



DOING MORE WITH LESS

Focusing on collection in apartment buildings, corporate and nonprofit partnerships have helped lift the Big Apple's diversion efforts for textiles and electronics.

BY ROBERT LANGE

Developing sustainable programs funded with taxpayer dollars has always been a challenge for city and county planners and program managers. The fiscal climate of the last half-decade has brought that challenge into even sharper relief and raised a key question: How does a municipality develop programs that ultimately survive the annual competition for limited budgetary funds?

To help ensure consistent and sustainable public services, city planners and program managers must have a solid understanding of the very real tension between sustainability and survival in a tax-supported environment as well as a creative approach to proposing and developing new programs.

Teaming up with nonprofit organizations and commercial entities to supply certain types of public services is one often-fruitful tactic – such partnerships provide a means to eliminate or, at the very least, significantly lower annual operating costs. While not all programs can be developed and operated in this manner, there are opportunities for public-private partnership in the field of solid waste management, particularly when the material being addressed is a relatively small share of the total waste stream and challenges stand in the way of successful recovery using traditional collection methods.

This article will examine two recent public-private partnerships that have been created by the author and launched in New York City. One is a program focusing on the capture of textiles in

partnership with a local nonprofit organization that uses textiles to partially fund its charitable activities. The other is a scrap electronics program developed along with a major electronics recycling company; the effort provides supplemental and convenient service options that allow New Yorkers to comply with state electronics management regulations.

Clothing, computers, convenience

In New York City, textiles (linens, towels, blankets, curtains, clothing and other apparel) make up approximately 5 percent of the overall waste stream, or about 200,000 tons per year. Over the last 25 years, the city's Department of Sanitation has tested a number of ways to capture textiles, including direct collection curbside in clear bags along with mixed paper to widely publicized neighborhood textile drop-off events in partnership with charitable organizations. While direct curbside collection proved incompatible with successful capture and recovery, the neighborhood drop-off events yielded high-quality, uncontaminated textiles and demonstrated an unmet demand for convenient donation.

To help meet that demand, the Department of Sanitation in 2011 began the "re-fashionNYC" program, which provides participating apartment buildings with convenient donation services at no cost to the building or taxpayers. The effort is a partnership with nonprofit group Housing Works, which operates health centers,

housing facilities and thrift stores throughout the city.

Electronics, meanwhile, make up less than 1 percent of the overall waste stream in New York City. However, as a category of waste, it is a growing portion. In 2010, with the passage of New York State's Electronics Equipment Recycling and Reuse Act, manufacturers of electronic equipment are required to provide New York consumers with opportunities to properly and conveniently dispose of their obsolete electronics. As a state law, the definition of "convenient" is generic and leans heavily on the convenient opportunities available to upstate residents with cars rather than to urban residents who rely on public transportation.

To bridge this convenience gap for the residents of New York City, a program called "e-cycleNYC" was launched in 2013, and the city's partner is the national e-scrap processing firm Electronic Recyclers International.

Over 50 percent of New York City residents live in apartment buildings, and over 50 percent have no access to a vehicle. Both the textiles and electronics programs aim to boost materials diversion by targeting the buildings where residents live.

Why curbside is not the answer

Clearly, a primary challenge for organizers of these programs was figuring out the best way to collect the materials. Textiles and electronic scrap are difficult to capture successfully using traditional collection methods, and both make up just a small portion of the waste stream. For successful capture (marketing post-collection), both categories require the collection of the items intact and uncontaminated. Traditional collection methods used for both refuse and recycling do not easily allow for successful capture and recycling of either textiles or electronic waste because those methods are based upon cost per ton with efficiency being defined as the maximization of the tons collected per truck shift. Evaluating cost in this manner calls for the allocation of operating costs across the tonnages collected per truck shift. The more tons collected per truck shift, the lower the overall cost for each individual ton collected.

Curbside collection is the typical methodology used to capture elements of the waste stream for beneficial reuse due to its convenience for homeowners and

Collection tonnages for e-cycleNYC in 2014



Note: Weight figures are in pounds.

resulting greater participant compliance. But as smaller portions of the waste stream are targeted, the number of stops required to achieve a full truck load, as well as the distance required to travel to pick up items, quickly reaches the maximum hours of a worker's shift, long before a full truck load can be achieved.

In addition, the trucks themselves cause the immediate compromise of the items collected because they are designed to collect waste (items deemed to have no residual value) rather than commodities (items deemed to have resale value). Unlike compacted waste, commodities require preservation intact to increase their value and lower program operating costs.

In the case of small components of the waste stream, alternative forms of service are necessary to address non-regular generation and the need to maintain program efficiency. Traditionally, the charitable and material donation sector has provided services to the public for items that are generated irregularly or seasonally. Those services have been provided to the public on an on-call basis and with the organization removing the items directly from each household. Recently, with the resale or salvage value of many post-consumer items diminishing, and the cost of labor and transportation increasing, the availability of those services has been curtailed.

The textile and electronics programs that have been implemented in New York City utilize the traditional on-call removal

services and add organizational benefits that come when using common space areas within individual apartment buildings. In both efforts, buildings with 10 units or more use a bin or container that is provided through the program and placed in a common area to accept items between service calls. When the bin or container is full, the building coordinator calls for service.

The space provided by building management is convenient to all of the building's tenants and available when needed by tenants and staff. Unless they choose to do so, tenants have no need to store items in their own apartment between donations.

Apartment buildings, which present great challenges for the operation of a number of recycling programs, are easily adapted to these programs' requirements. Each apartment building operates as its own drop-off site for the residents living there. The building's superintendent, who regularly coordinates internal trash and recyclables handling and set-out, acts as the coordinator for the on-call service.

Utilization of revenues

The primary use for the revenues created from each program is investment in the programs themselves. Depending upon the magnitude of the funds generated, they can be used for different purposes. In the case of New York's two programs, the revenue generated from textiles are far more significant than those that are generated from

electronic scrap, due to the varying post-consumer value associated with both. In the case of textiles, the revenues generated are used to cover investment by the non-government partner. These hard assets will be used to further expand the partner's infrastructure and thereby allow for further program expansion and more service.

By partnering with the city in seeking to capture more textiles and being allowed to use program assets to expand its infrastructure, Housing Works is able to grow along with the city program but at the same time not lose sight of its core mission, which is its charitable community work. The city benefits both from the expansion of the desired program service to more and more New Yorkers but also from the expansion of the group's charitable work.

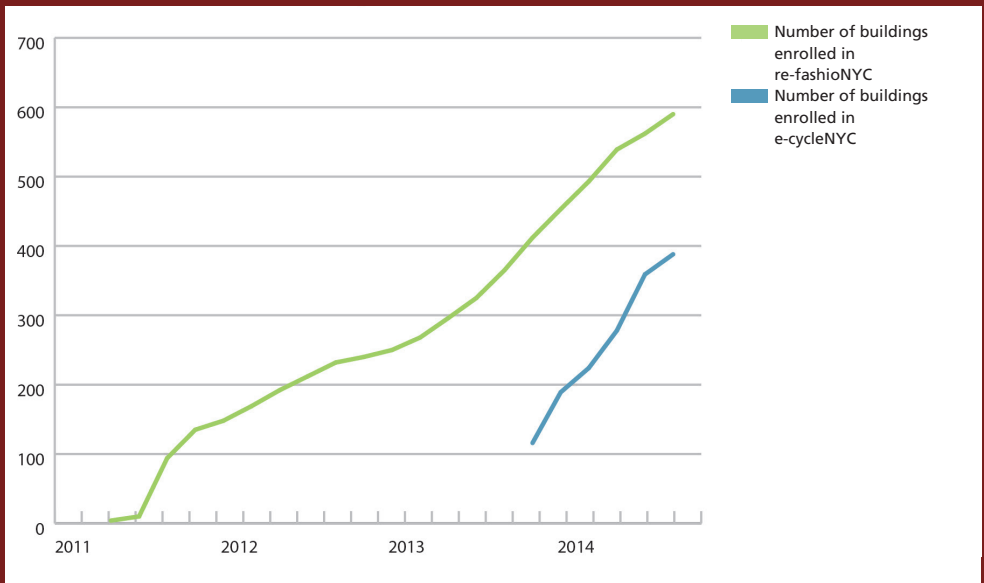
With e-scrap, the city's partner is a commercial business that has a vested interest in expanding its infrastructure to capture more material and grow as a business. The capture of post-consumer electronics is the core mission of its business, rather than the means of generating revenues to support a charitable mission. Under this type of relationship, the contractual relationship allows the revenues to be used instead for the annual promotion of the program as well as the general recruitment of more participants.

Betting on bids

In the case of both the electronics and textiles programs, the City determined a bid rather than an RFP would be the best solicitation instrument to find a nongovernmental partner. This was the case because administrators knew precisely the services they wanted provided. Unlike an RFP, a bid solicitation requires no protracted negotiation process, which can frequently result in a compromise of the scope of services envisioned and a possible reduction in the surety standards government wants to have the contractor maintain. A bid document is the final contract and all it is missing is the price to be paid by the winning bidder for the commodity targeted.

Why is a bid necessary when no costs are being incurred? The simple answer is that a bid is the simplest method that can be used by government to establish a contractual relationship. In addition, because commodities are being targeted

Quick enrollment rise in pair of programs



by this process, it is possible to use the potential value of those commodities as the basis for selecting one company over the other bidders to enter into the partnership. Of course, this is only possible if the bid document spells out all aspects of the scope of services, including the services to be provided to the public and what environmental standards the future contractor must adhere to. Therefore, the amount being bid is being used merely to make the final selection from the pool of viable contractors.

The goal of this process is a cost-neutral and revenue-neutral arrangement. It is possible to generate some revenue from the operation of the two programs described here, but regardless of how large or small that amount will be, it will be lost to the program unless the partnership is set up in the original solicitation to ensure that funds are retained for program growth.

In other words, the contract must be set up with no funds exchanging hands between the two parties. While contracts that require government funding are always vulnerable to future budget cuts, contracts that generate revenue have their own vulnerabilities, particularly when the funds flow into a municipality's general fund. Therefore, it is best to set up the partnership to allow whatever revenues are generated as a result of the services to go directly to benefit the future expansion of the services provided.

This can be accomplished by

establishing in the solicitation that all revenues generated will be retained by the contractor but set aside in a separate account for program growth. The account is operated by the contractor with both parties to the partnership keeping track of the revenues based upon the bid price per ton and the amount of material being captured daily, weekly, monthly and annually. The funds are retained by the contractor in a separate program bank account and can only be released for program expansion costs or program promotion costs with the approval of the government contract manager.

Tracking without spending

A related issue is determining how to track the revenues generated through public-private programs without that monitoring exhausting the revenues created. Because the two agreements discussed here are set up based upon a bid, the winning bidders were those that submitted the highest bid prices per weight for each commodity.

As part of a bid solicitation to secure services, the government party to the partnership establishes as part of the bid the value that will be contained within each bin or container type to be used for services by doing a series of measurements to determine a generic weight for each commodity by cubic foot, and then backing into the weight of what each bin or container would be if

full, based upon each bin or container's size in cubic feet. Alternatively, the weight can be established by filling each bin or other container with representative loads of the targeted commodity to full, weighing the full container and subtracting the weight of the container from the total.

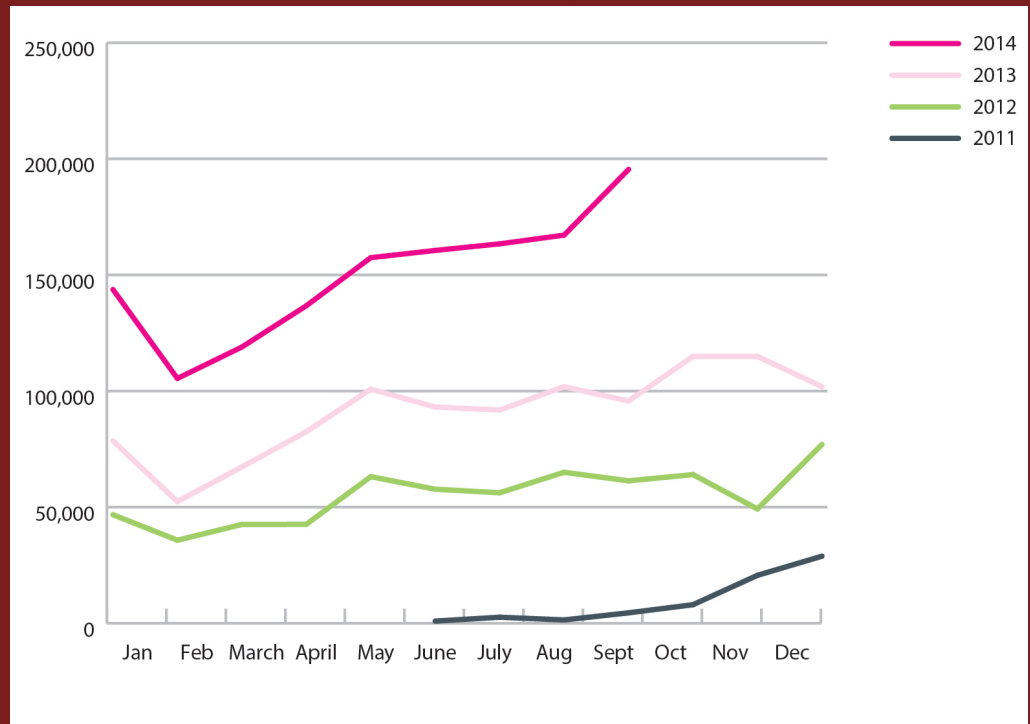
The reason the full bin or container measurement is important is because it is the basis for both tracking revenues and maintaining a public service system, which requires a minimum amount of daily monitoring on the part of the government partner. In the electronics and textiles programs, the government partner operates as the outreach arm of the service, enrolling participant buildings and acting as the dispatcher of services handled by the nongovernment partner. Program services are only dispatched when one or more bins at a location are full. Once serviced, the serviced bin translates into a value equal to: weight of the full bin times the amount bid. This amount must then be deposited by the end of the month by the nongovernment partner into the program account.

Keys to the partnerships

The two programs described have been designed for sustainability because they require little to no direct government funding to operate, can be secured through contracts that limit a municipality's termination rights to vendor fault and not merely convenience, and can be contracted for a sufficient amount of time to allow the nongovernment partner to feel confident in the investment outlay required by the partnership.

Government contracts are designed to allow for "termination for convenience," a term

Reach of re-fashionNYC



Note: Figures on left indicate number of residents served by the enrolled buildings.

linked with the availability of sufficient funds to maintain the contract in any given fiscal year. In other words, because most government contracts are linked to annual tax-based funding, termination for convenience is necessary in light of the fact that economic conditions can change quickly and funds that were anticipated

to be available may no longer be present. However, if an agreement is established between the government and another party, be it a nonprofit entity or private company, where no funds exchange hands, either in the form of expense dollars or revenue, the need for termination for convenience no longer exists.

Rallying around receptacles



e-cycleNYC bin



re-fashionNYC bin

Forming a public-private partnership requires both parties to make a substantial commitment. In the absence of funding by the municipality, that commitment must be established using non-monetary means. In the two services described in this article, that substantial commitment is a contract term that is as long as 25 years as well as an exclusive right to handle a particular material on behalf of New York City. Establishing a contract that commits the municipality to a long-term agreement between the two parties that cannot be terminated without substantial cause – usually linked to a failure to complete the scope of services – allows for the partner organization to make substantial investments in the proposed service, secure in the commitment that only the company's failure will result in the termination of its contract.

In addition to a long contract term,

it is important for the municipality to provide the non-government partner with the ability to terminate the arrangement after a significant period of testing the financial viability of the partnership. This option to withdraw can be provided to the government's partner as the close of an initial contract "testing" term is approached but within a sufficient amount of lead time – for example, 24 months – to also allow the municipality to find a substitute partner.

The big city and beyond

Both the textile and electronics recycling programs are examples of what can be set up in a dense urban environment where a large portion of the customers serviced reside in apartment buildings rather than one- and two-family homes. However, without too

much alteration, similar programs could be set up in suburban or rural communities. Aside from the general program scale, the primary difference in those instances would be the smaller number of locations where residents would drop off their items, which would be made up for by the greater availability of personal vehicles to transport the items to the drop-off locations. **RR**

Robert was selected in 2010 as an Alfred P. Sloan Public Service Award recipient, an award widely regarded as the Nobel Prize of New York City government. Robert can be reached at 212-437-4656 or rlange@dny.nyc.gov.

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