

City of Greensboro & ReCommunity Recycling Contract Proposal



Tuesday, January 19, 2016

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Current State of Recycling

- ❑ Recycling markets are in distress throughout the country due to dramatic downturn in commodity market prices.
- ❑ In response, recycling companies are asking municipalities to renegotiate contracts in order to provide service and stay in business.

Conditions Impacting the Industry

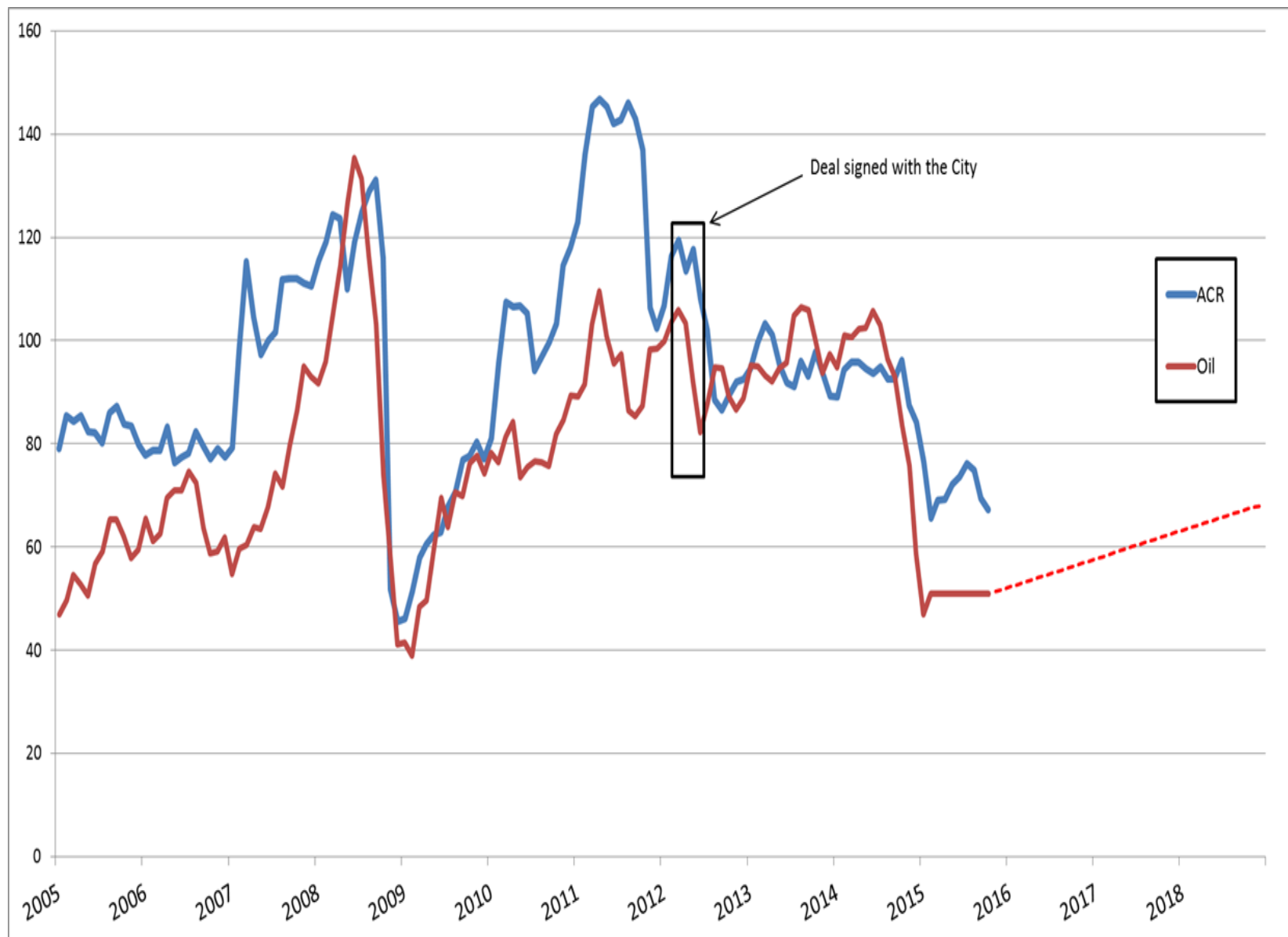
❑ **Single Stream Composition Changes**

- Lighter materials such as water bottles and aluminum cans, driving up cost per ton
- Less newspapers due to electronic media, causing reduction in revenues

❑ **Contamination due to “Wishful Recycling”**

- Cables, cords, clothes and other non recyclables
- Causes down time and jeopardizes the safety of employees at the facility
- Less saleable material per ton

Recycled Material-Average Commodity Revenue and the Price of Oil Price



Industry Quotes

Forbes

- *“Recycling is a great business, as long as commodity prices are high.... With the slump in commodity prices, the profits from recycling have dried up”*

Washington Post - 6/20/15

- *“Recycling has become a money-sucking enterprise...Almost every facility in the country is running in the red” “More than 2,000 municipalities are paying to dispose of their recyclables instead of the other way around”. “Waste Management’s recycling Division lost nearly \$16 million in the first quarter” and has closed 10% of its largest facilities”*

Greensboro's Current Contract

- ☐ Greensboro's recycling company, ReCommunity, has requested the city renegotiate its contract.
- ☐ The current contract requires ReCommunity to pay the city \$30 per ton for recyclables through April 1, 2018.
- ☐ Under these contract terms, ReCommunity is losing over \$1.5 million annually.

Proposed Agreement

City staff and ReCommunity have agreed to a compromise agreement for Council's consideration, to be effective January 1, 2016.

Proposed Agreement

- ☐ The City will reduce ReCommunity's payment to the City from \$30 per ton to \$15 per ton through April 1, 2018 (end of original contract term).
- ☐ In 2018, the City will have the sole option to extend the contract term through June 30, 2020 (receiving \$15 per ton). Assuming markets remain low, this extension provides the City with more than two additional years of stable revenue and allows City to remain essentially whole in terms of the original contract revenue.
- ☐ The city will be responsible for 75% of the transportation and disposal costs of non-recyclables delivered to ReCommunity's facility removed from the tip floor and presort station (estimated at \$100K annually)
- ☐ ReCommunity will continue to receive the city's ABC glass at market rates allowing the City to continue to provide this service to local ABC establishments (estimated at \$50K annually)



Non-Recyclables

- ReCommunity receives about 43,000 tons of material annually in Greensboro
- About 16% of that material, or 6,880 tons, are non-recyclables (contamination)
- Of that 6,880 tons, 15%, or 1,032 tons, is captured on the tip floor and at the presort station
- Of that 1,032 tons, we have agreed to pay 75% of the transportation and disposal costs (about 775 tons)
- Estimate that cost to be \$100,000 per year, worst case



Current versus Proposed Agreement- Net Revenue Impacts to the City

Current Agreement

- \$30 per ton revenue expires March 30, 2018
- Assuming markets remain low, the rebid process will likely result in the City *PAYING* \$20-\$30 *per ton* to process their recyclables.
- Paying \$25 per ton, net revenue through June 30, 2020 = **about \$84,375**

Proposed Agreement

- \$15 per ton revenue can be received by the City through June 30, 2020.
- Net revenue through June 30, 2020 = **about \$1,181,000**



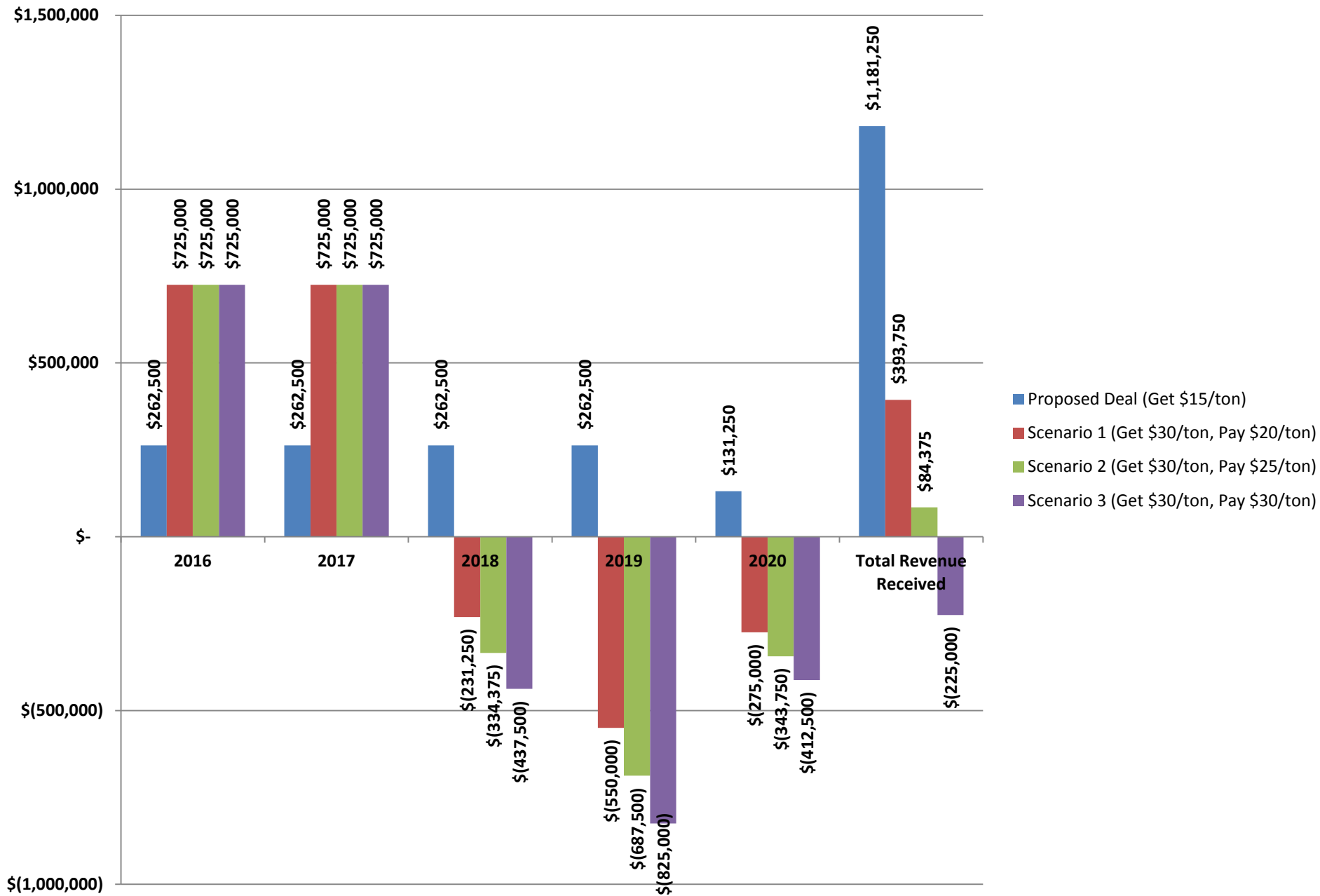
Proposed versus Current- Net Revenue Impacts (through 6/30/20)

Per Ton Pricing	2016	2017	2018	2019	2020	TOTAL
Proposed, Get \$15	\$262,500	\$262,500	\$262,500	\$262,500	\$131,250	\$1,181,250
1. Get \$30, Pay \$20	\$725,000	\$725,000	(\$231,250)	(\$550,000)	(\$275,000)	\$393,750
2. Get \$30, Pay \$25	\$725,000	\$725,000	(\$334,375)	(\$687,500)	(\$343,750)	\$84,375
3. Get \$30, Pay \$30	\$725,000	\$725,000	(\$437,500)	(\$825,000)	(\$412,500)	(\$225,000)

- Original term ends March 30, 2018; Proposed deal gives City sole option to extend through June 30, 2020
- Assumes 27,500 tons annually; for 2018 thru March 30, assume 6,875 tons; leaves 20,625 tons in 2018 for revised deal
- For 2020, assume 13,750 tons thru June 30

ReCommunity Proposed versus Current Comparison

Net Revenue Impact (through 6/30/20)



Proposed Agreement

The City and ReCommunity believe this compromise will provide enough financial relief to ReCommunity to allow them to continue to serve the city's recycling needs.