

# MRFs and Local Governments: Building Lasting and Effective Partnerships

Scott Mouw

NC DEACS

Carolina Recycling Association Conference

March 2016



# Basic Truths

Single stream collection is here to stay

Single stream relies on effective MRF processing

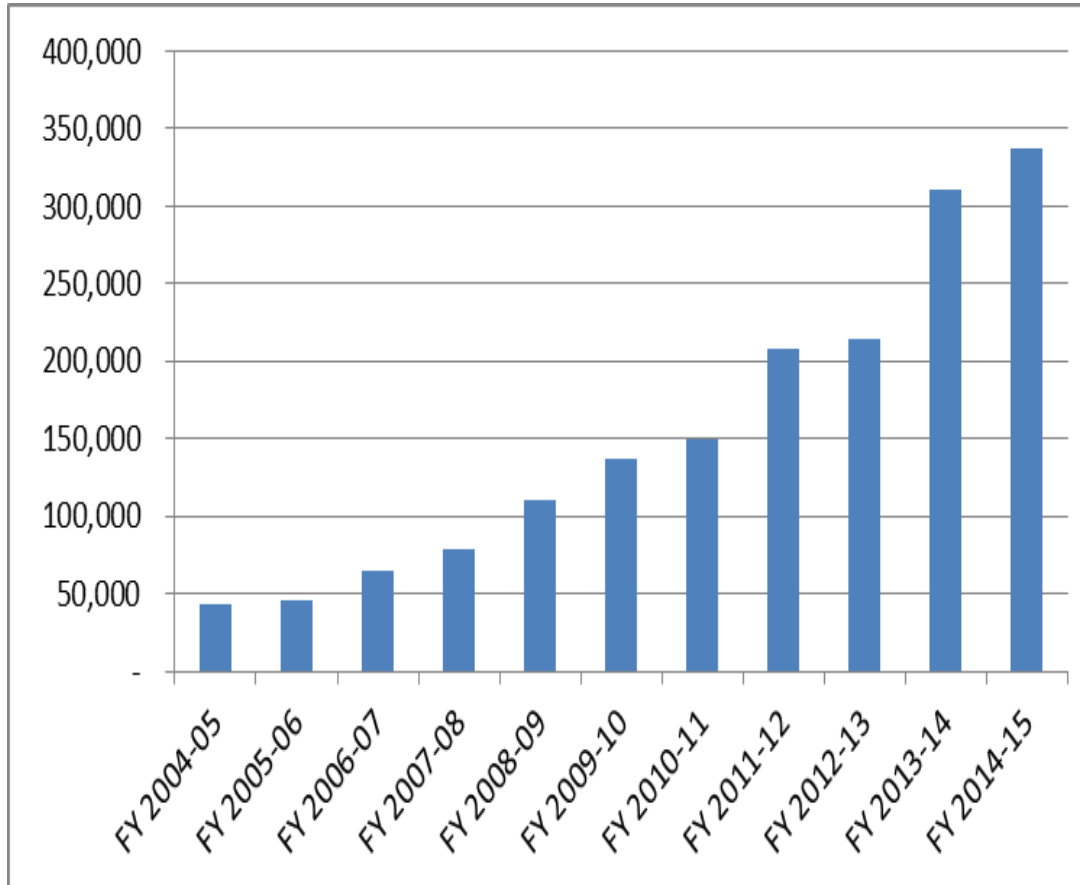
MRFs need to be profitable to survive

Material values will always fluctuate – they are low now and may stay low for awhile

Community recycling programs should view MRFs as critical partners, and vice versa

# Trend Towards Commingling

Annual Tons Reported as “Commingled” by Local Governments



# What Affects the MRF Business Model

Volume

Commodity prices

Material mix

Material quality

Amount of residue

Ability to capitalize upgrades

A MRF cannot be a bank or insurance company

# Leading Issues for MRFs

“Evolving Ton” – constant changes in material stream

## Prices

Flat to falling – factors include:

*Price of fossil fuels*

*China*

*Strong dollar*

*Domestic mixed paper capacity*

## Contamination

Reduces revenues, raises MRF operating and trash costs

## Glass

High cost to process - negative or no revenue

“Solutions” to sorting and cleaning glass are expensive

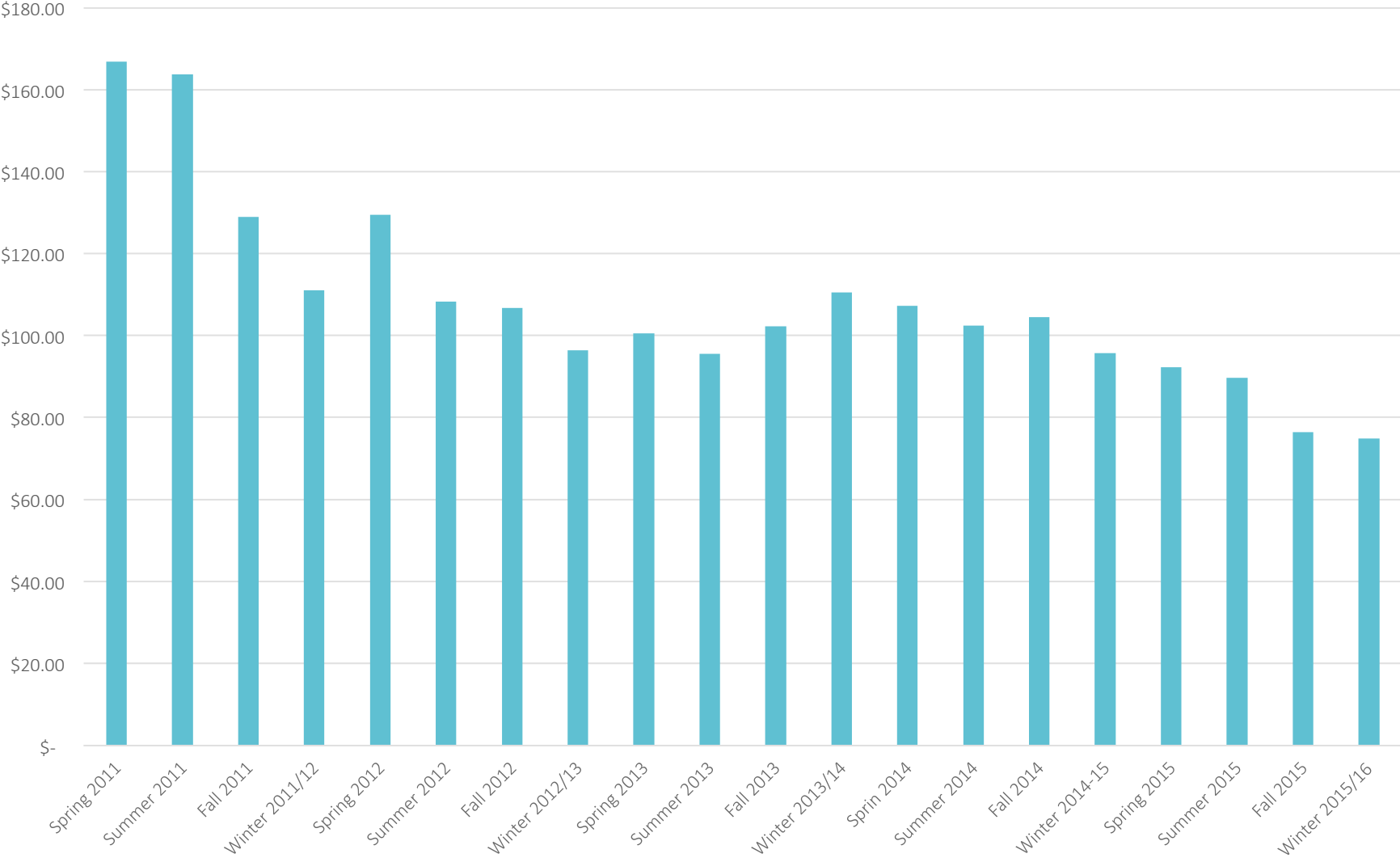
# Changing Nature of the Mix in NC

Material	2007	2015
Newspaper	55.8%	20.8%
OCC	7.2%	17.6%
Mixed Paper	5.0%	21.3%
<b>Fiber Subtotal:</b>	<b>68.0%</b>	<b>59.7%</b>
Glass	20.5%	27.4%
Aluminum	1.5%	1.2%
Steel	3.0%	2.5%
PET	4.0%	4.8%
HDPE	3.0%	3.4%
3-7 Plastics	n/a	.6%
Rigid Plastics	n/a	0.4%
<b>Containers Subtotal:</b>	<b>32.0%</b>	<b>40.3%</b>

# Example of Material Profile and Average Value

<u>Material</u>	<u>% of 1 MRF ton</u>	<u>Price/ton</u>	<u>Value</u>
<u>Fiber Materials</u>			
ONP	20.8%	\$ 68.30	\$ 14.21
Mixed Paper	21.3%	\$ 50.00	\$ 10.65
OCC	17.6%	\$ 96.33	\$ 16.95
Fiber Sub-total	59.7%		\$ 41.81
<u>Container Materials</u>			
Glass	27.4%	\$ (6.67)	\$ (1.83)
Aluminum Cans	1.2%	\$ 1,100.00	\$ 12.76
Steel Cans	2.5%	\$ 43.00	\$ 1.08
PET	4.8%	\$ 150.00	\$ 7.20
HDPE (colored prices)	3.4%	\$ 400.00	\$ 13.60
Mixed Plastics	0.8%	\$ 30.00	\$ 0.24
Cartons/aseptics	0.2%	\$ 50.00	\$ 0.10
Container Sub-total	40.3%		\$ 33.15
TOTAL			\$ 74.96
MRF Operating Costs			\$ 70.00
Residue Costs			\$ 7.20
Net Cost/Revenue			\$ (2.24)

# Value of a Commingled Ton





# Challenges Communities and MRFs Must Face Together

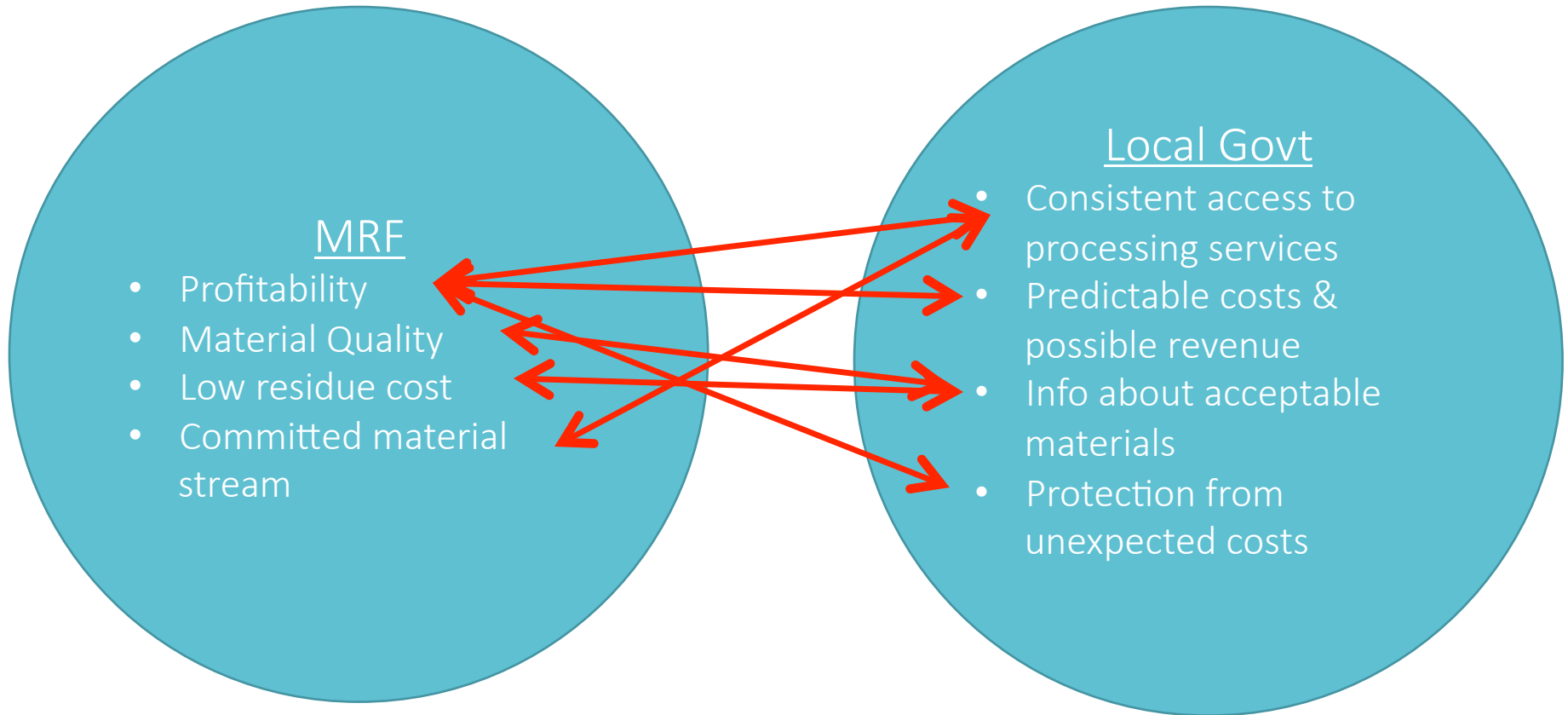
## Short Term:

- Current low market values
- Unsustainable revenue deals
- Residue and materials quality

## Long-term:

- MRF contracts that protect and reward both parties
- Mechanisms for clear communication and collaboration

# Complementary Goals



# The Best MRF/Community Contracts:

Allow both parties to live and thrive through range of market conditions

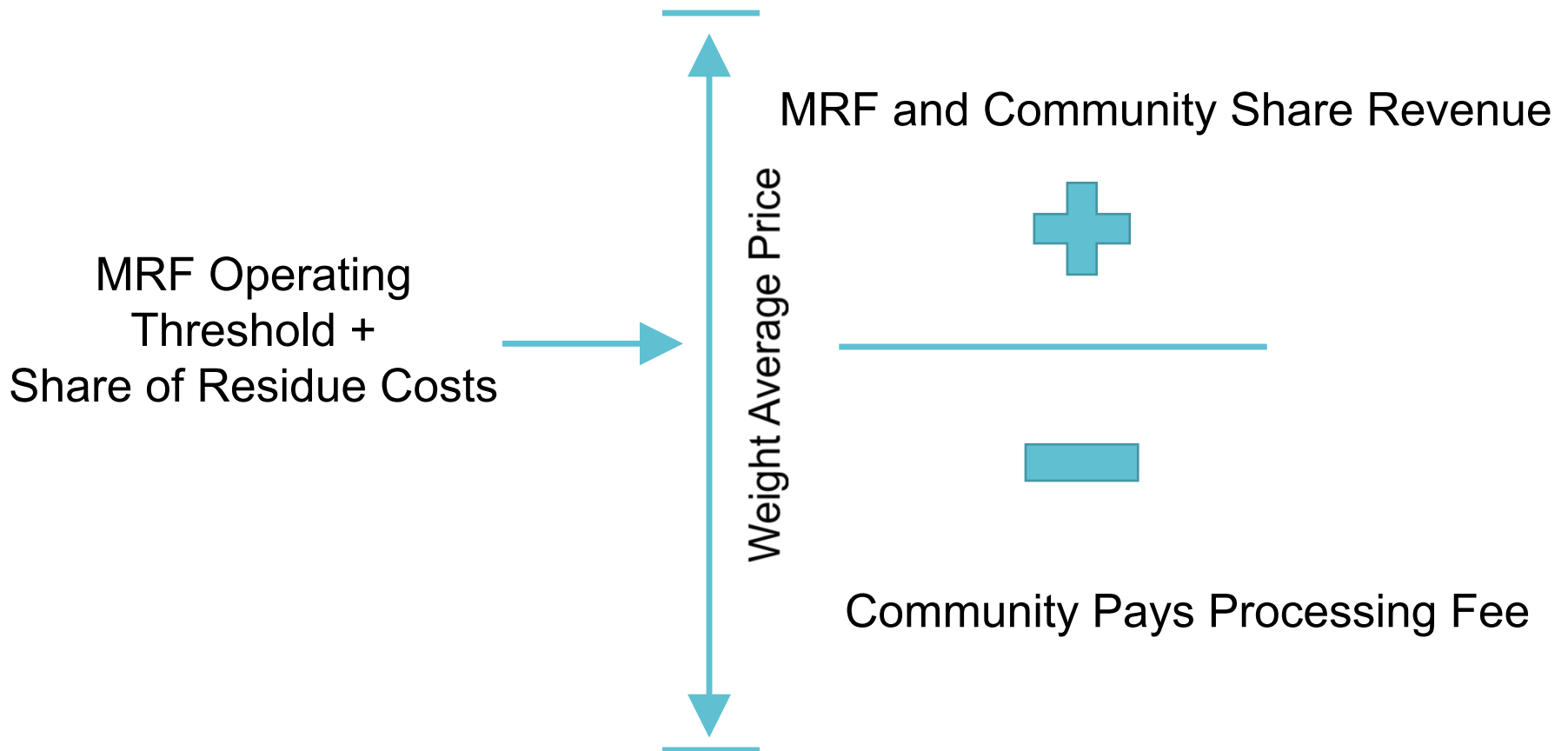
Instill a sense of shared risk and shared reward

Create framework for healthy communication

# Framework For A Fair Deal

Contract Element	Rationale
“Floor” price per ton – may be <b>negative</b> in current markets	Establishes a budgetable cost for communities, with a clear differential over disposal. Protects MRF’s baseline viability
Shared revenue when prices are good	Allows MRF to profit but shares the up-side with communities (e.g. split revenues over \$70 average value threshold)
Long-term contract with renewals	Allows MRFs to invest in upgrades and guarantees community programs access to processing capacity
Clear residue thresholds with shared disposal costs	Holds MRFs accountable to efficient processing but incentivizes community to address quality – e.g., for a threshold residue rate of 10%: < 10%: MRF pays > 10%: community covers excess

# A “Float” around a Fixed Price



# What Else Should Be in a Contract?

Formal periodic check-in on material values

Periodic material audits to:

- measure residue rates

- establish material profile for calculating value of commingled ton

- monitor changes in material stream

Mechanisms for adding materials when market conditions and the MRF can support sortation

# Freight on Board: Solid Waste Versus Recycling

Garbage



-\$40/ton at destination

Recycling



\$0 to -\$25/ton at destination

# In the Meantime...Get Busy on Material Quality!

MRFs and communities need to be on the same page about what exactly is recyclable – should be spelled out in the contract

Recycling Websites, literature, signage (*every piece of public information*) should accurately reflect what is recyclable at the MRF

Work hard on excluding:

- Plastic bags

- Shredded paper

- Unrecyclable plastic

- General trash



# Thank You!

Scott Mouw

NC DEACS

[scott.mouw@ncdenr.gov](mailto:scott.mouw@ncdenr.gov)

919-707-8114

