

Memorandum



CITY OF DALLAS

DATE: May 13, 2005

TO: Honorable Mayor and Members of the City Council

SUBJECT: Review of the City of Dallas Recycling Program

We reviewed the City of Dallas Recycling Program, as operated by the City of Dallas Sanitation Department (Sanitation), and the City's third-party Recycling Service Company, Community Waste Disposal (CWD). We performed this review under the authority of Chapter IX, Section 2 of the Dallas City Charter, and in accordance with the Annual Audit Plan approved by the City Council.

We performed our review in accordance with generally accepted government auditing standards and included tests of the accounting records and other procedures that we considered necessary in the circumstances. The review was limited to the current City Recycling Contract Program that expires during 2005. This review was limited due to program changes and the City not having a well-defined, on-going recycling program. This review covered the period June 2000 through December 2003; however, we examined certain events and transactions occurring before and after that period.

The objectives of our review were to determine whether:

- Procedures currently used in the City's Recycling program are viewed as acceptable to the City Council.
- There are adequate performance standards and clear program objectives.

To develop an understanding of relevant control structure policies and procedures, we reviewed applicable financial records, City Council briefings, the City's Recycle Service Contract, and the Request for Proposals (RFP) document associated with the Service Contract. Additionally, we interviewed certain City Council Members and Sanitation staff. We also toured the CWD's recycling plant and interviewed several CWD management staff.

Overall Conclusion

As a result of our inquiries, interviews, and observations, we conclude that the recycling contract does not specify performance benchmarks that are linked to verifiable program goals and objectives. This concern is noted and discussed in the *Opportunities for Improvement* section of this memo.

Additionally, during our review, we interviewed three Councilmembers to obtain their feedback on the City's recycling program. Issues common to the three Councilmembers contacted are current contractor performance, ease of recycling, and increased education. Other concerns mentioned were:

- Multi-family participation in the recycling program.
- Ability to easily locate the blue bags in grocery stores.
- Availability of alley-side pickup of recyclable materials as an option to curbside pick-up.

Lessons learned from the current recycling pilot program – “Residential Recycling Demonstration Program” should provide the City Council a basis for future program changes and procedures.

Background

The City of Dallas’ recycling effort started in the early 1990s, when the Texas Natural Resource Conservation Commission, driven by a federal initiative to reduce waste, launched “Clean Texas 2000” to “Reduce, Reuse, and Recycle”. Dallas then began its first residential recycling program, targeted to serve over 250,000 households. In 1994 the City hired its first recycling coordinator for education outreach.

The City has initiated several recycling initiatives that include the:

- Construction of the McCommas Bluff Citizens Recycling Convenience Center in 2002.
- Formation of an eleven member task force by the Mayor in November 2002, to make recommendations for recycling program improvements. In August 2003, the Mayor’s Recycling Task Force briefed the Council on its recommendations. During the briefing, the Council did not make any changes to the current City recycling plan, which uses CWD to process residential collections.
- Launching of a 24 million dollar bond program for levee construction related to the McCommas Bluff landfill in 2003.
- Approval by the Council of a new recycling trial run (demonstration project) on June 23, 2004, that included:
 - A year long trial for communities in several Council districts (1,7,11,14) to participate. The selected district residents switched from twice-weekly garbage collections to once-weekly garbage collection in conjunction with once-weekly recycling collections.
 - A \$250,000 promotional campaign.

The year-long pilot project is known as the “Residential Recycling Demonstration Program”. The program started September 1, 2004. Citizens in the four areas included in this program: Bryan Place, Citadel, Claremont, and Lake Cliff, were issued 96-gallon roll carts for use in collecting single stream recyclable material. Statistics are being kept on the participation levels in these four locations.

Currently, the City has a five year contract with the City’s third-party recycling contractor. CWD’s contract began in June 2000, and will expire on September 30, 2005. CWD works closely with Sanitation and provides the City’s residential collections and processing of recyclable materials according to the City’s recycling policy. This policy is posted on the City’s website. The current City recycling program uses blue bags (13 gallons or larger) that are available at grocery stores within the City. Citizens, who recycle, purchase the blue bags to hold the recyclable materials that are picked up by the CWD vehicles.

On August 20, 2003, the Mayor’s Recycling Task Force (Task Force) briefed the City Council on Dallas’ recycling efforts. Information presented by the Task Force stated that recycled pound per household per month in Dallas amounts to only 6.1 pounds, which is the lowest among six peer cities. (See attached Exhibit A)

OPPORTUNITIES FOR IMPROVEMENT

We identified certain policies, procedures, and practices that may be improved. This review was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be comprehensive of the areas where improvements may be needed.

1. The City's recycling contract contains few performance benchmarks and does not specify defined performance verification methods.

- A. Elements of performance (i.e., recycling tonnage goals and ensuring that specified recycling routes conform to the exact garbage collection routes) are not requirements of the City contract. The current contract basis for contractor performance is whether the recyclable material set out by residents has been picked-up by CWD (in a timely manner).

The RFP section 31, "PERFORMANCE STANDARDS" describes general standards for: safety, container care, courteous service, compliance with regulations, damage to property, and route changes.

The contractor recycling pick up coverage is based mainly on past observations of participating residents. Collection of recycling materials is primarily focused on picking up the most recyclable material in the least amount of time. This practice may not promote a citywide recycling collection coverage that mirrors the garbage collection program (recycling service costs are spread and billed citywide in the sanitation billings). Ways to promote and change this program are being explored at this time, but future contracts may need to address this coverage aspect with benchmarks and verification methods linked to desired coverage needs. Setting specific recycling contract performance benchmarks linked to verifiable goals set by City management could serve to advance the City's Recycling efforts.

- B. The contract does not contain sufficient goals to promote increased program participation or increase the amount of recyclable material collected. CWD furnishes vehicles to pick up the recyclable product from City residences located throughout the City. During our tour of the CWD facilities we observed that these vehicles were not marked in any way to reflect their use in the City's recycling program. Differing types of vehicles may be used by the contractor for picking up recyclable material; but according to CWD, none of the vehicles is marked as being used for the City's recycling program. The current delivery of recycling services to citizens could be enhanced by marketing the City's recycling service on signage attached to the contractor's recycling vehicles used in the program. Without signage on the vehicles, the contractor's vehicles may not be associated with the City's recycling program.

Many city, state, and national leaders have expressed the need to increase the awareness of recycling education. Placing signs on vehicles used for recycling could be implemented as an inexpensive method to show the City's support for recycling to everyone who lives in or visits our city. Using recycling program signs on vehicles could be an efficient and cost effective method to reach many individuals within the City. This type of advertising is widely used in the private sector. Vehicle signing could be done in English and Spanish and it could describe the program's availability.

The City's pilot program "Residential Recycling Demonstration Program" is currently underway in four selected neighborhoods within the City. Recycling vehicles servicing these areas are unsigned and may represent a current opportunity to increase recycling awareness in these special areas. The container used in this pilot program is of a larger capacity (96 gallon roll carts) compared to the 13 gallons or larger blue bags collected by CWD. Using larger capacity containers (roll carts), which are significantly larger than the current blue bags, is anticipated to encourage and increase recycling.

Future contracts could contain descriptions of desired results, describe methods to validate contractor performance (so that recycling performance can be better evaluated), and also address enhancements to the program.

We recommend that the Director of Sanitation:

- A. Include benchmark and verification mechanisms in future recycling contracts. Future contract inclusions, which describe desired results (i.e., benchmarks), should be tied to agreed methods of verification by the City. Generally used benchmarks maybe available, but specific City expectations for actions and methods of verifications should be included in the contract.
- B. Evaluate program enhancements such as vehicle signage and using larger containers for future recycling program.

Management's Response:

- A. Management concurs. When the current contract was drafted, the recycling market was, on a nationwide basis, generally strong. The market for recyclables has fluctuated widely, as noted in many publications. Most recently, the March 28, 2005 issue of *Waste News* provides a brief 10-year review of the recycling market, noting its growth through the 1990's, followed by a leveling and tapering off from 2000 to present. Vendors in the 1990's were anxious to demonstrate their capabilities and take advantage of a growing market, and contracts (such as the City's) were written with less focus on performance, as the revenues from the recyclables were the built-in motivator. Since the City's contract began in mid-2000, the markets rates for recyclable materials decreased, and that built-in motivation to perform was weakened. The City's contractor has responded accordingly, seeking to perform at the lower of the collection and compensation rates allowed in the contract. As the department drafts the specifications for the next recycling contract for FY06-07, benchmarks and performance verification methods will be highlighted, with consideration of the variable market value of recyclables.
- B. Management concurs. SAN briefs the Council and Council Committees on the next step for the Recycling Program, we emphasize the benefits of providing program recognition (as through signage) and the use of larger containers (i.e., 96-gallon carts) for the next phase of a city-wide program. Both of these features have proven successful in the pilot neighborhoods started September 2004. Additionally, signage and larger carts will be included in the draft specifications for the next recycling contract.

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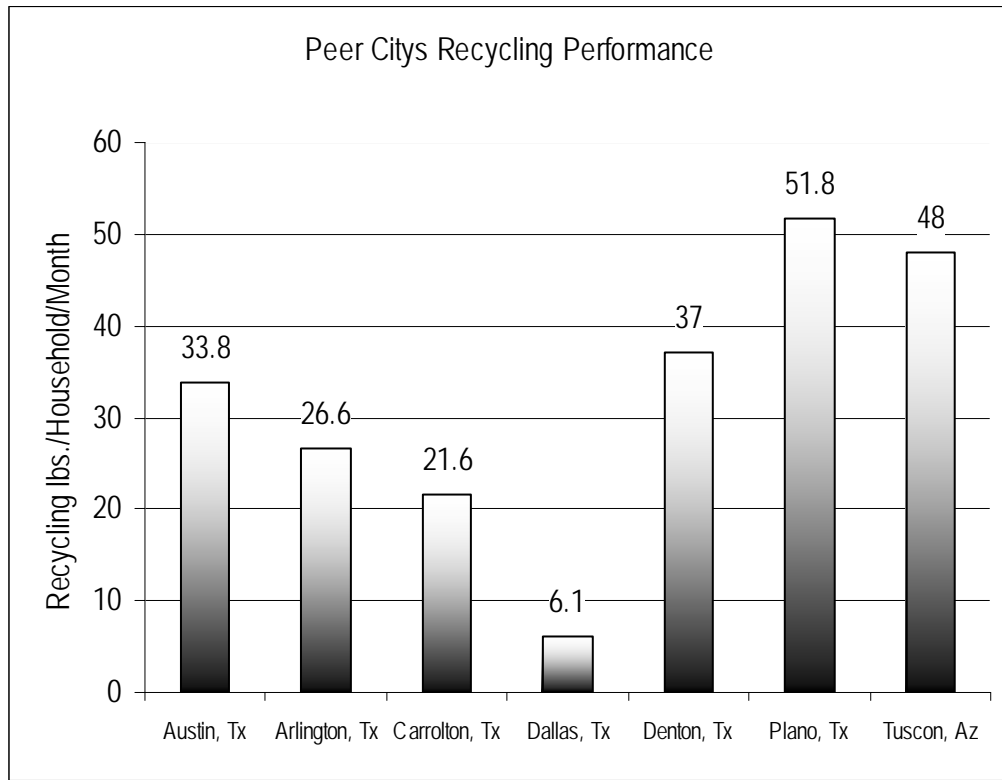
We appreciate the cooperation of City staff and CWD personnel during our review.

Paul T. Garner

Paul T. Garner
Assistant City Auditor

c: Mary Suhm, Acting City Manager

Exhibit A



Source – Mayor’s recycling Task Force
Recommendation Briefing to City Council
August 20, 2003