



CENTRAL CONTRA COSTA
SOLID WASTE AUTHORITY

Agenda Report

TO: CCCSWA BOARD OF DIRECTORS
FROM: JANELLE CAMERON, BUSINESS & ACCOUNTING OPERATIONS
DATE: MAY 16, 2010
SUBJECT: MATERIAL SALES REVENUE FOR RATE YEAR 5

SUMMARY

The CCCSWA's service agreements with Pacific Rim Recycling and Valley Waste Management provide for sharing revenues with the CCCSWA that are received from the sale of materials collected in the residential recycling program. This report presents the material sales tonnage and sales revenue for the past rate year, compares them to the three previous years, and estimates the resulting Diversion Incentive Fund balance.

More than 35,000 tons of recyclables were sold in Rate Year 5 resulting in \$4,700,251 in total revenue for the year. In Rate Year 5, tonnage was down 2.5% and sales revenue was down 17% from the previous year.

RECOMMENDED ACTION

1. No action is required. This item is provided for information only.

DISCUSSION

Valley Waste Management (VWM) provides the curbside recycling collection service for residents throughout the CCCSWA area. VWM delivers the materials from Danville, Walnut Creek, and adjacent unincorporated areas (I-680 Corridor) to Pacific Rim's (PRR) Recycling facility in Benicia for processing and sale. VWM delivers the materials from Lafayette, Moraga, Orinda, and adjacent unincorporated areas (Lamorinda) to Waste Management's processing facility on Davis Street in San Leandro for processing and sale.

During RY4 we saw a downward trend in revenues from the sales of recyclables which by late autumn/early winter became virtually no market at all. In Rate Year 5 the market picked-up greatly and the sales of recyclables are greater than initially expected. There has been a continuing reduction over the past three rate years in collected tonnage of materials due to reduced pages in newspapers and other print media, less packaging materials produced at stores and more reduction of waste at the consumer level, a reduction that is being experienced state-wide.

The service agreements with VWM and PRR involve payments between the companies and CCCSWA that are based on the sale of the recyclable materials. This report presents the material sales revenue for Rate Year 5 (RY5) of the agreements (March 2008 through February 2009), and compares RY5 tonnage and revenue to

the three previous years.

Material Sales

During RY5, PRR sold 21,679 tons of material, and VWM sold 13,692 tons of material, for a total of 35,371 tons. At the end of RY5, sales totaled \$3,288,066 for PRR and \$1,412,185 for VWM, for a total of \$4,700,251 which is a decrease of \$966,443 over the prior year. The CCCSWA receives a portion of this revenue.

Table 1: Tonnage of Materials Sold and Sales Revenue in Rate Year 5

	PRR (I-680 Corridor)	VWM (Lamorinda)	Total
Tons Sold	21,679	13,692	35,371
Sales Revenue	\$3,288,066	\$1,412,185	\$4,700,251

Material Sales in RY5 Compared to Previous Years

Attachment 1 compares material sales tonnage and revenue from RY1 through RY5. Tonnage has generally decreased during these years, from 40,356 tons in RY1 to 35,371 tons in RY5. Sales revenue for RYE 1 through RYE 3 was climbing from almost \$5 million in RY 1 to \$6.8 million in RY 3 but due to the economy, sales have declined in the past two years to \$4.7 million in RY 5.

Tonnages and Prices by Material Type

Attachment 2 shows the tonnages of material sold by material type in RY1 through RY5. Most of the tonnage in RY5 continued to be in paper products and glass. Newspaper alone accounted for more tonnage than all other materials combined. Newspaper saw the greatest decline in tonnage going from 23,365 in RY 4 to 18,032 in RY 5.

The average prices per ton received by PRR and VWM in RY5 are shown in Table 2 below. The prices are shown in descending order from the most valuable material (aluminum) to least valuable (glass). Prices for aluminum and PET continued to eclipse prices for other commodities. While aluminum and PET received about \$4,099 to \$1,787 per ton respectively, newspaper and cardboard, the predominant recyclables collected in RY5, garnered almost \$115 per ton.

Table 2: Average Material Price per Ton in RY5

Material	PRR (\$)	VWM (\$)	% Difference (PRR vs. VWM)
Aluminum	4,099	3,172	23%
PET	2,126	1,787	16%
N-HDPE	683	576	16%
Glass	123	94	24%
Tin	114	91	21%
Cardboard	113	106	6%
Newspaper	103	91	11%

Tonnages and Prices by Material Type in RY5 Compared to Previous Years

Attachment 2 also compares tonnages by material type in RY1 through RY5. In RY5, tonnages have increased for all commodities except glass and newspaper.

Attachment 3 compares average price per ton between PRR and WM by material type in RY1 through RY5. The largest price decrease was for aluminum, which fell from \$4,406 per ton in RY4 to \$3,636 per ton in RY5. Other commodities sales prices decreased from RY 4 to RY 5 excluding PET where the price remained the same at \$1,956 for the past two years.

Guaranteed Compensation and Revenue Sharing

PRR's agreement guarantees revenue to the CCCSWA of \$32.59 per ton of recyclables accepted, processed, recovered and marketed at the PRR facility. In RY5, the guaranteed compensation to CCCSWA totaled \$706,504.74. In addition, PRR shares revenue dependent on the Recyclable's sales revenues. For example, if tons delivered fall below 28,000 tons, PRR then receives \$13.50 per ton for each ton below 28,000 tons, not delivered to PRR during any contract year. If the average sale of Recyclables delivered exceeds \$96.34 per ton (which is the \$32.59 per ton plus a processing fee of \$63.75 per ton), then CCCSWA receives a revenue share of 60% of the revenue between \$96.34 per ton and \$130 per ton in addition to the net revenue guarantee. Should the sale price per ton exceed \$130, then CCCSWA receives 50% of those total sales. Revenue to the CCCSWA is paid monthly, except when tonnage is below the minimum.

Throughout RY5, PRR made payments to the CCCSWA based on tons sold. At the end of the year, however, total tons delivered to PRR were 6,321.39 tons short of the CCCSWA's annual commitment of 28,000 tons to PRR. The agreement stipulates that, in the case of under-delivery, PRR is to be credited with \$13.50 per ton for each ton below 28,000 tons. The tonnage shortage in RY5 equates to \$85,338.77 for RY5. Per the service agreement, PRR deducted this amount from February's payment to the CCCSWA. In all, net revenue to the CCCSWA from PRR totaled \$1,101,084 for RY5.

VWM's agreement operates differently. VWM guarantees sales revenue of \$441,184 each year. This amount is applied directly to the solid waste rates during the annual rate reviews. As such, the revenue serves to reduce the solid waste rates for customers. Note that this revenue amount is guaranteed regardless of how many tons VWM sells and the prices it receives.

When sales exceed a baseline amount, VWM shares revenues directly with the CCCSWA. This revenue is determined on an annual basis and paid to the CCCSWA at the end of each rate year. In RY5, VWM's sales exceeded the baseline amount such that the CCCSWA should receive \$41,551.52.

Total tonnage and revenue amounts to the CCCSWA for RY5 are summarized in Table 3 below. Revenue to the CCCSWA's Diversion Incentive Fund totaled \$1,142,636.

Table 3: Revenue Shared with the CCCSWA in Rate Year 5

	PRR (I-680 Corridor)	VWM (Lamorinda Area)	Total
Total Guaranteed Compensation	\$706,504.74	\$441,184*	\$1,259,854
Revenue Share to CCCSWA	\$394,579.26	\$41,551.52	\$749,386
Total RY5 Revenue To CCCSWA	\$1,101,084	\$41,551.52	\$1,142,636

*This amount is applied directly to the solid waste rates.

Diversion Incentive Fund

The material sales revenue from PRR and VWM is deposited to the CCCSWA’s Diversion Incentive Fund. With the revenue payments for RY5, the Fund’s balance totals over \$1.1 million as per the above table.

ATTACHMENTS

1. Material Sales Revenue and Tonnage for RY1 through RY5
2. Material Tonnage Comparison for RY1 through RY5
3. Material Price/Ton Comparison for RY1 through RY5