The Future of Recycling Programs: Sustainable Funding Sources

ILG Webinar
December 2, 2014
10:00am – 11:00am
Speakers
Rob Hilton, Vice President, HF&H Consultants, LLC
Doug Landon, Director, Waste Management Department, Kern County

Moderator
Jennifer Armer, Program Coordinator, Sustainability Program, Institute for Local Government

Sponsor
Howard Levenson, Deputy Director, CalRecycle
How to ask a question during the webinar

• Please type your questions into the question box at any time during the webinar.
• We will read your questions during the question period at the end of the webinar.
ILG Mission

• Promoting good government at the local level

• Practical, impartial and easy-to-use materials
Webinar – The Future of Recycling Programs: Sustainable Funding Sources

Counties and cities have many options available to help fund recycling and solid waste programs in their communities and sometimes is can be hard to navigate which is best for your community. This webinar will focus on the traditional and innovative ways that cities and counties across the state are funding these programs.
Polling Question

• Which of the following best describes you?
Funding Recycling Programs in California

Rob Hilton, Vice President
HF&H Consultants, LLC
How do public agencies commonly fund recycling programs?

• Collection Rates
  – Usually as “integrated charge”
  – Some charge for commercial recycling
  – Some recycling covers costs (e.g. C&D)

• Disposal-Based Rates
  – Tipping fee (esp. public landfill owners)
  – Surcharges on disposal (e.g. AB939, mitigation fees)

• Recycling Revenues
• Advanced Disposal Fees (CRV, E-Waste)
• Producer Responsibility (Call2Recycle, PaintCare)
• General Funds
PART 1: WHY DO WE NEED CHANGE?
“The Zero Waste Death Spiral”

- Fund Disposal and Non Disposal Costs on Disposal Rates
- Create Incentive to Reduce Disposal Volume
- Reduce Disposal Volume and Increase Rates

Fund Everything on Nothing
• As residents are successful recyclers - revenues are not covering collection costs
• Current 20- and 32-gallon rates do not cover total costs
• Typical industry approach to encourage recycling
Collection Rates
Successful Commercial Diversion

As businesses are successful recyclers - revenues are not covering costs

- Pre-Outreach (2 trips/wk):
  - 3CY, 2x/wk - SW
- Post-Outreach (6 trips/wk):
  - 96gal, 3x/wk – SW
  - (2) 96gal, 1x/wk – Recyclables
  - 2CY, 2x/wk – Organics

Example Subscription Level (CY/mo.) - Restaurant

<table>
<thead>
<tr>
<th>Cubic Yards per Month</th>
<th>Pre-Outreach</th>
<th>Post-Outreach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>1.4</td>
</tr>
</tbody>
</table>

$807.95/mo $721.63/mo
Collection Rates Revenue Gap

Average Annual Rate Increase = 5.7%

Actual Change in Annual Revenue Received = 3.2%

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate Increases</th>
<th>Change in Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1.96%</td>
<td>2.46%</td>
</tr>
<tr>
<td>2006</td>
<td>2.57%</td>
<td>2.40%</td>
</tr>
<tr>
<td>2007</td>
<td>10.80%</td>
<td>10.16%</td>
</tr>
<tr>
<td>2008</td>
<td>3.59%</td>
<td>0.71%</td>
</tr>
<tr>
<td>2009</td>
<td>9.42%</td>
<td>4.23%</td>
</tr>
<tr>
<td>2010</td>
<td>7.65%</td>
<td>3.38%</td>
</tr>
<tr>
<td>2011</td>
<td>5.00%</td>
<td>-0.65%</td>
</tr>
<tr>
<td>2012</td>
<td>5.00%</td>
<td>2.63%</td>
</tr>
</tbody>
</table>
Santa Cruz County
Disposal and Diversion Trend

Managing Tomorrow’s Resources Today

[Bar chart showing disposal and diversion rates from 2003 to 2011]

- Disposal TPY
- AB 939 Diversion Rate

[Graph showing disposal and diversion rate trend over years]
### Just Raise Rates...Right?

<table>
<thead>
<tr>
<th></th>
<th>FY2004/05</th>
<th>FY2005/06</th>
<th>FY2006/07</th>
<th>FY2007/08</th>
<th>FY2008/09</th>
<th>FY2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tipping Rate</strong></td>
<td>5%</td>
<td>22.62%</td>
<td>4.85%</td>
<td>11.11%</td>
<td>10%</td>
<td>3.03%</td>
</tr>
<tr>
<td><strong>Gate Revenue</strong></td>
<td>6.46%</td>
<td>-0.19%</td>
<td>4.92%</td>
<td>-0.20%</td>
<td>-5.03%</td>
<td>-14.37%</td>
</tr>
<tr>
<td><strong>Franchise Revenue</strong></td>
<td>6.18%</td>
<td>20.41%</td>
<td>1.08%</td>
<td>8.63%</td>
<td>2.54%</td>
<td>-4.77%</td>
</tr>
</tbody>
</table>

**Cumulative**
- Rates: +70%
- Gate: -10%
- Franchise: +37%
PART 2: WHAT ELSE COULD WE DO?
Collection Rates
Pay As You Throw V2.0

- Reduce rate slope – greater focus on cost per trip/per account versus volume
- Fixed and variable rate components
- Reduce trips necessary (e.g., commercial wet/dry) - where feasible
- Charge for recycling/organics services
Deleverage Disposal Rates

✓ Map sources and uses of funds:
  • What do people think they pay for?
  • What do you spend money on?

✓ Cut spending BEFORE you ask to change or add, demonstrate it while you are asking

✓ Identify replacement funding for under-funded activities
  • Largest gaps first
  • Identify users/beneficiaries of activity
  • Analyze tipping fee relief vs. affordability of direct charges, goal of net zero impact to customer/payee
  • Assess charges on the broadest defensible basis (i.e. per user > per gallon)
### Example Calculation of Household Hazardous Waste Fee

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>$ 2,559,980</td>
<td>A</td>
<td>Annual Franchised Disposal Revenue</td>
</tr>
<tr>
<td>$ 534,202</td>
<td>B</td>
<td>HHW Program Shortfall</td>
</tr>
<tr>
<td>21%</td>
<td>C=B/A</td>
<td>Shortfall as Percent of Revenue</td>
</tr>
<tr>
<td>$ 67.00</td>
<td>D</td>
<td>Franchise Disposal Tipping Fee (per ton)</td>
</tr>
<tr>
<td>$ 13.98</td>
<td>E=D*C</td>
<td>Franchise Tipping Fee Reduction (Res &amp; Comm)</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>$ 534,202</td>
<td>B</td>
<td>HHW Program Shortfall</td>
</tr>
<tr>
<td>37,472</td>
<td>F</td>
<td>Assumed Dwelling Units (Res Accts)</td>
</tr>
<tr>
<td>$ 14.26</td>
<td>G=B/F</td>
<td>Annual HHW Fee per Dwelling Unit</td>
</tr>
<tr>
<td>$ 1.19</td>
<td>H=G/12</td>
<td>Monthly HHW Fee per Dwelling Unit</td>
</tr>
</tbody>
</table>
Case Study: StopWaste
Revenue Diversification

✓ Investigated Advance Disposal Fees (ADF’s) locally for HHW funding
  • State pre-emption on some products
  • Expensive to implement locally – marginal net revenues
  • Confusing messaging to consumers
  • Legal considerations – Prop. 26

✓ Residential parcel fee for HHW funding – Prop. 218 protest vote

✓ Benchmark Information Fee – a “per refuse account” fee - $1.81/year for most residential accounts – not tied to volumes

✓ Pursuit of State/Federal/Utility Grant Funding – Energy Council, Use Reusables ; Prop. 84
Approved:
1. Ag Pesticide Containers
2. Recalled Products Take-Back
3. Mercury Thermostat
4. Green Chemistry
5. Paint
6. Carpet
7. Brake Pads
8. Mattresses (Gov. Brown)
Case Study: Alameda County Pharmaceutical Ordinance

- First EPR Ordinance in US - July 2012
- Follows the British Columbia model of roles of government and industry
- Requires producers to design, fund and operate the collection system
- Requires stewardship plan submitted to Dept. of Environmental Health (DEH)
- DEH approves “Plan” and does oversight of program implementation
- PhARMA and California associations of medical producers opposed any solution indicating there is no problem

Content Courtesy of California Product Stewardship Council (CPSC)

Heidi Sanborn
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Appealed to Federal 9th Circuit

- 9th Circuit Court of Appeals - 3 judge panel heard case 7/11/14
- No new facts – only interpretation of law
- Judge “I have a feeling this may not be the last word on this”
- Court rules for Alameda County, upholds ruling – 9/30/14
San Francisco Reintroduces Meds EPR Ordinance 10/21/14

Content Courtesy of California Product Stewardship Council (CPSC)

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What Does This Mean?

1. Opponents have said they will appeal to supreme court
2. Unlikely the court will hear it
3. The producers submitted a stewardship plan and a check for $10K to Alameda for oversight - implementation begun
4. Any local government in the country can make producers pay for recycling of anything

http://www.calpsc.org/products/pharmaceuticals
Survey of Solutions

- Landfill Tipping Fees (public) and Surcharges (private)
- AB 939 Fees on Non-Disposal Facilities
- Landfill Surcharge on Recyclable Loads
- “Integrated” Collection Charges
- Charge for Base Service + Surcharge for Additional Services
- Rates for Recycling and Organics Collection
- AB341/AB1826 Fees on Regulated Customers
- Parcel/Land Use Fee
- Statewide Producer Responsibility
- Local Take-Back/Retailer Responsibility
- Recycling Commodity Revenue
Legal/Regulatory Considerations

- Proposition 26: Regulatory Fees
- Proposition 218: Property-Related Charges
- Proposition 13: Property Taxes
CONTACT INFORMATION

Rob Hilton, CMC
Vice President
HF&H Consultants, LLC
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BACKGROUND

• Replace General Fund with Land Use Fees in 1988

• Modify with introduction of Bin Fees and Gate Fees in 1993
Solid Waste Management Fee Structure

- LUF – residential (single and multi)
- Bin Fee
- Gate Fee – roll-off containers, C&D debris, other
Solid Waste Enterprise Fund
FY 13/14

Operating Expenditures: $28,000,000

Disposal: 72%
Non-Disposal: 27%
## EXPENSE CATEGORIES

<table>
<thead>
<tr>
<th>Disposal</th>
<th>Non-Disposal</th>
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<tbody>
<tr>
<td>Active Landfills</td>
<td>Community Education</td>
</tr>
<tr>
<td>Transfer Stations</td>
<td>HHW Programs</td>
</tr>
<tr>
<td>Closed Landfills</td>
<td>Diversion Programs</td>
</tr>
<tr>
<td></td>
<td>Code Compliance</td>
</tr>
<tr>
<td></td>
<td>Burn Dumps</td>
</tr>
</tbody>
</table>
COMMUNITY EDUCATION

Booths

Puppet Shows
HHW PROGRAMS

Special Waste Facility

Community Collection Events
DIVERSION PROGRAMS

Wood

Inert

Green

White Goods
BURN DUMPS

Liberty Park

China Grade
COLLECTION PROGRAMS NOT INCLUDED
# Revenue Performance During Recession

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 06/07</th>
<th>FY 09/10</th>
<th>FY 13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Use Fee</td>
<td>$16,000,000</td>
<td>$20,000,000</td>
<td>$22,400,000</td>
</tr>
<tr>
<td>Bin Fee</td>
<td>$ 4,200,000</td>
<td>$ 4,700,000</td>
<td>$ 5,100,000</td>
</tr>
<tr>
<td>Gate Fee</td>
<td>$11,600,000</td>
<td>$ 8,500,000</td>
<td>$11,500,000</td>
</tr>
</tbody>
</table>
Land Use Fee Pros

• Minimize illegal dumping
• Stable revenue
Land Use Fee Cons

- Determination of chargeable/non-chargeable at gate
- No recycling incentive
Contact Information

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QUESTIONS & ANSWERS
Thank You!

And thank you to CalRecycle for being our sponsor.

The webinar recording and PowerPoint slides will be available on ILG’s website shortly.

If you have additional questions please contact Melissa at mkuehne@ca-ilg.org