Month
2 – Average costs to run collection routes

Recommended Business Model

Durable Recycling Model

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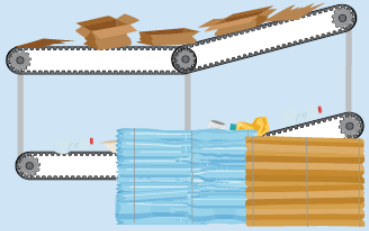
COLLECTION

- Includes costs for truck, driver, container and to collect material and transport to a processing facility
- Comparable to trash collection



PROCESSING

- Includes costly facility, equipment and labor to separate material and remove contamination
- Results in ready-to-ship baled material



RESIDUAL

- Includes all contaminated or non-recyclable material, which has no marketability and must be transported and disposed at a landfill for additional cost



COMMODITY SALES

- Sale of processed material to buyers around the world
- Cleaner material has greater value



COLLECTION FEE + **PROCESSING FEE** + **DISPOSAL OF RESIDUAL** − **COMMODITY SALES** = **THE COST OF RECYCLING**

The cost of a recycling program is the sum of fees for two services; the ***Collection Fee*** and the ***Net Processing Fee***

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We'll handle it from here.™

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