Community Conservation Centers (CCC)
FY 2011 - Third Quarter Report
January 1, 2011 through March 31, 2011

1. New CCC/COB Contract

City staff recently decided to recommend a new, long-term contract for Council review prior to June 30, 2011 when CCC's current contract expires. Negotiations have re-started on the agreement that was reached in May, 2010 and was undergoing legal review in September 2010. At that time, contract review was suspended because the City hired Sloan/Vazquez to assess the Solid Waste Management Division and staff wanted to review their report prior to recommending CCC's contract to Council. The consultant report was released in February, 2011, and pursuant to report recommendations, City and CCC began to negotiate aspects of the recycling program operated by CCC. The new contract between the City and CCC may have different financial arrangement, which, at the time of this writing, CCC has not yet received. CCC is hopeful that the new financial arrangement will be successfully negotiated.

2. Diversion of Commercial and Curbside containers

After release of the Sloan/Vazquez report, CCC suggested consideration of transshipping containers collected in the curbside and commercial programs as a possible way to reduce program costs. However, using Sloanl/Vazquez numbers, CCC analyzed the finances of the transshipping scenario and determined that this situation would more likely **increase costs.** Furthermore, an outside processor's residual rate for containers would likely exceed 30 percent, compared to CCC's residual rate of about 10 percent; second, it would **cost** an outside processor $45 per ton for 3-mix glass compared to CCC revenue of $30 to $50 per ton for color sorted glass. The transshipping decision is now part of the ongoing contract deliberations.

For the Commission's information, we have attached CCC's summary of the pros and cons of transshipping.

3. #5 Plastic Toy Project

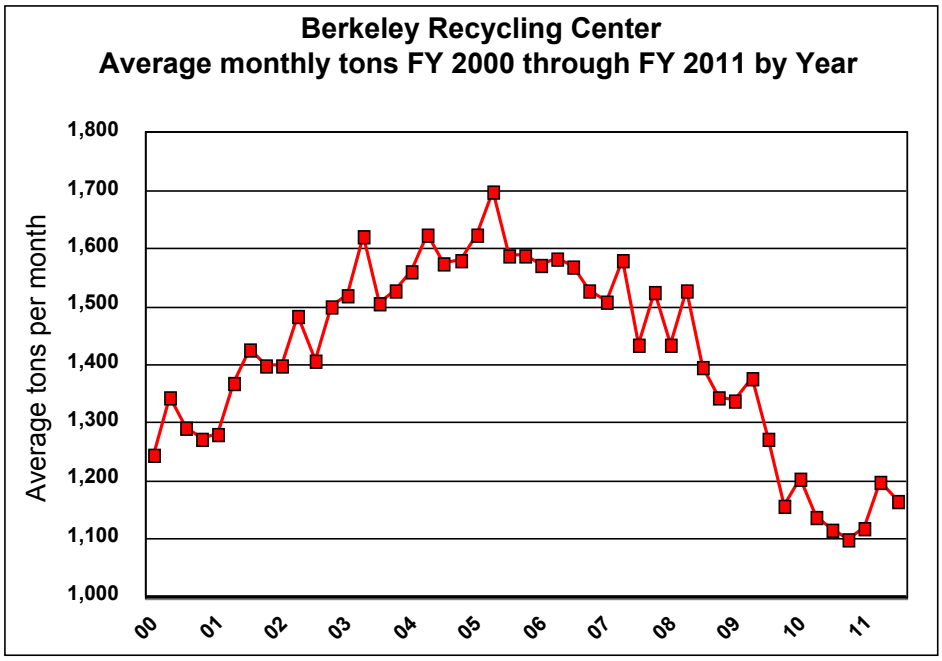
The Mayor's Office and a councilmember are interested in pursuing a project with Green Toys, which manufactures toys from 100% post-consumer #2 plastic. Green Toys is interested in manufacturing new toys from #5 plastic, which includes primarily yogurt and other dairy containers. When Green Toys approached other MRFs in the area and requested separation of #5 plastics, those firms declined to participate. However, Berkeley policymakers expressed interest in determining whether or not Berkeley's small MRF can provide the #5 plastic for this project. If this project is successful, Green Toys will imprint the following information on every one of the toys made from this plastic: *Made from 100% post-consumer plastic recycled in Berkeley.*

CCC recently sent 200 pounds of #5 plastic to the processor who currently provides #2 plastic to Green Toys; this #5 plastic was pulled from the containers delivered to the Berkeley MRF by the curbside and commercial programs. The processor determined that they can produce clean, plastic pellets from these containers which are suitable for manufacture into toys. The next step is to determine whether or not there will be sufficient #5 plastic in the container stream to meet the manufacturer's requirements. Finally, we must identify a feasible and economical way to "package" the #5 plastic so it can be shipped to the processor. These plastics cannot be baled

because they are brittle and the small pieces will not hold together to yield a solid bale. We will continue to keep you posted.

4. Tonnage

The average tons per month recycled at the Berkeley Recycling Center at the end of the third quarter of FY-2011 is almost equal to last year's average monthly tons, showing a mere 0.1 percent growth. The absence of tonnage growth is nonetheless a positive sign because the past several years have been showing consistent and substantial loss of tons, mostly in the buyback/drop-off program. All tonnage growth is in the curbside program which results, in part, from implementation of the new split cart program. We are hopeful that the new carts will result in sustained tonnage levels. We don't expect tonnage to return to historic levels (as high as 1,700 tons per month in FY 2005) due to continuing declines in print media and the sluggish economy which results in lower consumption and commensurate declines in various forms of packaging.



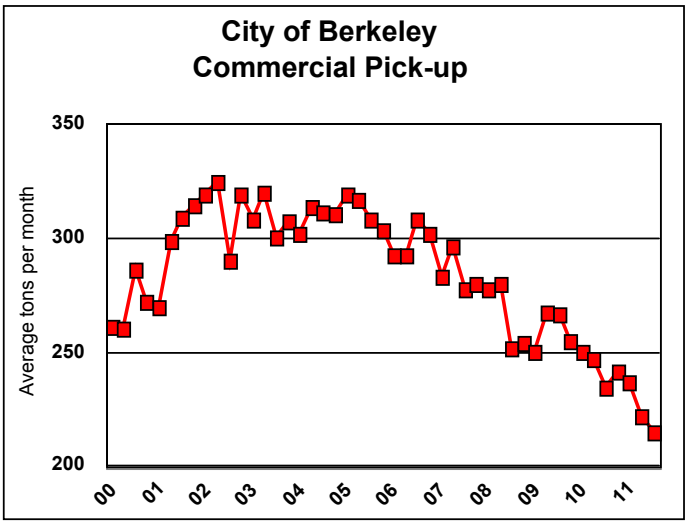
The chart at left portrays the historic trend in tons recycled in Berkeley. After steady growth in the first five years of the decade, tons have declined consistently until we are finally seeing an increase in tons that results from implementation of curbside split carts.

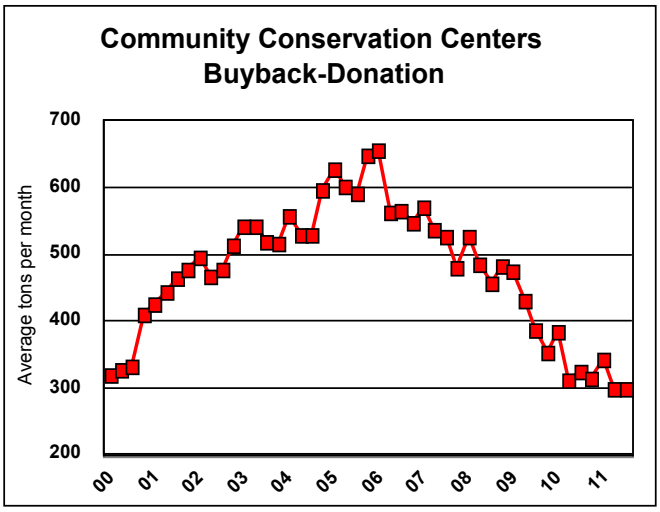
The following table portrays the average tons per month in FY 2011 compared to the average in the past three years. The percent change column compares the current fiscal year to FY 2010.

Berkeley Recycling Center - Average Tons per Month

Material	FY 2008	FY 2009	FY 2010	**FY 2011**	%Change	3-Year
BB/Drop-off	487.9	412.2	337.0	**314.8**	-6.6%	-35.8%
Commercial	257.7	261.1	250.4	**215.7**	-13.8%	-16.3%
Curbside	672.6	614.8	559.7	**621.8**	11.1%	-7.5%
Total:	**1,427.0**	**1,288.1**	**1,141.8**	**1,152.3**	**0.1%**	**-19.3%**

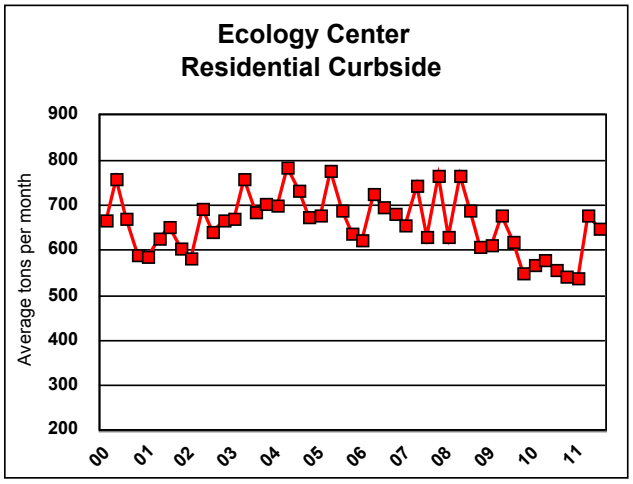
Tons collected in the commercial program have been slowly declining since FY 2002, and it appears that decline is increasing. FY2011 tonnage is a substantial 13.8 percent lower than last year and average monthly tons collected in the commercial program have declined in all of the last three quarters. We have not identified an explanation for the recent tonnage declines in the commercial program.





Tons collected at the Buyback/Drop-off have been declining since FY 2006, although declines appear to be leveling off in the past year. About 150 tons per month were lost when CCC closed its Dwight-King satellite drop-off program. Paradoxically, additional declines result from very low market prices (FY 2009 and 2010) and some declines result from very high market prices (FY 2007 and 2008). Berkeley has never been a "price leader" for recycled materials, and higher prices in north Oakland lure Berkeley tons away from the City's buyback.

Residential curbside tons have experienced broad ups-and-downs in the short term which may reflect poaching activity resulting from surges in market prices. At the end of the second quarter, curbside tons grew 8.5 percent and that growth increased to 11.1 percent at the end of the third quarter. The three-year tonnage decline is just 7.5 percent, and we are optimistic that collections will remain high and possibly increase now that split carts have been distributed.



5. Market Price Trends

Current market prices are extremely high and are very similar to prices in FY 2008 which was CCC's best revenue year since the program opened in 1982. After a market crash in late 2008, market prices recovered quickly and steadily increased thereafter. The average price per ton in FY 2009 was $88.14 which grew to an average per ton price of $110.76 at the end of FY 2010 and is equal to $133.06 at the end of the third quarter of FY2011. Because fiber market prices remain comparatively high and because about 80 percent of total tons processed at Berkeley Recycling is paper, the financial picture is good and getting better. Fiber markets remain strong in part because less paper is available so demand is high. Also, Berkeley paper is sold to Asia and the Chinese Yuan is very strong against the dollar which contributes to the high Asian markets. When the dollar begins to recover against the Yuan, we may see paper prices decline.

Continuing market price increases in the past two years are portrayed in the following table which compares annual average per ton fiber prices over a four-year period. Prices are shown below for newspaper (ONP), corrugated (OCC) and mixed paper (MP). The percent change column compares last fiscal year average prices to FY2011 average prices.

Average per ton fiber prices FY 2007 through FY 2011

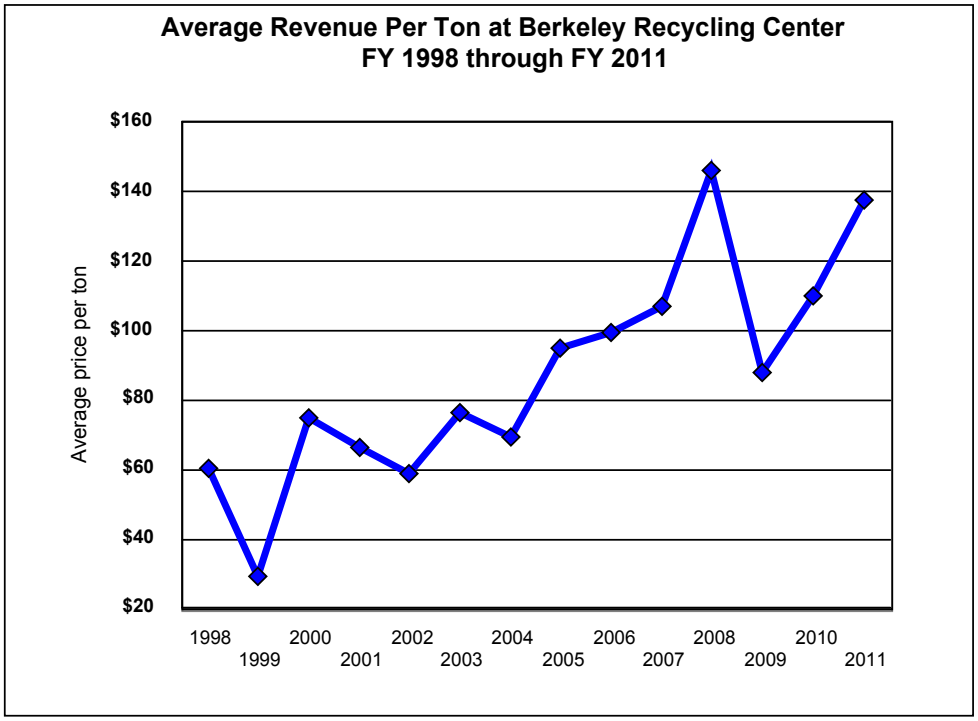
Material	2007	2008	2009	2010	2011	% change
ONP	$125.90	$161.23	$75.67	$121.11	$158.29	**30.69%**
OCC	$136.26	$181.52	$91.33	$138.57	$195.64	**41.18%**
MP	$113.20	$147.86	$68.82	$114.17	$146.49	**28.31%**

Market prices for non-fiber recyclable materials have also increased in FY 2011, some dramatically. However, the greatest increases are for PET and HDPE plastic which comprise a very low percentage of tons.

Average per ton non-fiber scrap prices FY 2007 through FY 2011

Material	2007	2008	2009	2010	2011	change
Alum. cans	$1,657.92	$1,664.00	$931.36	$1,164.03	$1,353.43	36.3%
PET scrap	$300.00	$300.00	$146.93	$191.06	$399.28	108.9%
HDPE scrap	$300.00	$300.00	$174.63	215.16	$325.00	51.1%
Tin	$94.47	$45.69	$50.22	$121.88	$175.90	44.3%
Ferrous	$78.28	$123.84	$60.46	$97.72	$131.48	35.6%

The "average revenue" chart below portrays steady growth in market prices between FY1999 and FY2008 when market prices reached an all-time high. This was followed in the second quarter of FY2009 with a major economic collapse that reduced market prices to 20-year lows. Prices began to increase fairly quickly resulting in a weak recovery in FY2009. Growth in market prices continued through FY2010, resulting in fairly strong prices in that year, and have continued to grow in the current year, increasing in all three quarters, with the result that current high prices are almost on par with FY 2008. The following chart graphically depicts substantial price increases in the two years.



6. CCC Revenue and Expense

The attached budget chart portrays CCC's FY 2010-11 budget and "estimated/actual" expense at the end of the third quarter, the period from 7/1/2010 through 3/31/2011. We note the following:

• Scrap revenue is more than 26 percent higher than budget estimates resulting from high market prices highlighted above.

• Gross revenue is more than 11 percent above budget estimates because of high market prices, despite tonnage levels that are more than 4 percent below projections.

• Operating expense is slightly lower than budget despite some line items exceeding budget estimates and some line items falling below estimates. The most significant decline is salaries and wages which results from two vacancies that occurred during the second quarter.

• At the end of the third quarter, revenue is $105,081 more than expense, which compares to a projected deficit of $210,241 for the same period. It appears that high market prices will nullify the projected loss and leave CCC with substantial revenue over expense at the end of the year.

ATTACHMENT
Transshipping curbside and commercial containers from Berkeley MRF
CCC's List of Pros and Cons
5/4/2011

Pros

- City can add all plastics—#1 through #7— to the list of materials residents can recycle. However, we are very skeptical that these plastics are really being recycled. (Also, CCC is already working to determine whether or not we can add more plastics at the Berkeley MRF.)
- City asserts that future capital costs would be avoided, however, existing facilities need no major capital investments for next ten years.
- City asserts that future storm water expense would be avoided if containers transshipped, however, transloading also requires temporary container piles at the recycling center so the run-off problem would persist.

Cons

- Transshipping will NOT improve City's finances. Although Berkeley MRF costs would decline markedly, revenues from the containers would exceed the cost reductions.
- City will lose 10 local green jobs.
- Percentage of material recycled will decline significantly because (a) Berkeley MRF residual rate is 3% overall compared to outside firms' residual rates that range from 15% to 35%; and (b) extra handling will degrade materials and reduce amount and quality of materials recycled.
- Glass recycling will be most negatively impacted because losses will likely approach 40 percent. Also, glass will probably not be color sorted so all glass will cost the outside processor $46 per ton, compared to revenue of $30 to $50 per ton for CCC's color-sorted glass.
- Transshipping materials in City long-haul trucks will increase energy usage and increase the City's carbon footprint, contradicting the City's recently approved Climate Action Plan.
- Requesting quotations from outside firms raises the specter of a low-ball bid which would lead to higher costs once City has dismantled its container sorting system.
- Berkeley MRF will experience order of magnitude losses because per ton costs will increase when overall tonnage is reduced.
- City would lose the ability to process curbside/commercial containers which would reduce flexibility of City's MRF, e.g., negating the possibility of Green Toys #5 plastic project.
- Maneuvering and loading long-haul trucks at recycling center will require changes to facility as well as construction of a ramp and/or acquisition of tink bucket, and that required additional capital expenditures.