

# Roseville Public Works, Environment and Transportation Commission

## Agenda Item

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**Date:** August 27, 2019

**Item No:** 5

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**Item Description:** Recycling Update

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### **Background:**

The City prides itself on being a leader in recycling, and has a very robust program. Currently Roseville offers service to single unit, multi-unit, and also collects recycling in the parks with a 5-year agreement with Eureka Recycling. The City also offers an Opt-In program that allows small businesses and faith organizations to opt-in to our recycling program if their composition is similar to a residential unit.

Since 2002, the City averages 3,300 tons of recycling per year. As the recycled material is a marketable material, the City has had a Revenue Share with our contracted hauler. This revenue share allowed the City to receive a portion of the money from the sale of the materials. The revenue share model has been in place since 2006 where the City has collected over \$919,000 that was used to offset the quarterly fee charged to the residents. The revenue share is the remaining money the contractor pays to the City, after it is used to pay processing costs of the Material Recover Facility (MRF).

In 2014, the local glass market was hit with the closure of E-Cullet, a glass processor in Saint Paul. The closure reduced the local capacity to process glass, and the markets had to adjust by shipping excess glass to Chicago. Shipping the material to Chicago shifted our commodity price from \$15/ton in revenue, to a \$20/ton expense.

In October 2017, China enacted strict standards (called the National Sword) on material entering their Country to reduce the amount of residual (trash) that was being sent with the recycled materials that go to manufacturing. By creating these standards, U.S. markets had to adjust how material is processed to create a cleaner bale that could be marketed. Now there are millions of tons of material stockpiled in the Country, and that have driven down commodity markets.

With the downturn in markets, the City has seen a shift from a positive revenue share, to a negative. This negative revenue share means the City has to pay additional money to the contractor each month to cover the costs of processing the material at the MRF.

In 2016, the City executed a new five year contract with Eureka Recycling that reduced the revenue share to 80% of the total revenue generated from the sale of the recycled material (was 100% under the previous contract). At that time, we were starting to see the erosion of the value of recycled materials and we did ask Eureka to offer a rate without revenue sharing. Eureka

offered a new rate which was twenty cents higher than the proposed contract rate for 2017 (\$2.56 for no revenue sharing vs \$2.36 with revenue sharing). At that time, we had seen some reverse revenue months (where the revenue did not cover the full processing costs), but not enough to justify an additional \$37,441 in base costs.

Given the significant increases in the additional monthly costs to cover the processing costs, staff contacted Eureka about pricing options if the City were to remove the monthly risk associated with the current commodity market and the revenue share. Eureka provided a \$1.00/dwelling unit/month increase (for 2019 an increase from \$2.46 to \$3.46). The City currently has 15,755 units, which equates to \$189,060 in increased base service cost for 2019. The increased cost for 2020 would be \$192,841 that includes the 2% annual escalator. Through July 2019, the City has paid Eureka \$42,086 to cover processing costs that historically were paid for by the revenue share.

**Recommended Action:**

Receive presentation by staff and provide feedback and possible recommendations to the City Council.

**Attachments:**

- A. Recycling Revenue Summary Jan 2006 – July 2019
- B. Recycling Rate Cost Comparison