



Engineering & Public Works Department

155 South Seward Street

Juneau, Alaska 99801

Phone: 907-586-0800 | Fax: 907-463-2606

DATE: November 20, 2017

TO: Jerry Nankervis, Chair
Committee of the Whole

FROM: Michele Elfers, RecycleWorks Manager

SUBJECT: RecycleWorks Fee Schedule and Site Location

Background:

Over the last year, there have been several Assembly presentations¹ on the RecycleWorks program which focused on current opportunities and challenges, long term goals and objectives, and sustained fiscal viability. Those presentations outlined that in order to achieve the Assembly's long term goal of waste stream diversion from the landfill, the Assembly needs to consider and take action on two critical issues: Fee schedule and Site location.

In making these decisions, the Assembly must balance the needs of the existing program, the desire to increase diversion of waste from the landfill, the ability of the citizens to afford rate increases and the desire to control the management of the programs.

Proposed Fee Schedule Adjustments:

The RecycleWorks program is currently funded through a \$48/year residential user rate charged via CBJ utility bills (\$4/month) and a Motor Vehicle Registration Tax (MVRT) of \$22/year charged on non-commercial vehicles which is collected and transmitted through the State of Alaska DMV. Currently, there is no MVRT in place for commercial vehicles.

For FY18, revenue to the program is approximately \$1.1M and expenditures are estimated at \$1.3M. The shortfall is covered through the Waste Management Enterprise Fund balance. In order to grow the program and achieve the goal of additional diversion from the landfill, the CBJ needs to provide for a stable revenue base to fund operations. The Assembly and voting public took the first step in that direction with the recent infusion of \$2M in 1% sales tax funding. The 1% helps to stabilize the program, but does not cure the problem.

The table below constitutes staff's proposed fee structure. Residential rates would increase over a period of 4 years from \$4.00 a month to \$8.00 a month. Commercial rates are currently structured as a flat rate and are not mandatory. Approximately \$2500 will be collected from the voluntary

¹ May 31, 2017, Assembly Finance Committee – 1% sales tax discussion

April 10, 2017, Lands Committee Presentation: <http://www.juneau.org/pubworks/documents/Lands4-10.pdf>

March 20, 2017, Assembly Committee of the Whole:
<http://www.juneau.org/pubworks/documents/COWRWFfinal3-16.pdf>

commercial permit program this year. Moving forward, it is proposed that the commercial rate is mandatory and that for larger commercial customers the fee will increase based on overall tonnage. Increasing the MVRT or addressing a commercial vehicle tax is not being proposed at this time but could be considered as an option in the future.

Existing and Proposed Annual RecycleWorks Program User Rates

	Residential	Commercial up to 3 tons	Commercial up to 20 tons	Commercial up to 50 tons	Commercial over 50 tons
Existing					
FY 18	\$48	\$100	\$100	\$100	\$100
Proposed:					
FY19*	\$72	\$100	\$100	\$100	\$100
FY20	\$84	\$ 100	\$100	\$100	\$100
FY21	\$96	\$100	\$ 500	\$2,000	\$5,000
FY22	\$96	\$100	\$500	\$2,000	\$5,000

* In FY 19 commercial rate becomes mandatory and assessed on the utility bill.

In considering these rates, it may be helpful to put them in perspective. The average consumer pays approximately \$430 annually for garbage and recycling curbside pickup, and the cost of disposal at the landfill is \$195 per ton for the public.

Site Location:

The Alaskan Brewing Company continues to be interested in acquiring the 4 CBJ lots adjacent to their property in Lemon Creek to expand their manufacturing facility. The appraised value of these 4 lots is \$2,600,000. The water utility occupies two of these lots and the Household Hazardous Waste (HHW) facility occupies the other two. Both programs can be relocated to allow for the sale of the property. At the April 10, 2017 Lands Committee, a recommendation to authorize the City Manager to begin negotiations directly with the Alaskan Brewing Company for the sale of the four lots was forwarded to the Assembly.

Alternate locations for CBJ programs have been evaluated. The water utility can move to the former Valley Street Maintenance Shop property (adjacent to Capital Transit) which is vacant.

Currently, the RecycleWorks program is spread over several locations in Lemon Creek: the HHW facility on Commercial Drive, junk vehicle processing with Skookum on Anka Street, and recycling with Waste Management at the landfill. While the current facilities and site distribution have functioned adequately for the last few years, the growth in recycling we have seen with the drop box containers has shown that the landfill facility has reached maximum capacity. Additionally, when considering future growth opportunities, having multiple facility locations does not lend itself to operational efficiencies or to customer convenience. If the overall goal is to increase the amount of diversion to the landfill, then making disposal easier for the customer will help us to achieve this goal.

At the April 10, 2017 Lands Committee, 4 potential site options for RecycleWorks were presented: Valley Street site, Lemon Creek Gravel Pit, Waste Management site, and the CMI (formerly Channel) property on Anka Street.

The HHW program needs public access, indoor and outdoor storage space, and paved areas for large containers to be loaded for shipping of materials. It would be possible to locate the HHW program to the Valley Street Shop, but the site would be operationally difficult for public access and container loading especially if combined with water utility operations. The location is inconvenient for the public and it would limit overall program growth.

The Gravel Pit area in Lemon Creek could be developed, but the cost of development is higher than any of the other options and it ties up a piece of property that potentially could be used for a better purpose. Industrial land is sparse and this parcel represents significant future potential for growth.

The other two options, the CMI property on Anka Street and contracting for expanded services with Waste Management at the landfill both allow for current and future operational program needs to be met, but represent different long term outcomes.

The 5.4 acre property owned by CMI, LLC is for sale at 1721 Anka Street for \$3,300,000. This parcel meets current and future RecycleWorks needs. It is paved, has adequate room for growth and is centrally located for the public. It has the added advantage of being adjacent to the CBJ junk vehicle program currently operated by Skookum under a 10 year contract. The HHW program could be moved into the existing building with minimal renovation and the recycling program could be relocated here with a covered structure similar to the salt storage bay at the CBJ Streets Shop at 7 mile Glacier Highway, and a pilot composting program could be initiated.

It is also possible to expand operations at the Waste Management site with significant capital investment. The recycling building at Waste Management (WM) needs to be replaced due to physical and operational problems, and if the goal is to co-locate services, an additional structure to house HHW would need to be constructed. WM indicated that to make this investment, a long term contract of 10-20 years with a higher rate to include amortized capital costs, lease costs, and operational costs would be required. At the end of the lease period, CBJ would be back in the position of determining how best to provide for the future of the program.

Considerations:

Juneau does not have ownership over our waste stream and there is not a private sector competitive market for solid waste disposal. This means that as a municipality we have been dependent on private companies to haul and process our waste which limits our decision making ability on long term solid waste disposal options. In making a decision about site location, the Assembly must weigh how much control the city should have over managing our solid waste stream.

The proposal to buy the CMI property for the HHW, recycling and compost programs gives us some ownership and decision making power to affect the cost of solid waste processing and disposal into the future. With the sale to the Alaskan Brewing Company and the relocation to the CMI property, CBJ will have the option to contract with private operators on our property, manage how recycling is processed, grow the local beneficial reuse of our waste, and extend the lifespan of the landfill.

The chart below summarizes points for consideration:

RecycleWorks Facility Ownership and Management		
Pro's & Con's		
	Public Operator	Private Operator
Public Land	Can recoup infrastructure investment over long term.	Can recoup infrastructure costs over long term, potentially lower operating costs.
Private Land	Infrastructure costs have to be recouped over life of contract.	Infrastructure costs have to be recouped over life of contract, potentially lower operating costs.

Conclusion:

The proposed fee schedule and sale of the 4 CBJ lots would allow for program relocation, consolidation of HHW and Recycling programs, and the initiation of a pilot composting program. The requested action items are:

1. Direct staff to draft an ordinance authorizing rate increases for Assembly consideration.
2. Motion to begin negotiations for sale of CBJ property and purchase of the Anka Street property.