

Council Business Meeting

December 5, 2017

Title: Establishment of Recycling Surcharge

From: Adam Hanks
Interim Assistant to the City
Administrator
adam@ashland.or.us

Summary:

With direction provided at the November 7, 2017 Council meeting, City and Recology staff are presenting a draft resolution to establish a recycling surcharge to be charged on all Recology Ashland customer accounts. The surcharge addresses increased costs associated with maintaining recycling operations that ensures recycled materials in Ashland reach recycling commodities markets in lieu of being disposed of at the regional landfill.

Actions, Options, or Potential Motions:

I move to approve a resolution titled, "A Resolution Establishing a Recycling Surcharge."

Staff Recommendation:

Staff recommends Council approved the proposed draft resolution with the recognition that the global recycling regulatory structure and commodities markets are in a state of flux and City and Recology Staff will be monitoring and adjusting as changes occur and will ensure that Council is apprised as significant changes are known and understood.

Resource Requirements:

Because of the volatility of the recycling regulations and markets, the Recycling Surcharge contains a three-component methodology that determines the monthly surcharge. City and Recology staff anticipate the initial surcharge to be between \$1.95 and \$2.10 per customer per month with a maximum cap of \$3.50. Should the restrictions and market conditions result in a surcharge calculation exceeding \$3.50, a revised resolution and accompanying presentation will be scheduled for Council to review and determine appropriate alterations to the resolution.

Policies, Plans and Goals Supported:

Climate and Energy Action Plan (CEAP) - Consumption and Materials Management

- CM-3 – Expand community recycling and composting

Background and Additional Information:

The global recycling markets have been severely impacted by policy changes recently instituted by China. Because China is the primary market for recycled mixed paper and plastic from Oregon, the new stringent standards for the acceptance of sorted recycled materials have resulted in processing, storage and delivery constraints for all Solid Waste and Recycling operators in Oregon.

As noted in the [November 7](#) council meeting, material at Rogue Material Recovery in Medford (RMR) was backing up and being stored on-site pending processing capacity sufficient to sort the material. Recology Ashland has continued to deliver Ashland's commingle recycle to Rogue Materials Recovery with instructions to continue baling and sending the material to sort facilities. All of Ashland's commingle which had been stored at RMR as well as currently delivered material is being baled and shipped to a sort facility.

Concurrent with pursuing ongoing processing capability through RMR, Recology has been looking at processing options within the Recology owned materials recovery facility (MRF) in northern California. Processing Ashland's commingle recycle within the Recology MRF system would give us more control over where the material gets sold to with assurances that the material will ultimately get to a viable recycling market. A newly acquired MRF located on the northern California coast may provide the best option for Ashland's commingle. A test load was sent on November 28 to assess the quality of Ashland's commingle.

Recycling Surcharge Methodology

The proposed surcharge methodology utilizes the three primary cost drivers involved in maintaining viable processing and access to market of Ashland's collected recycled materials. These are:

- Post customer collection processing
Typically compressing and baling of the materials for efficient transport
- Materials transport
Additional costs associated with delivery of the recycled materials to a MFR further away from Ashland
- Materials commodity market value/cost
The most volatile of the three, commodity values are currently negative meaning there is a cost associated with acceptance of the materials into the commodity reuse market. It is possible that with the low contamination rate of Ashland's recycled materials and the sorting abilities of the Recology MRF, the commodity value could become a positive number which then offsets the costs of the other two elements bringing down the total surcharge fee.

Future Opportunities

As suggested and briefly discussed at the November 7, 2017 Council meeting, City and Recology Staff are exploring potential opportunities to develop local (Ashland/Talent) or regional (Rogue Valley) processing and market solutions for some of the recycled materials current being collected. The objective of this exploration is to identify ways to reduce the cost of getting local recycled materials to market, while also providing opportunities for local economic development growth.

While ultimately bound by franchise agreements and policy decisions of each of their local jurisdictions they serve, the solid waste and recycling haulers within Southern Oregon regularly communicate and collaborate when possible, with the Jackson County Recycling Partnership (JCRP) being a primary convening entity.

It is through both local efforts and JCRP collaboration where new opportunities in local recycling will likely be found and developed and both City and Recology staff are members and regularly contribute.

Attachments:

Draft Recycling Surcharge Resolution

Additional Links:

[November 7, 2017 Council Packet Materials](#)

[November 7, 2017 Council Meeting Minutes](#)

RESOLUTION NO. 2017-

A RESOLUTION ESTABLISHING A RECYCLING SURCHARGE

RECITALS:

- A. The City of Ashland has a current franchise agreement with Recology Ashland to provide solid waste and recycling collection and disposal services within the City limits of Ashland.
- B. Consistent with the franchise agreement, annual rate resolutions are presented and approved by City Council to generate revenues to cover operational costs and the franchise mandated operating margin.
- C. Due to significant and abrupt changes in regulations in the global recycled materials market, the Oregon Department of Environmental Quality (DEQ) has issued a Conditional Material Handling Concurrence for Collectors, Aggregators and Local Governments as a means of addressing the impacts of the current global market forces.
- D. In lieu of filing a notification of concurrence request to DEQ to landfill recycled materials collected within Ashland, Council directed Recology Ashland to develop a new fee to enable the recycled materials to be processed and reach recycled material markets regardless of the global regulatory restrictions.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1. Effective January 1, 2018, a Recycling Surcharge is established and will be charged monthly on each Recology Ashland collection customer account.

SECTION 2. The Recycling Surcharge will be calculated and adjusted as needed each quarter based solely on the market costs of each of the following three components required for the recycled materials to reach the recycling markets:

- 1) Post customer collection processing
- 2) Materials transport
- 3) Materials commodity market value/cost

SECTION 3. The maximum total amount of the Recycling Surcharge may not exceed \$3.50 per month without review and approval of the Council in the form of a new or amended resolution.

SECTION 4. Recology Ashland shall, at all times this surcharge is in place, provide customers with the quarterly costs of each of the three surcharge components and the total surcharge rate on the Recology Ashland website

SECTION 5. Recology Ashland shall submit quarterly reports to the City of Ashland describing the current status of recycling operations, including the anticipated quarterly surcharge adjustment one month prior to an adjustment to the surcharge.

This resolution was duly PASSED and ADOPTED this _____ day of _____, 2017, and takes effect upon signing by the Mayor.

Melissa Huhtala, City Recorder

SIGNED and APPROVED this ____ day of _____, 2017.

John Stromberg, Mayor

Reviewed as to form:

David H. Lohman, City Attorney