Are We Expecting Too Much from MRFs?

Presented by:
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President – Environmental Practice
Agenda

State of the markets

What's a city to do?

Full cost accounting helps

Communication

Examples
State of the markets

OCC Commodity Pricing South/Central USA (2005-2016)

US$ per Short Ton

Min of Regional Low
Max of Regional High Price
Average of Regional Average
What’s a city to do?

- Plan ahead!
- Talk with other cities
- Conduct financial analysis (in-house or consultant)

Talk to your city council (more than once!)
Full cost accounting helps

• Status quo – cost
• Talk with your processor
• Analyze options
• Procurement (?)

Talk to your city council (more than once!)
Full Cost Accounting Helps (con’t)

- Pricing approach is changing
  - Processing fee
  - Revenue share
  - “Composite” ton
  - Pricing volatility
  - Residuals
  - Other (local issues/factors)

- Conduct a sensitivity analysis

Are we tired of the “evolving ton” yet?
Communication

Talk to your city council (more than once!)
Examples

• Large City in Arizona
  – Revenue from sale of recycled items dropped almost 80% in the last three years
  – Negotiated a processing fee increase
  – Negotiated a larger revenue share
  – Added $0.45 recycling surcharge to resident trash bills (adjusted quarterly – like fuel surcharge)
  – Surcharge will generate roughly $750,000/year to compensate for lost revenue
Examples (con’t)

• New Braunfels, Texas
  – Current processing agreement was expiring which prompted an expedited procurement process \textit{(NewGen hired in February 2016)}
  – Issued RFP for processors in March 2016
  – City Council approved three-year agreement in July 2016 with ReCommunity
  – New processor started in August 2016
  – Communication throughout the process with City Manager and City Council

\textbf{Talk to your city council (more than once!)}
Examples (con’t)

- Temple, Texas
  - Assessment of recycling processing options

- Interim agreement with processor
- City assumes bailing operations
- Evaluate other processor/end user options
- Evaluate hauling options for the city
- Evaluate cost savings with every other week recyclables curbside collection
Final comments

• Seeing a trend of cities not near MRFs (50-100 miles away) trying to decide what they should do

• Straightforward clear financial analysis of options is critical

• Has to be a “win-win” between the MRF and city

Talk to your city council (more than once!)
Why recycling matters

Excerpt from The Economic Contribution of the Recycling Industry to the Houston-Galveston Region (SAIC, 2013)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recycling Industry (Supply Side)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs</td>
<td>5,186</td>
<td>5,873</td>
<td>3,772</td>
<td>14,831</td>
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<tr>
<td>Industrial Output ($)</td>
<td>1,900,439,609</td>
<td>911,862,625</td>
<td>513,570,315</td>
<td>3,325,872,549</td>
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<tr>
<td>Value Added ($)</td>
<td>734,411,445</td>
<td>572,382,293</td>
<td>328,475,802</td>
<td>1,635,269,540</td>
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<tr>
<td>Labor Income ($)</td>
<td>332,393,831</td>
<td>367,776,151</td>
<td>178,239,234</td>
<td>878,409,215</td>
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<tr>
<td><strong>Recycling Reliant Industry (Demand Side)</strong></td>
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<tr>
<td>Jobs</td>
<td>744</td>
<td>651</td>
<td>540</td>
<td>1,935</td>
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<tr>
<td>Industrial Output ($)</td>
<td>327,933,170</td>
<td>143,646,866</td>
<td>74,140,864</td>
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<tr>
<td>Value Added ($)</td>
<td>114,323,197</td>
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<td>47,938,668</td>
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<tr>
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<td>45,870,317</td>
<td>53,982,765</td>
<td>26,136,990</td>
<td>125,990,072</td>
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<td><strong>Reuse and Remanufacturing</strong></td>
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<tr>
<td>Jobs</td>
<td>3,704</td>
<td>436</td>
<td>645</td>
<td>4,784</td>
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<tr>
<td>Industrial Output ($)</td>
<td>229,697,727</td>
<td>69,267,997</td>
<td>88,916,188</td>
<td>387,881,913</td>
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<tr>
<td>Value Added ($)</td>
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<tr>
<td>Labor Income ($)</td>
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<td>26,765,786</td>
<td>31,176,605</td>
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<td><strong>Energy Recovery</strong></td>
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<tr>
<td>Jobs</td>
<td>625</td>
<td>1,477</td>
<td>1,225</td>
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<tr>
<td>Industrial Output ($)</td>
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<td>58,996,200</td>
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</tbody>
</table>
Questions?

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