



Process and Recommendations Status Report

City of Ann Arbor

Commercial Recycling Committee of the Environmental Commission

Background

The work summarized below was authorized by City Council to be completed by the Environmental Commission through a Commercial Recycling Subcommittee. The Subcommittee was charged with the task of developing recommendations for an effective commercial recycling initiative that would achieve City Solid Waste Plan goals for 50+% diversion of our waste stream and maximize use of the capital improvements underway to the City MRF, Transfer Station and Compost Facility.

The committee included a broad representation of commercial representatives from the Chamber of Commerce, Downtown Development Authority and Merchant Associations, hospitality industry (restaurants/grocery), construction industry, property management and real estate, and small business as well as representatives from the Environmental Commission and City Council.

Five meetings of an "executive group" were held that helped prepare and debrief the full committee meetings. This group included City staff, the City consultant, representatives from the Energy Commission and City Council. The first such meeting was held on May 5, 2006.

Meeting Summaries

Four meetings of the full committee were held, the first on June 15, 2006 and the most recent on October 5, 2006. The first meeting goal was to build a common understanding of the Committee charge and the broad topic of commercial recycling and how the current City services were organized. PowerPoint presentations, fact sheets, and meeting minutes were provided to the Committee. Facilitated "go-rounds" and brainstorm sessions of barriers/opportunities were used during the meeting to generate discussion. A web site was set up and background documents posted. Email communications alerted the members to new items posted on the web site. A glossary familiarized the committee with typical terms and their meaning. Information on the City programs, their performance and cost were covered. Meeting "parking lot" and "email Bryan" systems were set up to encourage all feedback and to allow members to raise their own issues and contribute their own material to the group.

The second meeting covered opportunities for next generation commercial recycling programs including a profile of the commercial waste stream including construction and demolition waste from both residential and commercial sources. Likely "targeted materials" from specific commercial sectors were introduced, much of it based on the prior Commercial Recycling Study authorized by City Council in 2002. Key technology innovations in processing of commercial recyclables, collection of source separated organics and commercial recycling collection technology were also covered as were innovative yet still emerging incentive systems like "RecycleBank". The City's own progress with installing an OCC screen for commercial recyclables at the MRF and relocating/upgrading the compost site were described in detail, as was the City and University commercial organics collection pilot.

The third meeting presented "best practice" profiles of commercial recycling and composting programs from across the Country including the communities summarized in Attachment A in three categories 1) General Commercial Recycling Programs, Commercial Organics Programs and Construction and Demolition (C&D) Recycling Programs. These areas reflected the interests of the committee and their representative sectors. These profiles and the accompanying PowerPoint presentation highlighted



strengths and weaknesses, pros/cons and common success features of these programs and their direct applicability to Ann Arbor.

Sector Specific Subgroups

After the third meeting, three sector specific workgroups were formed to develop preliminary recommendations on 1) Multi-Tenant Commercial Recycling, 2) Commercial Organics and the Hospitality Sector, and 3) Construction and Demolition Recycling. A fourth DDA group was considered and then dropped – with the plan being to convene a DDA specific meeting after the initial recommendations were developed – a step that will be completed this coming week.

The Sub-groups were charged with the following set of tasks:

- Define Business Types
- Review Program Approaches Applied to Sector
- Generate Pros/Cons, Strengths/Weaknesses
- Define "What Would Work"
- Generate Potential Selection Criteria
- Define Education/Communication/Incentive Needs
- Understand How Economics Would Work
- Generate Possible Recommended Approach
- Discuss "Is this what we want to do?"

Each Subgroup met at least twice and some three times during September and early October and reported back to the full Committee at the Fourth Meeting held on October 5, 2006. The work of each was supported with analysis and information as well as facilitation supplied by two representatives from the executive group. Each Subgroup successfully achieved agreement on a specific recommendation – which are included in this report as Attachment B (Commercial Organics), C (Construction and Demolition Recycling) and D, (Commercial Recycling).

The Fourth "Reporting Out" Meeting and the Current Recommendation

At the Fourth "Reporting Out" Meeting held on October 5th, the output from each Subgroup was presented and discussed. There was remarkable consistency between the recommendations and the go-round of the Committee after clarifying questions produced a general consensus that this was the direction that they wanted the executive group to further develop for the full committee's fifth meeting planned for October 19th. The full Committee then plans to meet every two weeks during November and early December to finalize the recommendation for presentation to the Environmental Committee as well as additional representatives of stakeholder groups (e.g. additional members of the DDA, Chamber, Merchant Associations, etc).

Summary of Current Recommendation

The current recommendation is intended by the Committee to build as much as possible on the strengths of the current City programs and has the following features:

- City provision of most commercial recycling and organics collection services at the curb, dumpster or loading dock either through City crews or partners/contractors (e.g. Recycle Ann Arbor/Organics Collection Contractor), with recyclables directed to the MRF as "City tons" and the City receiving revenue share on those tons to help defray costs, and with organics directed to the City compost site where revenue can be recovered from the sale of the finished compost materials.



- City exclusive franchising of most non-residential commercial refuse collection to one, two or at most three private haulers under long-term franchise contract requiring adherence to specific service specifications that support recycling program and support efficient lower cost collection services. Waste could be directed to the City Transfer Station under arrangements negotiated with the operator to increase benefits to the City and possibly pay for some of the total program. A franchise fee would be paid to the City by the franchisee based on their total billings for the service. The franchisee's pricing for refuse services is expected to save 10% to 30% for most businesses on their current solid waste costs with net impact depending on how City handles franchise fees, billing, education/training and any payments to Franchise Hauler to lower waste fees to commercial establishments. This would not include multi-family and still to be determined how much, if any, of the 96 gallon collection system this would be proposed for (e.g. 3 times per week service in DDA area) – with recommendation that this feature and others related to the proposed program be discussed in a work session with DDA members of the Commercial Recycling Task Force as soon as possible.
- City non-exclusive franchising of at least one or eventually more processors of construction and demolition waste, meeting established criteria for pricing, separation, recovery and reporting.
- City non-exclusive licensing of construction and demolition haulers that will be required to deliver construction and demolition recyclable (either source separated or commingled) to these franchised facilities, with lower tip fees provided based on higher degrees of material separation.
- Ordinance and rules/regulations would describe commercial recycling requirements for owners and managers of all types of commercial buildings as well as their tenants. Requirement would be to recover the materials collection by the City provided recycling services (e.g. paper, bottles/cans, cardboard) and to require recycling of construction and demolition debris for all projects where the value of the work described in the building permit equals or exceeds \$50,000.
- Use of the City provided or franchised services would automatically provide compliance with the ordinance – all others would need to document compliance with the ordinance. Violations of ordinance requirements will lead to additional technical support provided by the City (first violation or violation during initial grace period for the commercial recycling program), monetary fine (second violation) and increased monetary fines (third or more violations) and final building inspection delays or loss of hauler license for a year (for construction projects).
- Exceptions to ordinance requirements would be very limited. Exceptions to use of City provided or franchised services would be given to those that had special requirements (e.g. confidential document handling), special materials or national/corporate recycling and refuse contracts as long as they were in compliance with the ordinance plan and reporting requirements.
- Service automatically set up for user – City knows all users based on commercial personal property tax database, initial contact made by City or representative, containers distributed, technical assistance and support provided for developing in-building system (e.g. sample of containers described, how to order, templates for signage, flyers, notices), on-line web tools available for setting up/modifying service and maintaining compliance with commercial recycling ordinance (see below) and for participating in web based incentive/reward system.
- An email based information system would reach out periodically to designated contacts in each business with reminders, performance information and any required non-compliance tracking, eventually serving as the prompt for linking to a web based incentive/reward service.
- Program branding would be very strongly presented in all outreach and informational channels including recycling containers placed outside of buildings as well as labeling for containers and



outreach systems technical assistance materials provided for in-building recycling - with all materials placing emphasis on benefits to community, to environment and to business.

Implications of Current Recommendation

The Committee has agreed that further development of their ownership and support will require the specifics that are part of the actual ordinance, so a sample draft of the types of language (adapted from those from other communities) will be prepared for their discussion as part of the last series of meetings.

The Committee also felt strongly that much of their support is linked to their belief that the program must send a strong message that "this is what we do in our community", the "city is here to help you be successfully environmentally as well as economically" and that the recommended approach "fits with our community – building on the culture of Ann Arbor". They all realize that funding is the key to making this work and are prepared to address that in their remaining meetings.

City Incurred Costs: The City would incur costs primarily in the commercial recycling and commercial organics program, with the C&D program costs largely being administrative/enforcement. City costs would include monthly "service unit" contract costs to RAA for each additional service unit that is covered by curbside or curb-cart (estimate range of 13,542 to 21,387 additional service units times \$2.14/mo cost per service unit for 1/week pickup + \$72/ton for each additional ton diverted) = \$871,000 to \$1,750,000 depending on units/tons, Operating costs of additional city collection routes for recyclables (\$400,000 to \$650,000) depending on number of dumpsters (range of 300 to 600) and total tons, operating cost for additional city organics collection route along with processing (range of \$200,000 to \$300,000), tipping fees at the MRF for processing recyclables (\$200,000 to \$325,000 range depending on tons) and contractor management, program administration, outreach/education and technical assistance/web costs (\$200,000 to \$350,000). Fees paid to franchised commercial waste hauler would not pass through the City and do not show up in these costs figures.

How to Cover City Incurred Costs: The City could cover the costs described above through a combination of 1) savings in enterprise fund operating costs from move away from dumpster based non-residential commercial waste collection and optimization of current fund expenditures (available funds estimated in range of \$250,000 to \$1,250,000 depending on service changes, end of year balance and budgeting process); 2) revenue share from MRF processing of materials (potential range of \$500,000 to \$1,000,000 @ \$30/ton depending on volume/market); 3) Franchised Refuse Hauler payments based on percentage of Franchisee fees from franchise contract and/or renegotiated tipping fee structure with FCR at Transfer Station (potential in range of \$500,000 to \$1,000,000); and 4) DDA payment in lieu of TIFA diverted refuse millage tax revenue are justified and could be negotiated with DDA (estimate needed once TIFA information available).

City Staff: Transitional staffing shifts can be expected as some front load solid waste dumpster drivers would be converted to recycling dumpster routes and possibly organics routes (unless contracted out). The net impact may be neutral but is still being examined. Enforcement, management and administration will require staffing that may be able to increase the effective utilization and coverage of existing non-solid waste support programs like the community standards enforcement, etc. – recognizing that some additional staffing may be needed there as well as in contract management, outreach and technical support, depending on whether some or part of these functions are contracted out.

Process for Further Development and Approval Current Recommendation

The Committee is prepared to refine and further detail its recommendation over the next two months, including soliciting additional review from its DDA members, and test reviews by selected representatives from various stakeholder groups. The intent is to then present to the Environmental Committee in December in anticipation of submittal of the final recommendations and report to City Council in early January.