

Information Item

Date: June 11, 2018

To: The City Manager

From: Johnnie Taylor, Operations Director
Gregory M. Turner, Assistant City Manager

Subject:

Recycling Commodities Pricing and City Revenues

Strategic Focus Area: Healthy Environment

Strategic Objective: Develop Comprehensive Solid Waste Management Strategies

Strategic Plan Action Item: No

Key Work Item: No



Recently there was a request from Council Member Clark for information on recyclable commodity prices.

The City receives rebate checks for thirty-three percent (33%) of the profits driven for the sales of its recyclable materials that are sorted, bailed, and sold at the material recovery facility (MRF) owned and operated by the city's recycling contractor, Waste Management.

The rebate checks are based on the "blended value/per ton" for the commodities that are collected and marketed. The blended value of commodities corresponds to climbs and dips in the commodities markets.

Over a year ago commodity prices started to decline, but they have taken a sharp dive due to the effects of the Chinese National Sword policy that went into effect in February 2017. This policy has all but stopped recycled fiber (paper) and plastic from entering into China, the world's largest recycling market for these products. The material that is accepted, must meet very high purity standards from even the cleanest recycling streams in the United States.

This policy has created a major supply problem for recycling programs around the country. There is now a stockpile of recycled materials throughout the U.S. This has allowed the end users and markets of recycled materials to set high purity standards and pay comparatively low prices for their chosen products.

The City's recycling revenues have taken a major hit since the announcement and implementation of the National Sword Policy. The blended value/per ton has fallen from \$67.92 in February 2017 to \$41.68 in April of 2018. Approximately 5905 tons or forty percent (40%) of the recycling stream in fiscal year 2017 was made up of fiber commodities. The table below shows how the revenue per ton has plummeted for fiber products since the inception of the National Sword Policy.

| <i>Commodity</i> | <i>Revenue/Ton (FEB 17)</i> | <i>Revenue/Ton (APR 18)</i> |
|------------------------------|-----------------------------|-----------------------------|
| <i>Newsprint</i> | \$100 | \$35 |
| <i>Cardboard</i> | \$145 | \$85 |
| <i>Magazines/Phone Books</i> | \$90 | \$10 |
| <i>Junk mail/Mixed Paper</i> | \$90 | \$10 |
| <i>Chipboard</i> | \$90 | \$10 |

There are two other factors that have a negative impact on the profitability of the recycling program. Glass collection/disposal and contamination/residue disposal both take away from the bottom line of the recycling program. Below is a table demonstrating the impact that these two factors have had on the recycling program during fiscal year 2017.

| <i>Material</i> | <i>Disposal Cost/Ton</i> | <i>Tons Collected</i> | <i>Disposal Cost</i> |
|----------------------|--------------------------|-----------------------|-------------------------------|
| <i>Glass</i> | \$24.13 | 4,350.37 | <i>(-\$104,965.75)</i> |
| <i>Residue</i> | \$51.30 | 1,607.15 | <i>(- \$82,459.33)</i> |
| <i>TOTALS</i> | | 5,957.52 | <i>(-\$187,425.08)</i> |

Going forward we anticipate that the City will continue to see reduced revenue from commodity sales. As the blended value falls below the floor pricing of \$80/ton, the City will receive only the minimum upon \$10/ per ton collected that is specified in the recycling contract. If new markets do not emerge for the commodities that are banned under the National Sword Policy there is a chance that fiber markets will continue to fall and will eventually be treated in the same manner as glass and residue, resulting in a significant increase in costs and further decreases in city commodity revenues.

Aluminum appears to be the one recyclable commodity that has remained minimally affected by the impacts of the new policy.