

SWARAC Program Recommendations for Next SW & Recycling Contract

*Background Materials for the Belmont
Board of Selectmen*

June 8, 2011

SWARAC Role

- **Evaluation criteria:** Select option providing best mix of financial savings, environmental improvement, and convenience for the town.
- **Fee-based systems are expressly *included*** based on (1) our mandate from BOS; (2) the options approved by BOS for inclusion in RFP; and (3) Town Counsel review of the 1990 Prop 2 ½ over-ride.
- **Political considerations.** Decisions about whether any trash limit and fees are the *best interest* of the Town given other considerations is the purview of the BOS and Town Meeting, *not* of SWARAC.
- **Backup option.** Recognizing the political context even with small potential fees, SWARAC has recommended a secondary option that continues full funding of programs via the property tax.

SWARAC Recommended Options

- **Recommended: First-barrel free program for trash with unlimited single stream recycling.**
 - Lowest cost bid; significant expected cost savings (\$1-\$2m over 5 years); higher environmental benefits.
 - Reduces cross-subsidies between recycling and non-recycling households.
 - More than half the savings from bid reductions and behavioral change.
 - A number of important transitional issues and operational parameters remain open; would be worked out if option chosen.
- **Backup: Unlimited trash with single stream recycling.**
 - Slightly higher collection costs expected to be more-than-offset through higher recycling diversion and associated tip fee reductions at the incinerator.
 - Financial profile is break-even or slightly better than *status quo*; increased convenience for residents.
- ***Status quo* for transitional period.**
 - Delays in RFP review process preclude phase-in of new options by June 30th.
 - Vendor will honor prices to shift to other options in near term if Town desires.
 - SWARAC recommendations go beyond status quo, and therefore differ from the recommended option of the Town.

Recommended Option: First-Barrel Free Trash, Unlimited Single Stream Recycling

- **Cost Savings** from lower bid, avoided tip fees from increased diversion (worth \$71/ton), MA grant, and bag sales.
 - Cost of recycling coordinator built into estimates to support transition.
 - Net savings of \$200-400k/year; \$1-2m over 5 year contract & option period.
- **Environmental Benefits** through higher recycling, composting rates.
- Approved by majority of SWARAC (3-2 vote) based on cost and environmental benefits. Minority concerns remain:
 - Ensuring fair fees and no bait-and-switch on first barrel free (1 member, though also concern of those voting in favor).
 - Will not support any limits or fees on trash without Town Referendum addressing wording of 1990 override (2 members).
- DPW would need to address operational parameters, transition.

Recommended Option: Total Expected Savings Relative to Status Quo

Program Element	Savings over FY12-16		Annualized		Confidence	Notes
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>		
Total expected savings vs. status quo	999,650	2,169,650	199,930	433,930		
<u>Source of savings</u>						
% from operational changes	19%	19%	19%	19%	High	Lower bid, DEP grant, less recycling coordinator.
% from behavioral changes	39%	34%	39%	34%	Medium	Avoided tip fees from increased diversion of trash.
% from fee changes	42%	47%	42%	47%	Medium	Net bag fees for overflow trash.

Recommended Option: Operational Cost Savings

Program Element	Savings over FY12-16		Annualized		Confidence	Notes
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>		
1. Cost savings relative to status quo	420,000	420,000	84,000	84,000	Known	
2. One-time grant from MA DEP	49,650	49,650	9,930	9,930	Known	\$5/hhld if <35 gal limit for trash; Oct. 2011 deadline.
3. Cost of recycling coordinator	<u>(275,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>(11,000)</u>	Medium	DPW wage estimates; high savings estimate assumes transitional position only.
<i>Total operational savings vs. status quo</i>	194,650	414,650	38,930	82,930		

Recommended Option: Savings from Behavioral Change

Program Element	Savings over FY12-16		Annualized		Confidence	Notes
	Low	High	Low	High		
4. Tip fee savings from increased recycling participation						
Avoided tip fees from diverted trash, \$/ton.	71	71	71	71	Known	Existing contract average.
Belmont meets average, low rates for trash/hh for towns with 35 gal/limit			78,000	141,000	Estimated	2010 DEP data; 5 towns
Belmont meets average rate for trash/hh for towns with fees for trash			161,000	161,000	Estimated	2009 DEP data; 11 towns.
Belmont meets recycling diversion rates for Lexington (35%) and Cambridge (41%)			133,000	180,000	Estimated	Diversion ex-yardwaste in CY09; Belmont was 18%.
Belmont achieves national average reduction in programs shifting to fee-based trash (17 points)			<u>110,000</u>	<u>110,000</u>	Estimated	Skumatz et al., 2011.
Anticipated cost savings from behavioral changes	390,000	740,000	78,000	148,000	Medium	Conservative assumptions: min. of low estimate; avg. of high.
<i>Implicit increased diversion</i>			1,099	2,085		Tons/year
<i>Avg. Belmont trash, 2006-10</i>			9,207	9,207		Tons/year
<i>% increased diversion of trash</i>			12%	23%		

Recommended Option: Fee Revenue

Program Element	Savings over FY12-16		Annualized		Confidence	Notes
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>		
5. Revenues from fees on excess trash						
Cost of bags			1.50	2.00	High	Range of common prices
Revenue to town net of expenses			1.20	1.70	High	MA DEP estimate
Average bags/hhld/year			7	12	Medium	MA DEP estimate from actual sales in other towns
Annual cost/household			10.50	24.00	Medium	
<i>Net revenues/town from bag sales</i>	415,000	1,015,000	83,000	203,000		Net of bag, marketing costs

Recommended Option: Operational Issues if Chosen

- Setting equitable parameters for program
 - How will container size limits be enforced?
 - What price per bag and how quickly can it rise?
 - Option to pay for second barrel on an annual basis?
 - Protections against paying for first barrel?
 - How will bulk wastes be handled?
- Educational process for residents through recycling coordinator.
- Debate on many of these issues has begun; refinement needed if first barrel free option chosen.

Backup Option: Unlimited Trash with Single Stream Recycling

- Small shift in program rules; fewer transitional issues.
- Increased recycling convenience: increases diversion rates, but also contamination.
 - Lower value of single stream commodities MRF drove bid prices up: +\$20k/year in operating costs relative to *status quo*.
 - Higher diversion rates expected to at least offset this:
 - Break-even is slightly more than 1 lb/extra diversion per household per week (3.2%).
 - DEP data show most towns with no toters achieve ~5% reductions.
- Approved as backup option unanimously by SWARAC.

Backup Option: Financial Parity with Higher Diversion; Increased Convenience

		FY12-16	Annualized	Notes
I. Single Stream versus Status Quo				
A. Lowest cost bidder, single stream only		8,020,128	1,604,026	Russell Disposal
B. Lowest cost bidder, status quo		<u>7,916,316</u>	<u>1,583,263</u>	Russell Disposal
Savings (costs) from single-stream approach		(103,812)	(20,762)	
II. Incremental costs of recycling coordinator		0	0	None needed
III. MA DEP Grant award		0	0	Program wouldn't meet grant terms.
IV. Break-even for increased diversion to offset higher cost of single-stream program				
Tons/year of additional diversion needed			292	~\$21k extra costs/\$71 per ton savings per ton diverted.
% reduction in trash disposed			3.2%	Based on avg. of 2006-10 trash tonnage
Breakeven reduction in lbs of new diversion per hh/week			1.13	~2.25 lbs/hh per recycling pickup

Summary of Recommendations

- Continue *status quo* for next few months, though at lower costs of new bid.
- Adopt first barrel-free with single stream recycling by October 2011.
 - ~\$300 - \$400k/year savings (\$1 - \$2.1 million over contract and option period).
 - >50% of savings from reduced contracting costs and increased diversion by residents.
 - Refine parameters, hire recycling coordinator over summer.
- Backup option: shift to single stream recycling over same time period.
 - Limited financial savings, but increased convenience.