



Metropolitan Mayors Caucus- Environment Committee

- Topic: Recycling Markets and Impact on Municipal Hauling Contracts
 - Presenters: Dave Van Vooren, Executive Director, SWANCC; and Walter Willis, Executive Director, SWALCO
 - February 18, 2020, Elmhurst City Hall
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Recycling Markets and Impact on Municipal Hauling Contracts

- Topics to be covered
 - Overview of scope and findings of the MRF study commissioned by SWANCC and SWALCO: *MRF and Recycling Markets Evaluation*
 - Impact of the recycling issue on municipal hauling contracts
 - What we are seeing in recent hauling contract request for proposals (RFP) and contract extensions

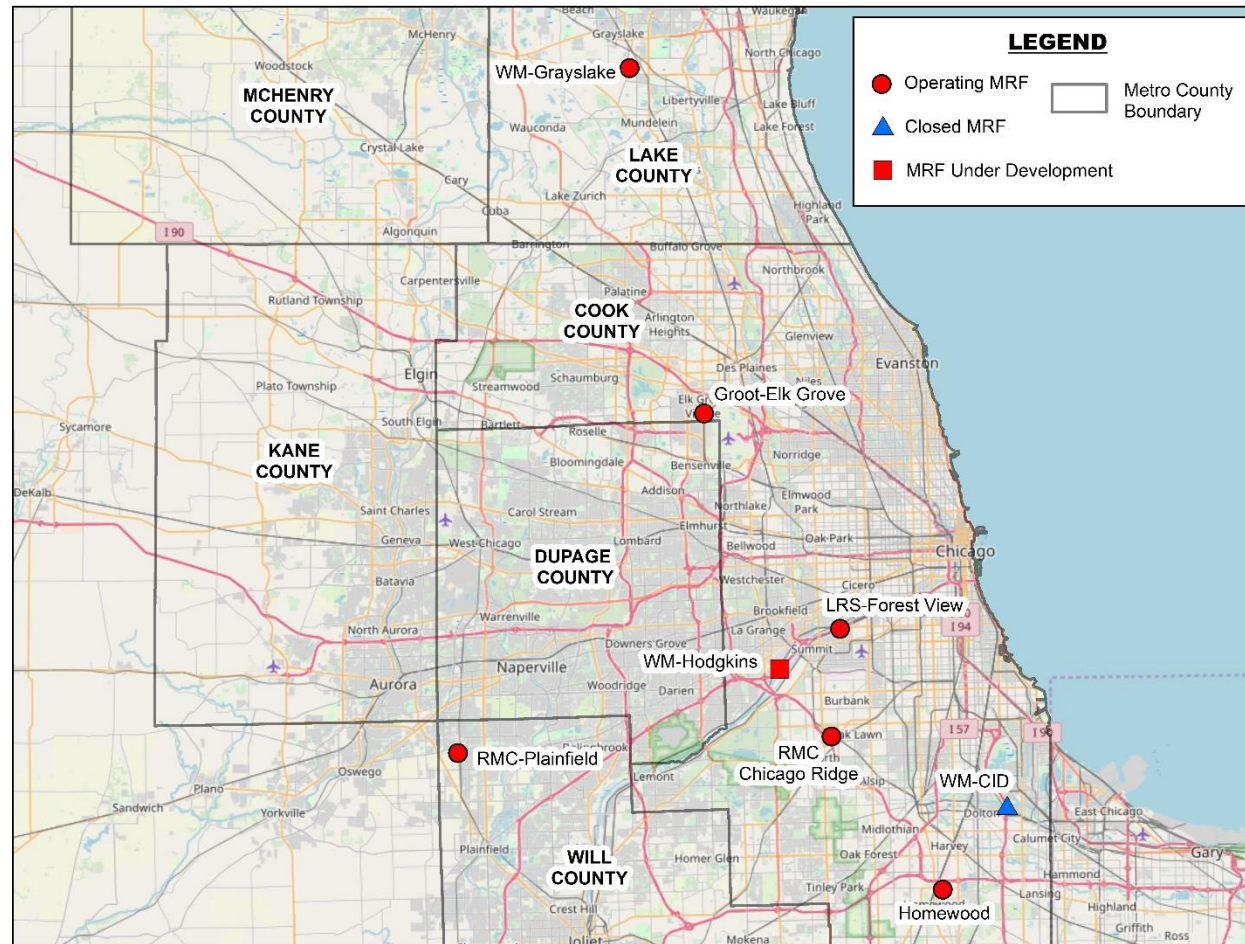
PURPOSE AND KEY FINDINGS

Purpose

- ✓ Joint study with SWANCC
- ✓ Evaluate on-going recycling market trends:
 1. MRF capacity
 2. Commodity prices
 3. Processing costs
 4. Contamination rates
 5. Household cost impacts

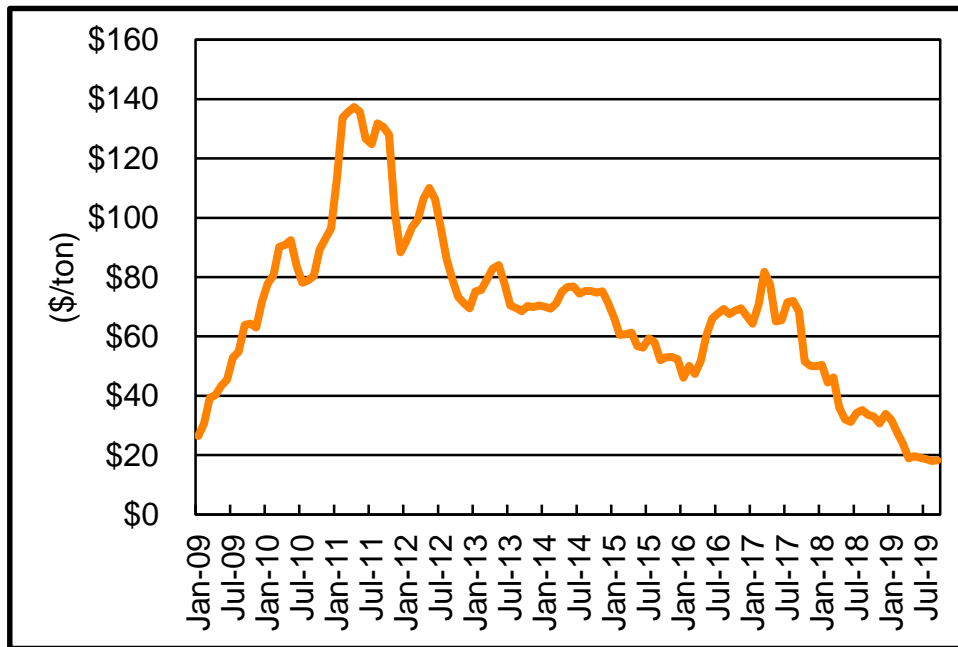
1. MRF Capacity

- ✓ WM-Grayslake MRF to be repurposed as transload
- ✓ Replacement MRF being developed in Hodgkins
- ✓ Most MRFs located 50-70 miles from SWALCO
- ✓ Commodity prices and contamination driving costs more than capacity



Chicago Metro-Area MRFs

KEY FINDINGS (CONT'D.)



Blended Average Commodity Revenue (ACR)

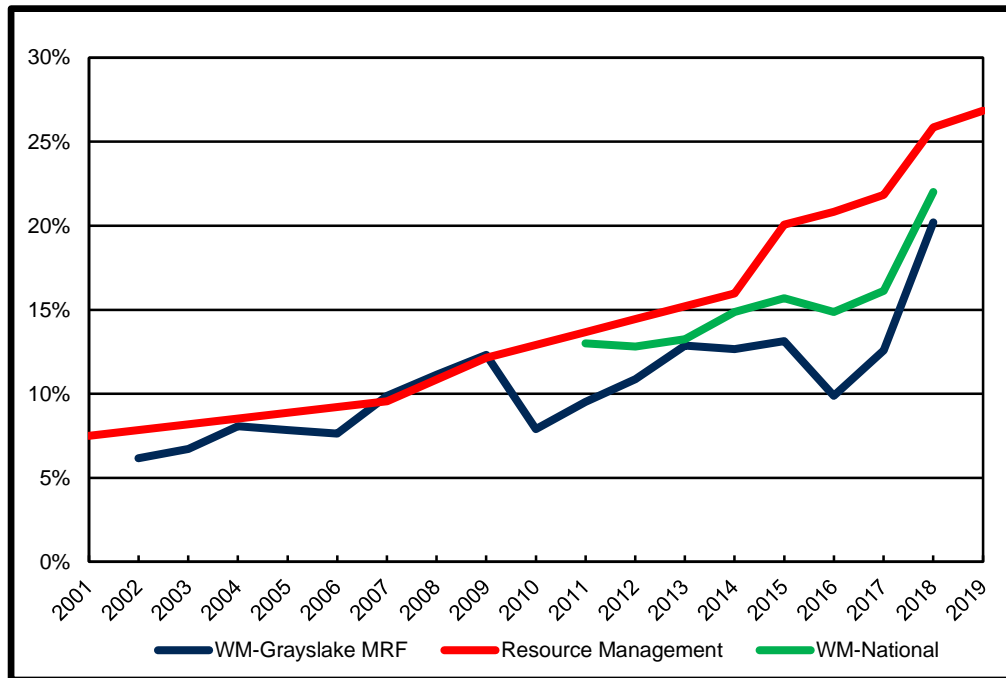
2. Commodity Prices

- ✓ ACR has declined from \$137/ton to \$18/ton
- ✓ Much of recent decline is tied to paper, due to China import restrictions imposed in 2018
- ✓ Other commodities (aluminum, some plastics) have also declined
- ✓ 17 domestic paper mill projects in development, 2 Midwest plastic facilities; will take time to come online
- ✓ Pricing expected to remain depressed for 3-5 years

3. Processing Fees

- ✓ Processing fees in Chicago area have increased from \$60/ton to \$85/ton over past 5-6 years
- ✓ Tipping fee (\$/ton) = Processing fee (\$/ton) – Average Commodity Revenue (\$/ton)
- ✓ Tipping fees of \$65-\$67.50/ton are typical in Chicago area and Midwest
- ✓ Transload costs could add an additional \$23/ton in costs

KEY FINDINGS (CONT'D.)



MRF Residue Rates

4. Contamination

- ✓ Higher contamination increases processing costs (labor, maintenance, and residue disposal costs)
- ✓ Chicago area MRFs have reported increasing contamination over time
- ✓ More stringent market standards also contribute to higher residue rates
- ✓ Some evidence that contamination rates have always been high, and that end markets were more tolerant in the past; this is no longer the case
- ✓ WM has reportedly been assessing contamination fees (\$45/ton or more at Grayslake MRF), though not all MRFs are doing this

5. Household Cost Impacts

- ✓ Assuming average collection cost of \$4.50/household/month
- ✓ In 2011, high commodity prices resulted in revenue share of \$1.00/hh/mo, for a net cost of \$3.50/hh/mo.
- ✓ In 2019, low commodity prices and higher processing fees results in a tipping fee of \$1.76/hh/mo, for a net cost of \$6.26/hh/mo (= \$4.50 collection cost + \$1.76 tipping fee)





Recycling Markets and Impact on Municipal Hauling Contracts

- Impacts of recycling issue on municipal hauling contracts
 - Attempt made by one hauler to ask SWALCO towns to raise rates to cover increased recycling costs, not successful but attempt was made
 - More focus on contract language associated with recycling contamination, and being able to adjust what materials are accepted for recycling
 - Attempt to delink the cost to collect recyclables from the cost to process and market, shifting commodity (recyclables) risk to municipal government and rate payers
 - Cart tagging provisions, including working in coordination with the municipality and/or giving the hauler direct authority to tag and reject contaminated carts
 - More focus on education programs and working jointly with the hauler to better implement education programs
 - Using standardized guidelines developed by the statewide Recycling Contamination Task Force

Task Force Recycling Guidelines

RECYCLING GUIDELINES

YES!



METAL
Steel & aluminum
containers and foil

PAPER
Cardboard (flattened),
office paper, newspaper, magazines

**Clean &
Empty**
LEAVE CAPS
& LIDS ON



GLASS
Bottles & jars only



PLASTIC
Bottles, tubs,
& jugs only



**FOOD &
BEVERAGE
CARTONS**

NO!



**Do Not Bag
Recyclables**



**No Plastic Bags
or Product Wrap**
Return clean
to retailer



No Tanglers
Hangers, hoses,
wire, cords,
ropes or chains



**No Food, Liquid,
Diapers, Batteries,
or Needles**



No Big Items
Electronics, wood,
propane tanks, scrap
metal or styrofoam
For other options,
visit swalco.org for
our online "Where Do
I Recycle This?" guide



**No Clothing,
Textiles or Shoes**
Visit swalco.org for a list
of Clothing & Textile or
Reuse-A-Shoe collection
drop-off sites

To find out more about recycling in Lake County, Illinois, or what you can do with items not accepted in your recycling cart (including other recycling and reuse programs), visit swalco.org or contact SWALCO at 847-377-4950.
January 2020





What We are Seeing in Recent Municipal Contracts

- Effort to delink collection costs from processing costs and to shift risk to municipality and households has not been successful in our market
- Recent RFP results have shown that overall costs can be reduced by going out for proposals, despite recycling market situation
 - Contract extensions typically include one or two-year freezes in pricing
 - Push by haulers to get higher and fixed annual contract escalators (most contracts are tied to the Consumer Price Index or CPI for all urban consumers)
 - Our market has strong competition from independent haulers, this is at risk with WMI's proposed acquisition of Advanced Disposal
- Overall commitment to recycling has not changed, no talk of dropping recycling programs as we have seen in other parts of the country



What We are Seeing in Recent Municipal Contracts

- ▶ SWALCO town, Vernon Hills, had extensive discussion about going to every other week collection of recyclables, Board ultimately did not want to make the change
 - ▶ If you have this discussion be sure to get a significant rate reduction and/or increased services in return, and have provision for residents to get a large, 95-gallon cart for recycling
- ▶ While recycling cart tagging is gaining traction, unaware of any formal cart tagging required by a municipal contract provision
 - ▶ Several SWALCO contracts contemplate a program, but if implemented must be done jointly by municipality and hauler, cost to implement not addressed
 - ▶ Key issue with cart tagging is whether there should be a “punishment” for not recycling correctly, i.e., don’t collect cart with contamination until cleaned up or a fine



Questions



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