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Recycling Contracts: Best Management Practices

2020 Minnesota Solid Waste Administrators Association Conference

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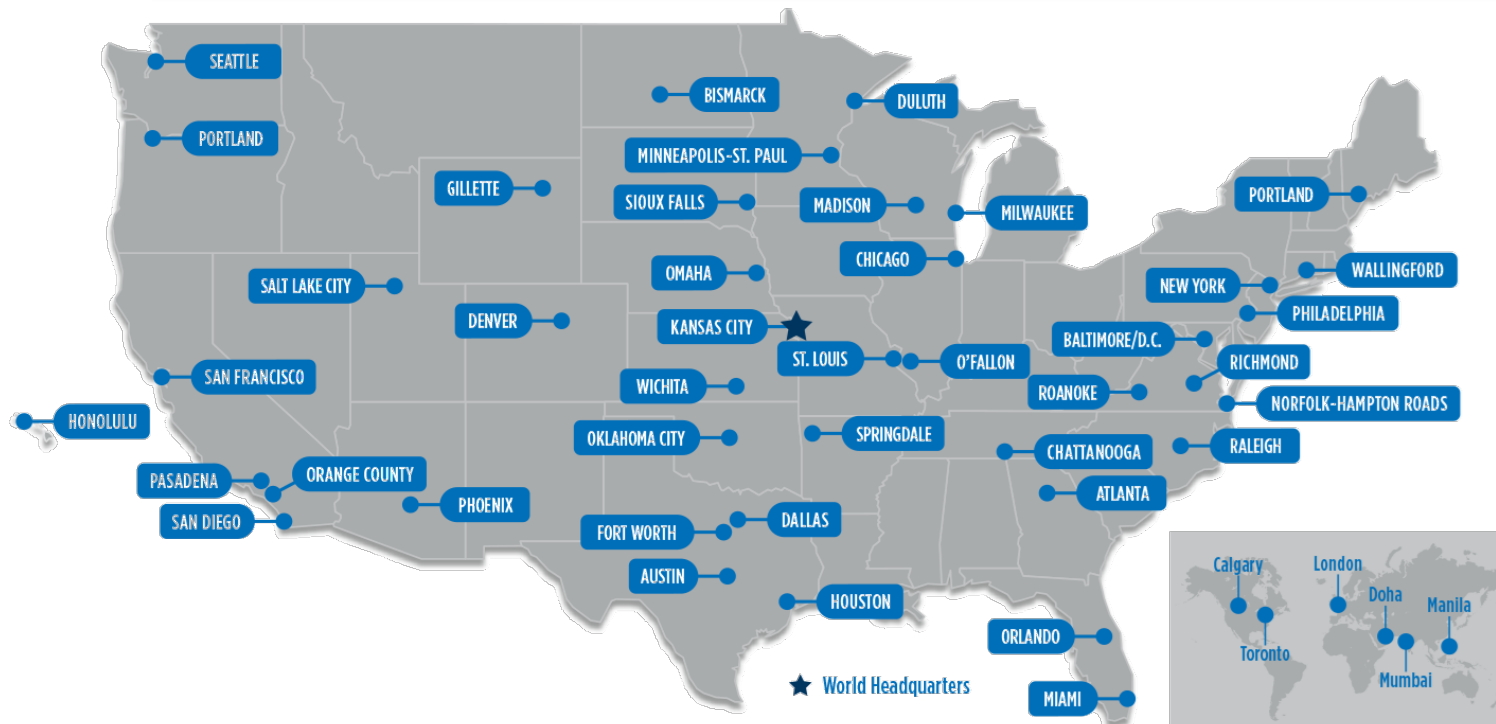
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7,000**
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**FOUNDED IN
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Agenda

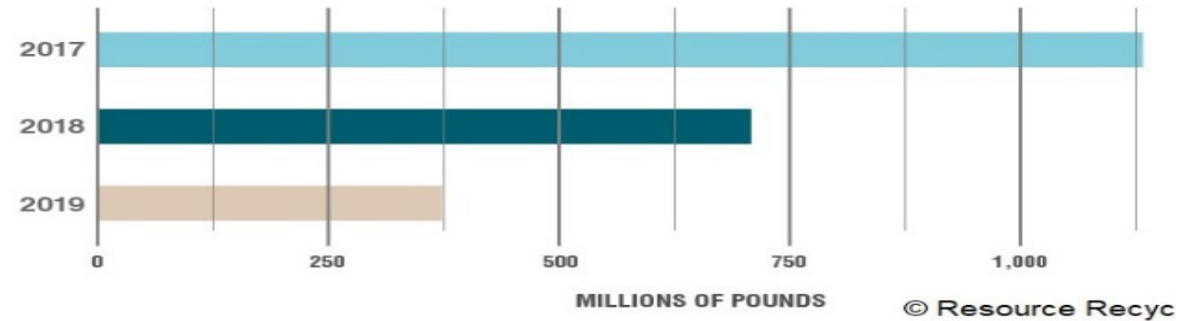
- ▶ *China's National Sword*
- ▶ **Competitive Solicitation Processes for Services**
(e.g. IFB, RFQ, RFP)
- ▶ **Best Practices for Recycling Contracts**
 - Contract Length
 - Pricing
 - Material Specifications
 - Monitoring and Reporting
- ▶ **Summary**



China's National Sword

- ▶ **February 2017:** China's Permit Limitations on Imports of Recovered Plastics and Wastepaper
- ▶ **November 2017:** China's Highly Restrictive Contamination Limit on Imports of Materials
- ▶ **May/June 2018:** Displacement of Imports from China to SE Asia
- ▶ **October 2018:** China Paper Companies Invest in Processing Capacity in U.S. and SE Asia
- ▶ **May-August 2019:** China, Indonesia, Vietnam and other SE Asian Countries Import Limitations Continue to Evolve
- ▶ **Summer 2019:** Recovered Materials Pricing Near Historic Lows
- ▶ **September 2019:** China Trade War Widens and China Increases Tariffs on Recyclable Materials
- ▶ **2020??**

U.S. SCRAP PLASTIC EXPORTS TO ALL COUNTRIES
FIRST QUARTER OF 2017, 2018 AND 2019



Impacts on Community Recycling Programs



Increase in processing fees



Change in mix of materials collected



Change in frequency of collection



Enhance education efforts to reduce contamination

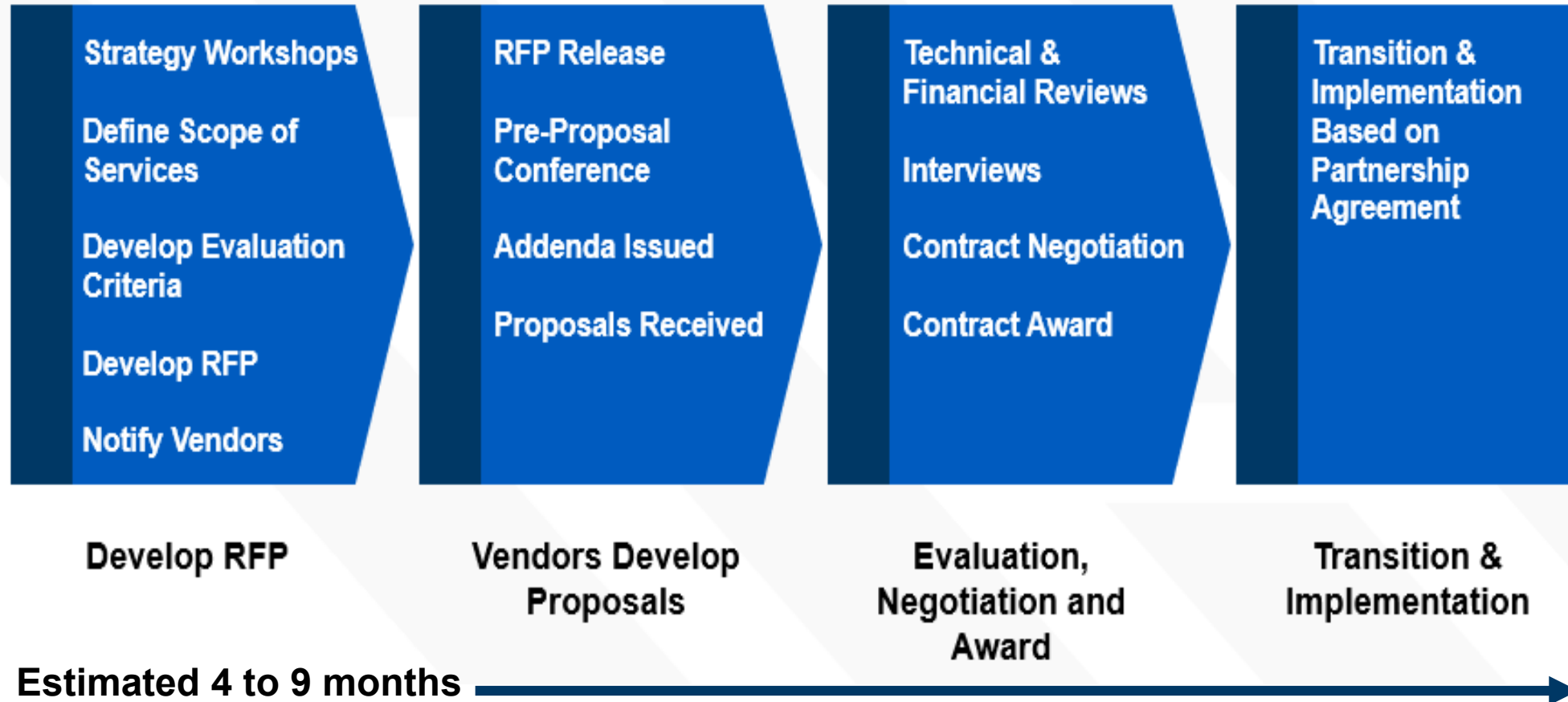


Discontinue recycling programs

Competitive Solicitation Processes

Solicitation	Benefits	Drawbacks
Invitation to bid	Firm Pricing	Requires very detailed description of requested services; Selection of preferred service provider based only on proposed price;
Request for Qualifications	Much flexibility to negotiate scope of services and accompanying pricing.	Selection criteria does not include firm price for clearly defined services.
Request for Proposals	Selection may be based on multiple factors such as qualifications, approach to providing services, pricing, and other factors.	Requires application of a well-defined procurement process with an evaluation segment.

RFP Process



Competitive Procurement Solid Waste Exemption -- Waste Management Act, Section 404.04

- ▶ **Subd. 4. Management and service contracts**...a county may enter into contracts for the construction, installation, maintenance, and operation of property and facilities...and may contract for the furnishing of solid waste management services upon terms and conditions determined by the board, with or without advertisement for bids, including the use of conditional sales contracts and lease-purchase agreements. If a county contract is let by negotiation, without advertising for bids, the county shall conduct negotiations and award the contract using a fair and open procedure....

Contract Length – Key Considerations

- ▶ Adequate time to recover capital costs
 - Carts (varies), collection vehicles (7 to 10 years), processing facility (15 to 20 years)
- ▶ Marketplace for offering services (e.g. potential number of proposers)
- ▶ Recyclable materials market pricing
- ▶ Opportunity to develop working relationship
- ▶ Local government procurement limitations
- ▶ Options for contract renewal
 - Provides flexibility to extend agreement without need to conduct new procurement

Typical length is 3 to 7 years with option for renewals

Pricing – Key Considerations for Collection

- ▶ Bundled vs. unbundled services (e.g. collection only, or collection and processing)
- ▶ Types of collection services offered (e.g. single sort, dual stream, curbside, drop-off)
- ▶ Types of materials collected (e.g. impact potential revenues from sale of recovered materials)
- ▶ Extent of contamination
- ▶ Hauling distance from processor (e.g. transfer needed)

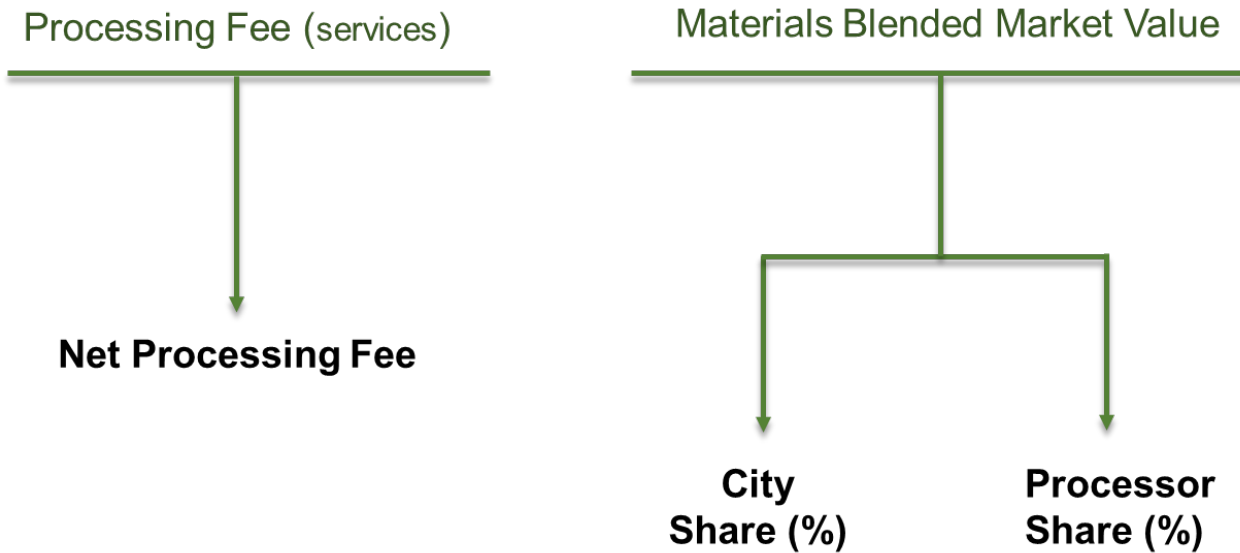


Pricing – Key Considerations for Processing/Marketing

- ▶ Current recyclable materials market conditions
 - Depressed markets impact risk allocation
- ▶ Evolving recycling ton
 - More OCC and plastics with less ONP and other container types
- ▶ Extent of the contamination of recyclable materials collected
- ▶ Materials processing yields and associated residuals (e.g. 95% recovery)
- ▶ Shared commitment to public education



Standard Pricing and Revenue Share Arrangement



- ▶ \$ 75 per ton processing fee
- ▶ \$ 50 per ton material market value
- ▶ City 80% revenue share - \$40 per ton
- ▶ Processor 20% revenue share - \$10 per ton
- ▶ Net costs to City - \$35 per ton

Net Processing Fee Less City Net Revenue share = Net Costs

Alternative Pricing and Revenue Share – City of Minneapolis

Material Value > Processing Fee

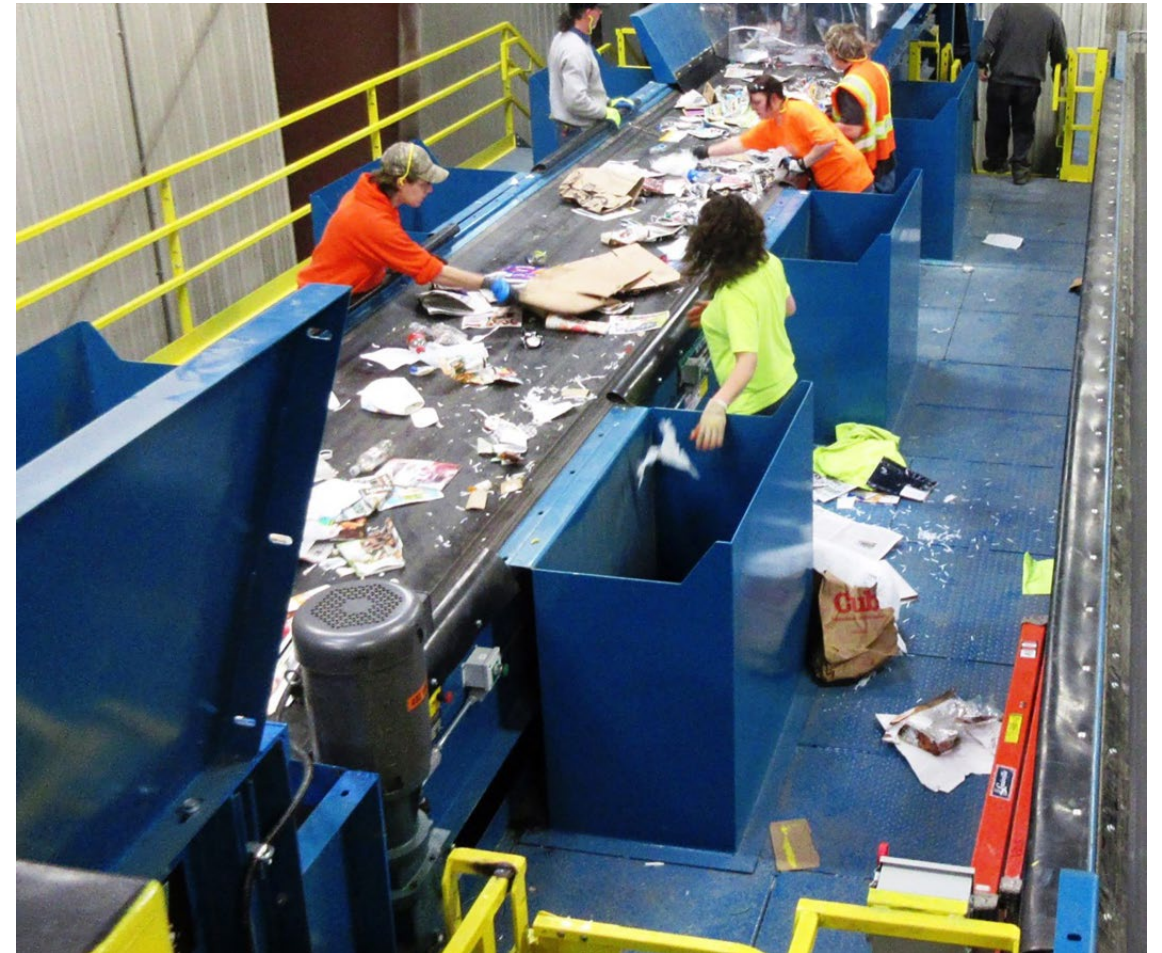
Per Ton Processing Fee	Blended Ton Market Value	City Revenue Share %	City Gross Revenue Share Per Ton	City Net Revenue Share Per Ton	Total Tonnage Delivered	Revenue/ Costs to City
\$49.00	\$50.00	80%	\$40.00	(\$9.00)	2,480	(\$22,320)

Material Value < Processing Fee

Per Ton Processing Fee	Blended Ton Market Value	City Revenue Share %	City Gross Revenue Share Per Ton	City Net Revenue Share Per Ton	Total Tonnage Delivered	Revenue/ Costs to City
\$49.00	\$45.00	100%	\$45.00	(\$4.00)	2,480	(\$9,920)

Material Specifications and Contamination – Key Considerations

- ▶ Define acceptable program materials
- ▶ Agree on process for adding or deleting materials
- ▶ Unacceptable materials and projected materials composition
- ▶ Extent of contamination for as-received materials
- ▶ Scope of processing residuals (e.g. 95% yield)
- ▶ Quality of recovered materials for sale
- ▶ Disposal of recyclable materials prohibited





Contamination is Expensive

- \$ Paying \$60 – \$90+ per ton to process trash
- \$ Zero revenue is generated from contamination
- \$ Costs to transport to landfill and dispose

Monitoring and Reports

Report	Description	Frequency
Incoming Tonnage	Sum of incoming loads; may include additional details such as weight of each incoming load, time in/out, vehicle number, gross weight, tare weight, ticket number.	Monthly
Operational Reports, including Staffing	Verifies that the MRF is meeting its operational requirements such as maintaining minimum hours of operations and staffing levels	Monthly
Financial	Based on the incoming tonnages, calculates the processing fees, revenue share, and quantities of residuals disposed. MRF should also provide details on actual sales price and index pricing	Monthly
Audit	Communicates audit results, which will include material by material composition, contamination rate and recovery rate	Same as audit frequency
Unaccepted Loads	Documents unaccepted loads. Includes information such as delivery date, time delivered, reason for not accepting load, actions taken, photos if applicable	Monthly

Upcoming Technical Resource

Recycling Best Management Practices Guide



Summary

- ▶ Understand the risk allocation in the contracting process
- ▶ Reset financial expectations
- ▶ Focus on reducing contamination
- ▶ Recycle materials with highest value
- ▶ Support growth of domestic end markets
- ▶ Support incentivizing the “closing of the loop”



Questions?

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