

**MEMORANDUM**

**TO:** Mayor England  
Vice Mayor Samora  
Commissioner George  
Commissioner Rumrell  
Commissioner Torres

**FROM:** Max Royle, City Manager 

**DATE:** September 3, 2021

**SUBJECT:** Recycling Service: Request for Guidance from the Commission

Attached is a memo from the Public Works Director in which he explains well the reasons for this request.

We will ask you at your budget meeting on September 13<sup>th</sup> to have Mr. Tredik present his memo as part of your discussion concerning the budget. The reason is that your decision concerning the City taking over the recycling pickup service could have an effect on the FY 22 budget and perhaps even on the level of millage you decide to levy

For example, you'll note that for the City to take over recycling, we will need lease or purchase a truck and to hire two additional employees. Money to pay these costs hasn't been included in the budget, as we don't know how much money will be needed. The amount depends on when you decide the City should take over recycling. If it's January 1, 2022, then the City will have to put in the budget money for nine months of expenses for the truck and the two employees. If you decide the City should take over the service after May 21, 2022, which is when the current contract with Waste Management expires, then the City will have budget money for vehicle and the employees for the last quarter of FY 22.

Or you could decide to temporarily suspend the recycling pickup service until the start of FY 23, which will be October 1, 2022. The suspension would give us time to budget for the new truck and the employees, and to educate the citizens about changes to the services, such as days of pickup and the items that can and cannot be recycled.

Also to be considered is whether the millage will need to be kept at the 2.5998, in order to provide money for the truck, the two new employees AND money to continue the restoration of the General Fund reserve, or, if you want to reduce the millage and have the City take over the recycling service sooner rather than later, then money to pay for the truck and the employees will have to come from reserve.

Thus, before you make a decision concerning the millage at the September 13<sup>th</sup> meeting, you move Item 4 on the regular meeting agenda, the request regarding recycling service, to the budget meeting. If you agree, then the steps for the budget meeting could be:

- a. Introduction by City Manager
- b. Presentation of FY 22 budget by the Finance Director
- c. Presentation of the request for guidance concerning the recycling service by the Public Works Director
- d. Commission then discusses the FY 22 millage and budget, and the recycling service, takes public comment, etc.

## MEMORANDUM

**TO:** Max Royle, City Manager  
**FROM:** William Tredik, P.E. Public Works Director  
**DATE:** September 13, 2021  
**SUBJECT:** Recycling Service  
Request for Guidance from the City Commission

### BACKGROUND

#### Waste Management (formerly Advanced Disposal) Contract History:

The City of St. Augustine currently has a five-year contract with Waste Management to provide recycling services. The contract commenced on June 1, 2017 and expires on May 31, 2022. The recycling contract includes:

- Once per week pickup for residential collection
- Once or twice per week for commercial collection

#### Contract Costs

The initial contract costs to the City were:

- \$3.46 per resident or per commercial 18-gal bin
- \$29.50 per commercial 96-gallon cart

The contract provides that once per year, beginning October 1, 2019, rates shall be adjusted upwards or downwards to reflect the percentage change in the Consumer Price Index for Urban Consumers, Garbage & Trash (CPI-U) over the preceding twelve months. Based upon this agreement, the rates were adjusted as follows:

October 1, 2019	Monthly residential rate increased to \$3.60 per month
4% increase	Monthly commercial bin rate increased to \$3.60 per month
	Monthly commercial cart rate increased to \$30.69 per month
October 1, 2020	Monthly residential rate increased to \$3.71 per month
3% increase	Monthly commercial bin rate increased to \$3.71 per month
	Monthly commercial cart rate increased to \$31.64 per month

On June 15, 2021, Waste Management notified the City that the CPI-U over the previous year was 4.6564%. As the contract with Waste Management caps the CPI-U increase at 4%, beginning October 1, 2021 the recycling rates will be adjusted as follows:

- Monthly residential rate will increase to \$3.86 per month
- Monthly commercial bin rate will increase to \$3.86 per month
- Monthly commercial cart rate will increase to \$32.91 per month

As of April 1, 2021 the number of recycling customers (and associated costs) were as follows:

2,685 Residential Customers:	\$3.71 each per month	\$ 9,961.35 monthly
30 Commercial Customers:	20 Bins @ \$3.71 per month	\$ 74.20 monthly
	13 Carts @ 31.64 per month	\$ 411.32 monthly
	Total Cost (rounded)	\$10,446.87 monthly

Assuming a constant number of customers, the overall cost to the City, beginning October 1, 2021, will increase by approximately \$420 per month. This equates to a total increase of approximately \$3,360 over the remaining eight (8) months of the contract. The estimated total cost to the City, beginning October 1, 2021 is approximately \$10,865 per month or \$86,920 for the remainder of the contract.

#### Future Costs

As discussed in Waste Management's June 15, 2021 letter, the actual CPI-U increased by 4.6564%. Per the terms of the contract, their increase was capped at 4%. Two of the three CPI-U increases allowed within the contract term reached this 4% cap, indicating that actual recycling costs have increased faster than the 2017 projections.

On May 24, 2021 the City Commission conducted a workshop to discuss recycling and to determine the most appropriate path for the City's future recycling program. The Public Works Director presented data demonstrating recycling trends and projecting future costs to the City. The following charts indicated that the weight of the recycled material peaked in FY 2019:

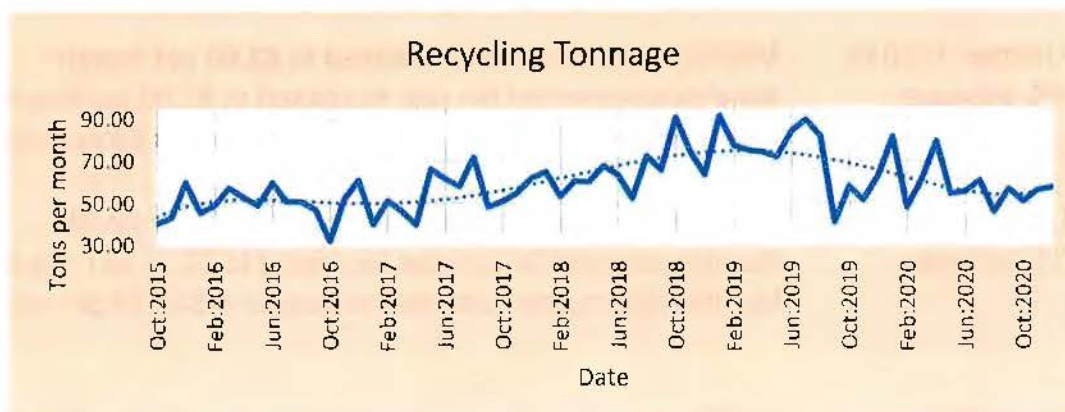
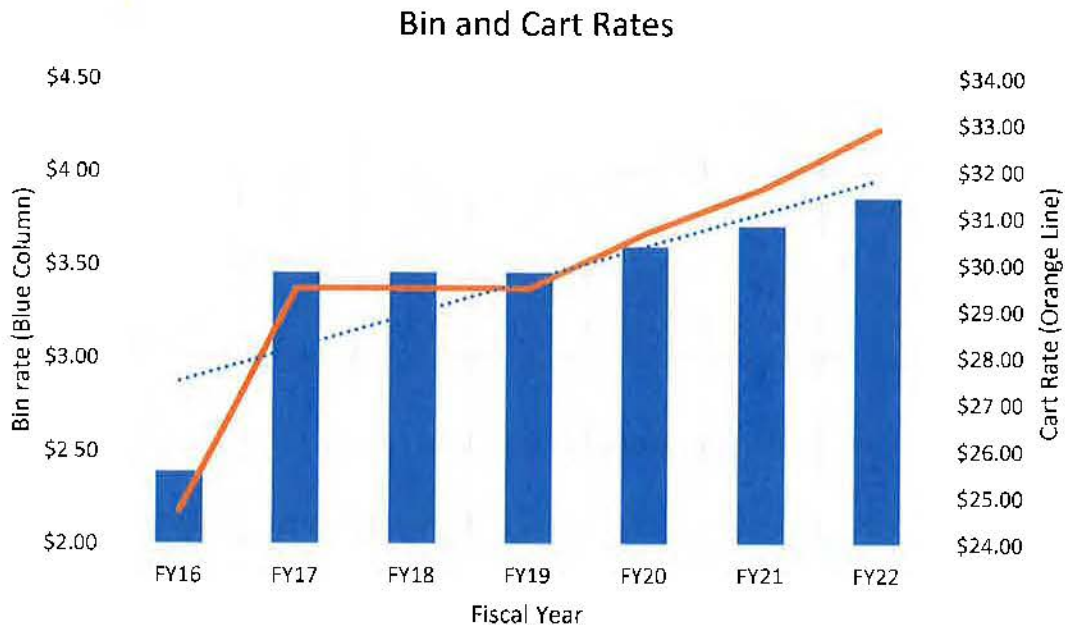


Figure 1 - Recycling Tonnage over Time



Though the tonnage of recycled material appears to have peaked in FY 2019, the cost to the City has steadily increased as allowed by the contract CPI-U adjustment. The following chart shows the bin/cart costs since FY 2016:



*Figure 2 - Historical Bin and Cart Rate Increases*

As discussed in the May 24, 2021 City Commission workshop, the last time recycling services were bid (2017), the monthly bin rate rose by 45% and the monthly cart rate rose by 19%. The recycling market has changed significantly and become more volatile in the past five years. The potential for a similar cost increase – if a new contract is bid and awarded in FY 2022 – is high. In past years, recycling companies were able to realize profit due to the desirability and market for recyclable material. Though the market for recycled metals remains strong, recent years have seen changes in other areas, including:

- Loss of a market for recycled glass
- Loss of a market for plastics other than Type 1 (PET - clear soda bottles, water bottles, etc.) and Type 2 (HDPE – opaque milk jugs, juice bottles, cleaner bottles, etc.)
- Volatility in the demand for paper and cardboard products

The sorting required to separate desirable recyclable materials from less desirable recyclable materials and non-recyclable materials (contamination) is expensive. As a result, contractor disposal costs have increased dramatically in recent years. These increases in disposal fees (in conjunction with cost increases for fuel, equipment and labor) make it likely that any future recycling contract will see a significant increase in cost to the City.

### Past Commission Direction

At their May 24, 2021 Workshop, the City Commission considered the following three options for its future recycling program:

- **Recycling Option 1 - Bid new contract; but reduce types of recycled materials collected**

Pros: Potential for reduced sorting  
Increases probability of collected recyclables being recycled

Cons: Likely not reduce contracted recycling costs to City  
Will require reduction of types of material collected  
Garbage stream will increase if less material collected → increased garbage costs

- **Recycling Option 2 – “In-House” Recycling**

Pros: Potential to save tipping fees depending upon location of disposal  
Increases probability of collected recyclables being recycled

Cons: Will require reduction of types of material collected  
Garbage stream will increase if less material collected → increased garbage costs  
Requires purchase or lease of refuse truck and two full time employees

- **Recycling Option 3 - Temporarily suspend recycling**

Pros: Approximately \$45,000 City savings from FY 2021  
Option to begin recycling in the future if conditions change

Cons: No recycling program  
Garbage stream will increase if less material collected → increased garbage costs

At their May 24, 2021 workshop the City Commission directed staff to gather additional information and continue with the consideration of Recycling Option 2. Staff gathered additional information as requested and also teleconferenced with Waste Management to discuss other options, including the “piggybacking” the St. Johns County contract.

At the August 11, 2021 City Commission meeting, Staff presented to the Commission the following three options for providing solid waste and recycling services:

- **Solid Waste Option 1**

- City continues to provide service for garbage and yard trash
- Maintain recycling contract with Waste Management through May 2022
- City takes over recycling at end of recycling contract

- **Solid Waste Option 2**
  - Piggyback on St. Johns County Contracts
  - Contractor to provide solid waste and recycling services
- **Solid Waste Option 3**
  - City provides all services effective October 1, 2021

The City commission chose Option 3 with the understanding that the date of City commencement of recycling services was dependent upon the successful termination of the existing contract with Waste Management, the hiring of additional staff, the purchase or lease of an additional refuse truck and the education of customers of any pending changes to the recycling program.

## **DISCUSSION**

### **Existing Recycling Contract**

Subsequent to the August 11, 2021 City Commission meeting, staff met again with Waste Management to discuss the remainder of their contract. Waste Management explained the challenges they have faced in recent months – and particularly in recent weeks – due to the Covid-19 pandemic and the severe labor shortage. They discussed their obligation – due to public health concerns – to prioritize the collection of household garbage over recycling; and that this prioritization sometimes leads to recycling collection delays due to the current staffing shortage. The City and Waste Management discussed options for improving communication relating to collection delays.

Also discussed at the meeting was the possibility of the City and Waste Management mutually terminating the existing agreement prior to its programmed end date of May 31, 2021. Waste Management stated that, due to recent years' rapid increase in disposal costs, recycling services within the City of St. Augustine Beach are no longer profitable. Waste Management stated they had no objection to terminating the contract by mutual consent prior to its programmed end date. They are also agreeable to continuing to providing recycling services within the current contract time until the City can reliability take over the program, as long as it is understood that the current labor shortage may result in occasional delays in recycling collection.

### **Future City-Provided Recycling Services**

Based upon City Commission direction, the Public Works Department is planning to take over City recycling operations as soon it can reliably provide service to its customers without delay or interruption. As discussed in the May 24, 2021 City Commission workshop, in order to reliability provide recycling service without impacting other functions, Public Works must hire two additional full time employees (FTEs) and purchase (or lease) a new

refuse truck. The proposed FY 2022 budget includes both of these items, however, the two FTEs are only currently budgeted for a partial year as they were planned to come on board upon the expiration of the Waste Management Contract.

### Additional Refuse Truck

Under normal circumstances, delivery of a newly ordered refuse truck has historically taken six to nine months after the order is placed. The current pandemic and recent nationwide manufacturing delay in the vehicle market makes it probable that delivery of a new refuse truck could take nine months or more. Staff is currently investigating options such as leasing (or leasing to own) a refuse truck to allow the City to take over recycling as soon as possible. Unfortunately, the lease market is constrained at this time, and the date of availability of a leased vehicle is uncertain as of this writing. Regardless of whether the City decides to purchase outright, lease, or lease to own, it is important that the City enter into a commitment as soon as possible to ensure that a refuse truck is available at the earliest possible date.

### Staffing

If the City desires to take over recycling prior to May 31, 2021, the two budgeted FTE positions will need to be filled at an earlier date. Costs for the hiring of these positions earlier than planned will be offset by savings in recycling contract payments to Waste Management. These exact timing of the filling of these positions will be dependent upon the delivery date of the additional refuse truck.

### Public Education

Regardless of the exact time of the City's commencement of providing recycling services, public education will be required regarding the following issues:

- Any changes to recycling routes/days
  - In order to optimize collection routes, it may be necessary to make changes to recycling – and potentially solid waste - dates of collection. Changes to the schedule will need to be advertised well in advance to ensure all residents are fully aware of any change.
- Changes to materials collected
  - Many materials currently collected (e.g. glass) have no current recycling market. Though they are technically a recyclable material, they may end up being sent to the landfill, and thereby increase the risk of the entire load being sent to the landfill. Public Works recommends that the recycle program be modified to collect the following materials only:
    - Plastics (Type 1 and Type 2 only)
    - Metals
    - Paper and corrugated cardboard

To effectively make these changes an aggressive public outreach program is needed. This outreach program must commence as soon as possible.

## **ACTIONS REQUIRED**

May of the required items detailed above are contingent upon approval of the FY 2022 budget. As such, the Staff cannot initiate a purchase which would require an expenditure in the upcoming fiscal year without City Commission approval. In order to expedite the initiation of City provided recycling services, the following actions are requested:

1. Approve staff initiating the FY 2022 purchase, lease, or lease to own of a refuse truck to provide citywide recycling.
2. Approve advertising for two additional FY 2022 FTEs to provide citywide recycling services. The two new FTEs are anticipated to be hired no more than two weeks prior to the City commencing "in-house" recycling operations.
3. Authorize staff to begin a public outreach and education campaign discussing pending changes to the recycling program, including, but not limited to, the City providing service, any changes to the route or pick up days, and changes to the materials collected.