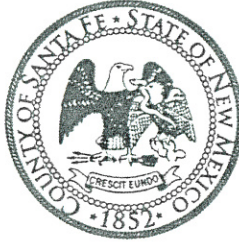


Henry P. Roybal
Commissioner, District 1

Anna Hansen
Commissioner, District 2

Robert A. Anaya
Commissioner, District 3



Anna T. Hamilton
Commissioner, District 4

Ed Moreno
Commissioner, District 5

Katherine Miller
County Manager

DATE: *March 23, 2018*

TO: *Board of County Commissioners*

FROM: *Michael Kelley, Public Works Department Director MK 3/28/18*

VIA: *Katherine Miller, County Manager*

ITEM AND ISSUE: *BCC Meeting April 10, 2018. Recycling Update (Public Works / Neal Denton)*

SUMMARY:

This memo summarizes the impact of the Chinese government's actions regarding imports of recyclables on recycling processes and costs in Santa Fe County.

BACKGROUND:

For decades, the majority of recyclables generated in the United States have been sold to companies in China. In July 2017, the Chinese government informed the World Trade Organization that it would forbid the import of 24 kinds of solid wastes, including mixed paper and mixed plastics, and reduce the threshold for allowable non-recyclables to 0.3% for all recyclables (down from 1.5%-5%) by the end of 2017. This standard is widely considered impossible to meet and therefore serves as a de facto ban on imports of recyclables. This action is a response to high levels of contamination in recyclables and the Chinese President prioritizing environmental protection. According to a 2017 audit, mixed paper comprises approximately 54% of the total material recycled in Santa Fe County, and mixed plastics comprise approximately 1%.

In July 2015, The Santa Fe Solid Waste Management Agency (SFSWMA) contracted with Friedman Recycling of Albuquerque LLC to sort and sell recyclables. Prior to that time, recyclables were sorted and sold at the Buckman Road Recycling and Transfer Station (BuRRT). In August 2017, Friedman Recycling received notice from their primary buyer of newspaper and mixed paper indicating they are no longer able to fulfill their contractual obligations due to the actions of the Chinese government. Friedman Recycling then submitted a request to SFSWMA for a six month contract amendment that suspends revenue sharing obligations and requires SFSWMA to collect and dispose of residual content of its recycling stream at its cost. The SFSWMA Joint Powers Board approved a contract amendment with those terms for October 1, 2017 to December 31, 2017, resulting in a projected increased cost of \$39,000 covered by SFSWMA.

In January 2018, Friedman Recycling submitted another request to SFSWMA proposing a contract amendment increasing the processing fee from \$50 per ton to \$122.39 per ton, adjusting the revenue sharing provisions, and adding transportation and handling expenses SFSWMA. The higher

processing cost is the result of hiring over 50 new employees and significantly slowing down the sorting line by 50% in order to achieve the contamination threshold set by the Chinese government. The amendment brought before the SFSWMA Joint Powers Board (JPB) in March increased the processing fee as described above, adjusted revenue sharing provisions, and added the proposed transportation and handling expenses, resulting in a projected increased cost of \$160,000 for March 1, 2018 to July 15, 2018.

The JPB raised some questions about the amendment and approved a one-month amendment for March with the aforementioned terms while retroactively suspending revenue sharing for the months of January and February. Friedman Recycling indicated if they did not receive any amendment, they would have to trigger the force majeure clause of the contract and significantly slow down the acceptance of material from SFSWMA because they can no longer absorb losses. The JPB directed the Executive Director of SFSWMA to enter negotiations with Friedman Recycling to address the questions raised and to bring a revised amendment to the April meeting along with a draft request for proposals to evaluate any alternatives to the current arrangement.

The City of Albuquerque, South Central Solid Waste Authority (Dona Ana County/Las Cruces), and the City of El Paso received the same letters from Friedman Recycling. The City of Albuquerque is negotiating a contract amendment believed to have similar terms. Friedman Recycling operates a materials recovery facility (MRF) in El Paso. Recyclables from Dona Ana County are transported there. The City of El Paso has rejected attempts to renegotiate the contract as this is the fourth such contract amendment requested

DISCUSSION:

This action of the Chinese government is the latest in a series of actions starting in 2013 targeting non-compliant imports of scrap material. Tens of thousands of tons have been seized. Raids have been televised. Hundreds of facilities have been cited, hundreds have suspended operations, and hundreds of people have been arrested. Some are relocating operations to other countries such as Malaysia.

The recycling industry is reacting to capture the estimated \$5.6 billion per year in valuable material no longer being exported to China. Material is being sent to India, Vietnam, Thailand, South America, and elsewhere. There is growth in already strong markets such as Canada, Mexico, Turkey, and elsewhere.

The United States exports recyclables to 155 countries, and 70% is sold domestically. However, the hastiness of this action of the Chinese government has resulted in market saturation. Approximately 37 million tons of recyclables were being shipped to China each year. There is a lag in infrastructure development to capture those materials that is expected to last five years. Those who did not have an alternative market before this action are very challenged to find a new market.

Although the impact has been felt throughout the United States, it has been particularly pronounced in New Mexico single-stream recycling programs. Fifty-eight percent of states reported minimal effect, and only 10% reported a heavy effect. The western states have been more impacted by others since most of their recyclables have been shipped out of western ports.

Rural recycling in New Mexico where customers separate their materials at a transfer station, and the transfer station operator bales and sells the material, have not experienced significant adverse

impacts. The New Mexico Recycling Coalition indicated an Albuquerque recycling broker is currently interested in taking on new customers. This broker only currently purchases sorted and baled material, not the single-stream material sent to Friedman Recycling.

The Executive Director of SFSWMA indicated in a memo to the JPB that a new fees ordinance increasing the fee for recyclable materials would be brought for discussion to the April meeting. The projected impact to the County is \$80,000-\$100,000 per year. The expected increased cost is expected result in an extra \$1.30 per City of Santa Fe account. A rough calculation of the potential impact on private haulers reveals costs to increase by \$12,000-\$49,000 per year, varying by the amount of tons handled. There is currently no fee to bring traditional recyclables to BuRRT. There is a fee for green waste (a.k.a. yard waste), glass, and electronic waste.

Santa Fe County accepts cardboard, mixed recycling (cans, cartons, paper, plastic, etc.), glass, tires, brush, scrap metal/appliances, and automotive fluids for recycling at solid waste convenience centers. All of these materials except scrap metal/appliances and automotive fluids are hauled to BuRRT. The cardboard and mixed recycling is transferred into a tractor-trailer truck for shipment to the Friedman Recycling MRF in Albuquerque.

Santa Fe County Ordinance #2016-4 required haulers who provide curbside residential refuse collection services within the collection district described in the ordinance to collect recyclables as well. Haulers in the collection district are reported a total of 1,163 tons recycled from residences in 2017. Table I shows the trash and recycling totals from solid waste convenience centers from 2014-2017. The County's material comprised 4% of the total material handled at the Friedman Recycling MRF in Albuquerque in 2017. The material from SFSWMA comprises roughly 14% of their total.

Table I: Trash and Recycling Totals at Santa Fe County Convenience Centers				
	2014	2015	2016	2017
Trash (tons)	10,398	9,044	9,058	7,722
Recycling (tons)	1,770	1,208	1,604	1,463
Cardboard & Mixed* (tons)	802	888	947	741
Total (tons)	12,168	10,252	10,662	9,185
Diversion Rate	15%	12%	15%	16%

*Material sent to Friedman Recycling

ACTION REQUESTED:

None.



Santa Fe County

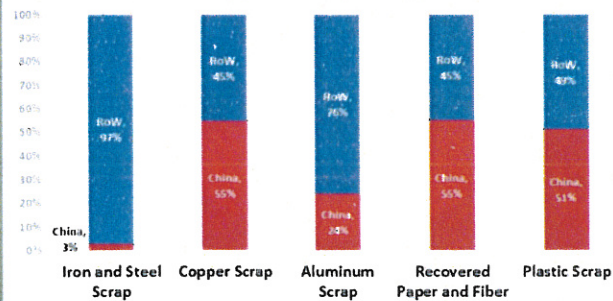
Recycling Update

Neal Denton/Les Francisco
Public Works Department
Sustainability/Solid Waste Divisions
April 10, 2018

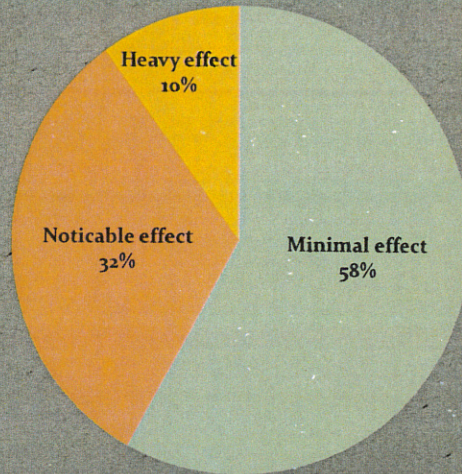
China's "National Sword"



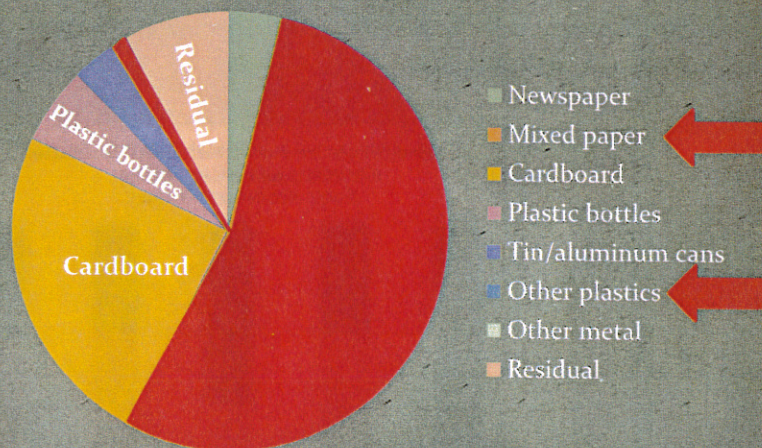
Mainland China's Share of Global Imports for Selected Recycled Commodities, 2016(p)
Source: UN Comtrade Database



Impact in U.S. – Survey of States



Percentage of Commodities for 2017



Timeline of Events

Date	Action
July 2015	SFSWMA/Friedman Recycling (FR) enter into contract.
July 2017	China notifies World Trade Organization of recyclables ban.
August 2017	FR receives notice from buyer that it can no longer buy paper.
September 2017	FR requests temporary contract amendment suspending revenue sharing & requiring backhauling. SFSWMA Joint Powers Board (JPB) approves amendment through December.
January 2018	FR requests permanent contract amendment increasing processing fee, adjusting revenue sharing, and requiring payment of some transportation and handling expenses.
February 2018	JPB directs SFSWMA Exec. Director (ED) to negotiate amendment.
March 2018	SFSWMA ED requests JPB approval of four-month amendment with requested terms. JPB approves one-month amendment and directs ED to enter negotiations with FR to address questions raised and to present a draft RFP for alternatives at April meeting.

Trash and Recycling Totals at Convenience Centers

	2014	2015	2016	2017
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