



# Recycling Processing Contracts

*A MRF Perspective from Balcones Resources, Inc.*



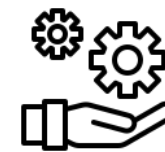


# About Us

- Founded in 1994 – Over 27 years in business
- Largest independent recycler in the Southern US
- All we do is **recycle**
  - No landfill ownership, no trash hauling
- Five recycling facilities
  - 6<sup>th</sup> facility coming soon to San Antonio, TX



# The Balcones Difference



**Our Facilities**  
Most advanced facilities in the country



**Our People**  
Recycling is our life's work



**Our Partnerships**  
Award-winning and unrivaled

# Contracting Fundamentals

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- I. Separate Collection & Processing Contracts
- II. RFP Lead Time
- III. Processing Fee & Revenue Share
- IV. Use Historical Market Data to Assess Pricing Trade-offs
- V. Regular Composition Studies
- VI. Communication is Key
- VII. Expect Change





# I. Separate Collection & Processing Contracts

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- Specialized MRF operators can compete
- Different term lengths
- Multi-award vs. single award
- By household pricing vs. by ton



## II. RFP Lead Time

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- Current Infrastructure
  - Are there enough MRFs in region to ensure competition?
  - Will existing MRF infrastructure need any major upgrades to provide good service?
- Building Timelines
  - New MRF facility: 18-24+ months
  - New MRF equipment only: approx. 12-16 months
- RFP on street 3 years ahead of when you need a new processor
- Time for market sounding events or RFP feedback from potential vendors
- Start RFP process 3.5+ years in advance



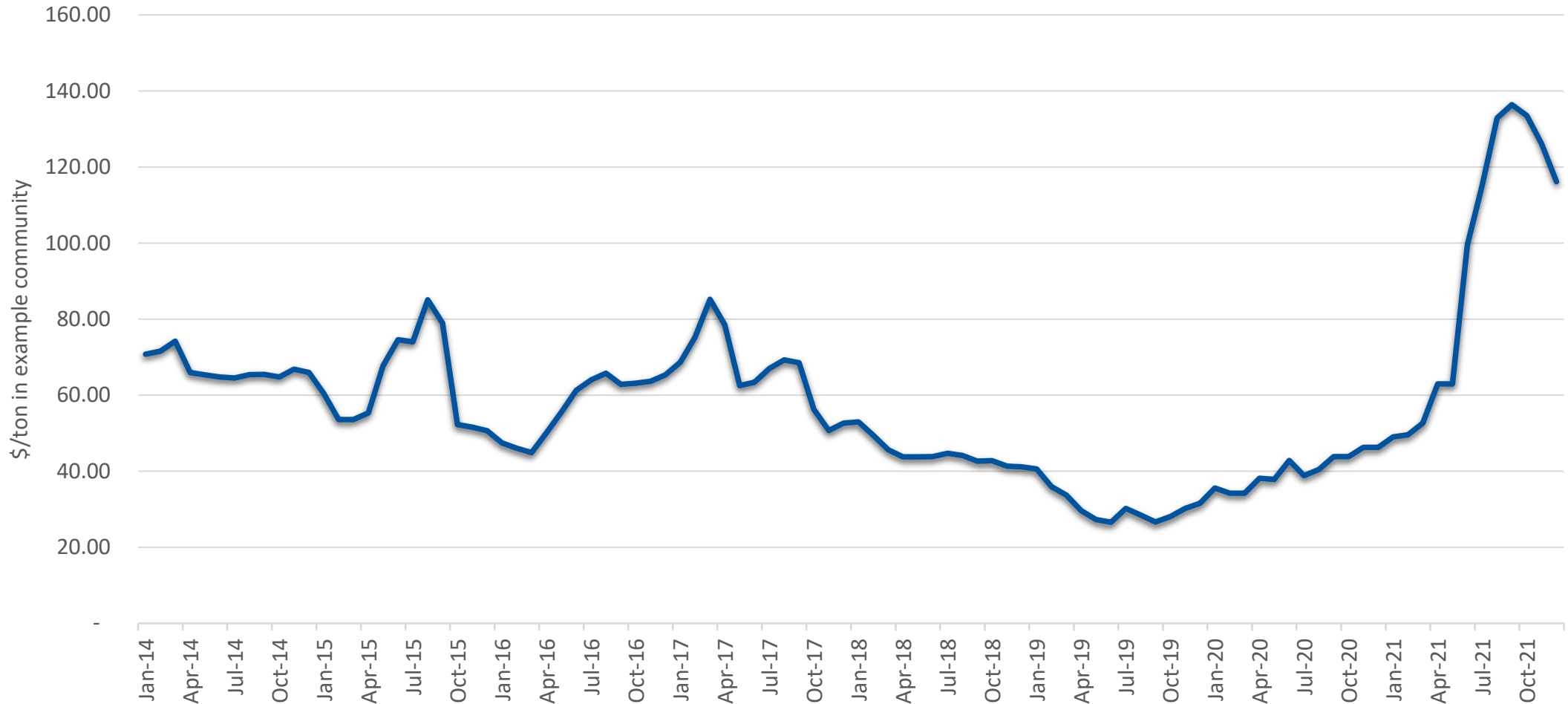
# III. Processing Fee & Revenue Share



- Industry standard
- Processing fee covers operating costs
- Revenue share:
  - % of revenue provided back to municipality
  - Allows municipality to receive value of commodities they deliver
  - Cities can influence value of basket of goods
  - Can generate net revenue for cities when markets are good
  - Allows recycling company to continue operations even when markets are down
  - Recognizes unique economics of recycling: Supply doesn't change even when demand changes

# Recycling Markets are Predictably Unpredictable

## Value of 1 Ton of Recyclables





## IV. Using Historical Market Data to Estimate True Cost of Proposals

- Evaluate impacts in up, down, and average markets
- Purchase own license for indices
  - [RecyclingMarkets.net](http://RecyclingMarkets.net)
  - RISI Pulp & Paper Index





## IV. Using Historical Market Data to Estimate True Cost of Proposals

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Vendor A: \$74/ton processing fee, 80% Revenue Share

Vendor B: \$53/ton processing fee, 40% Revenue Share

Which is better for your city?



## IV. Using Historical Market Data to Estimate True Cost of Proposals

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Vendor A: \$74/ton processing fee, 80% Revenue Share

Vendor B: \$53/ton processing fee, 40% Revenue Share

In an average market:

Vendor A: \$12/ton cost

Vendor B: \$23/ton cost

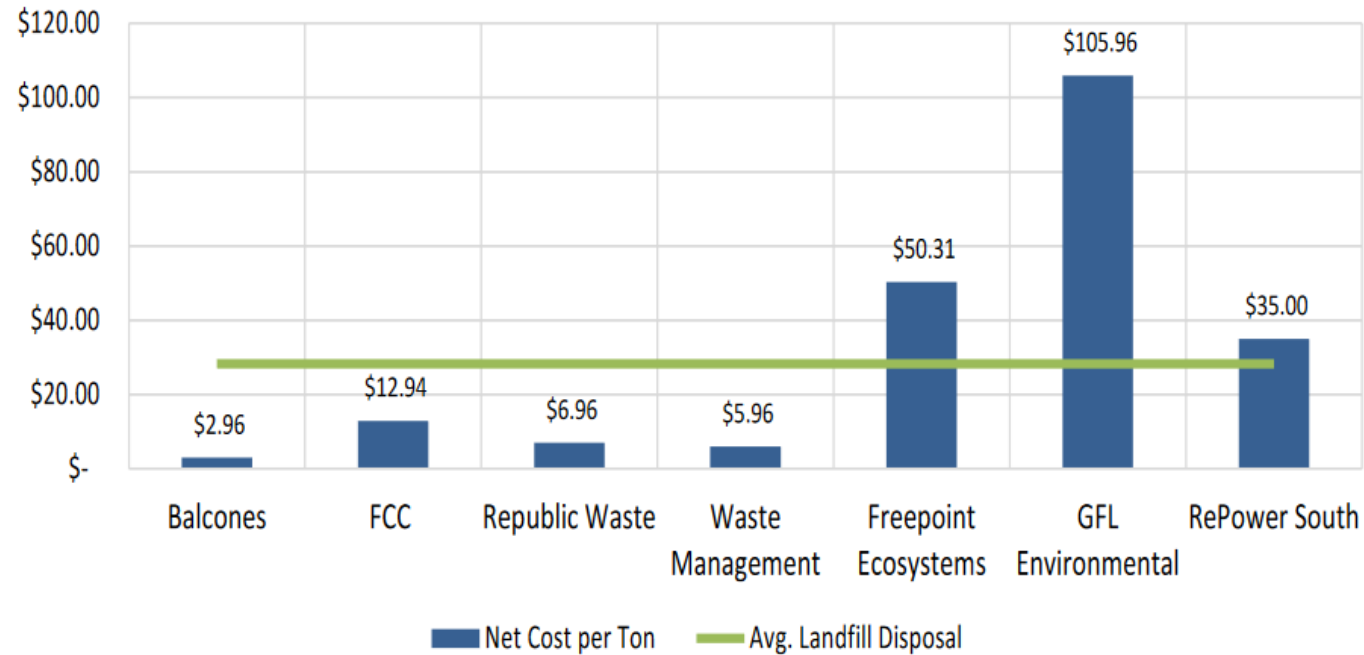




# City of San Antonio Example

## Projected Net Cost Based on Historical Revenue

(Year 2024)



Category	Balcones	FCC	Republic Waste	Waste Management	Freepoint Ecosystems	GFL Environmental	RePower South
Tip Fee	\$92.00	\$101.98	\$96.00	\$95.00	\$139.35	\$195.00	\$35.00
Revenue Share %	75%	70%	80%	50%	75%	100%	0%



## IV. Using Historical Market Data to Estimate True Cost of Proposals

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Vendor A: \$74/ton processing fee, 80% Revenue Share

Vendor B: \$43/ton processing fee, 40% Revenue Share

In an *average* market, both would cost \$12/ton.

Which is better for your city?





## IV. Using Historical Market Data to Estimate True Cost of Proposals

	High Fee, High Share	Low Fee, Low Share
Less Sticker Shock		✓
Highest Potential Revenue	✓	
Less Variation in Cost		✓
Cover Costs for Higher Quality Operations	✓	
Shared Investment in Recyclables Quality	✓	

## IV. Using Historical Market Data to Estimate True Cost of Proposals





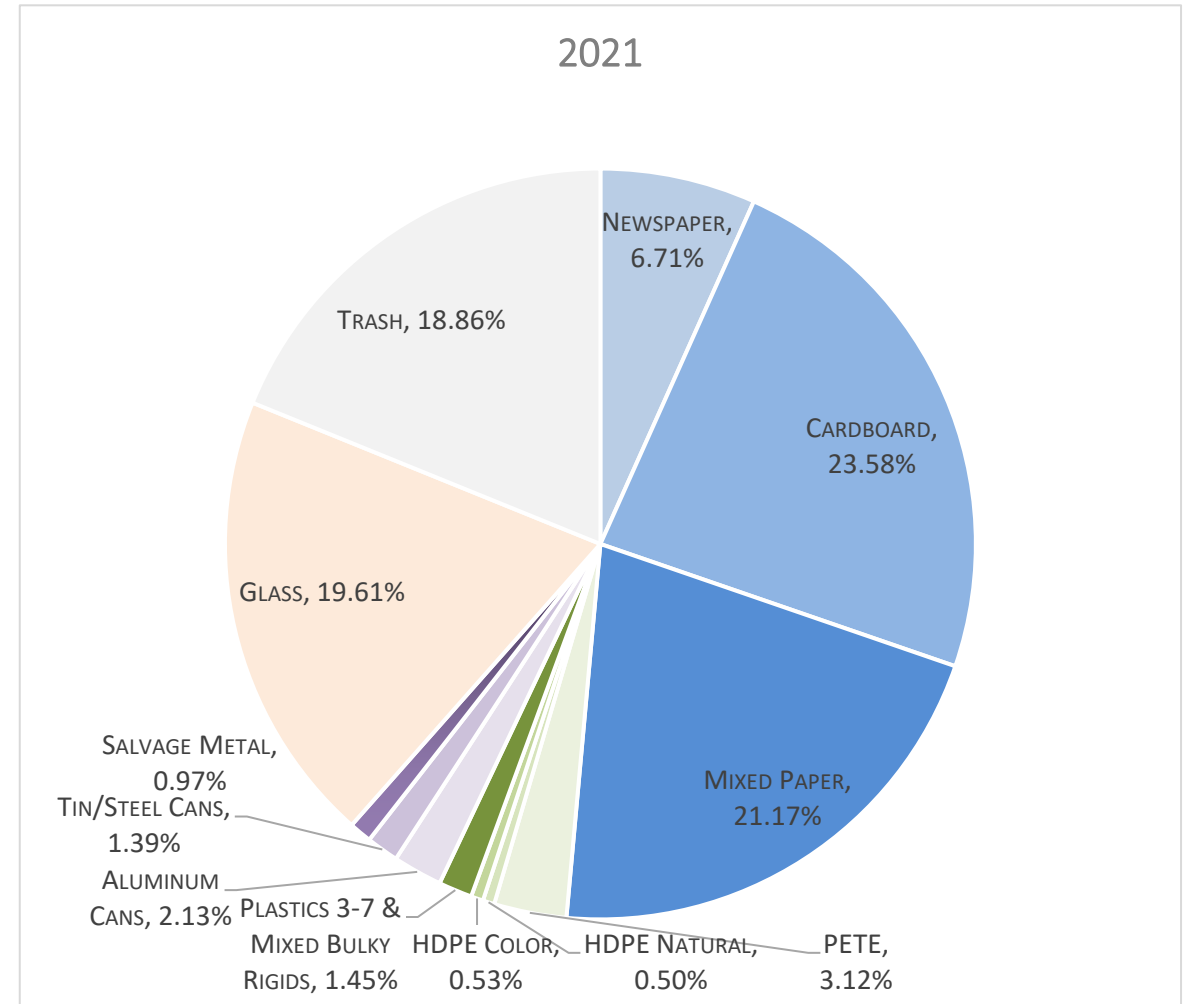
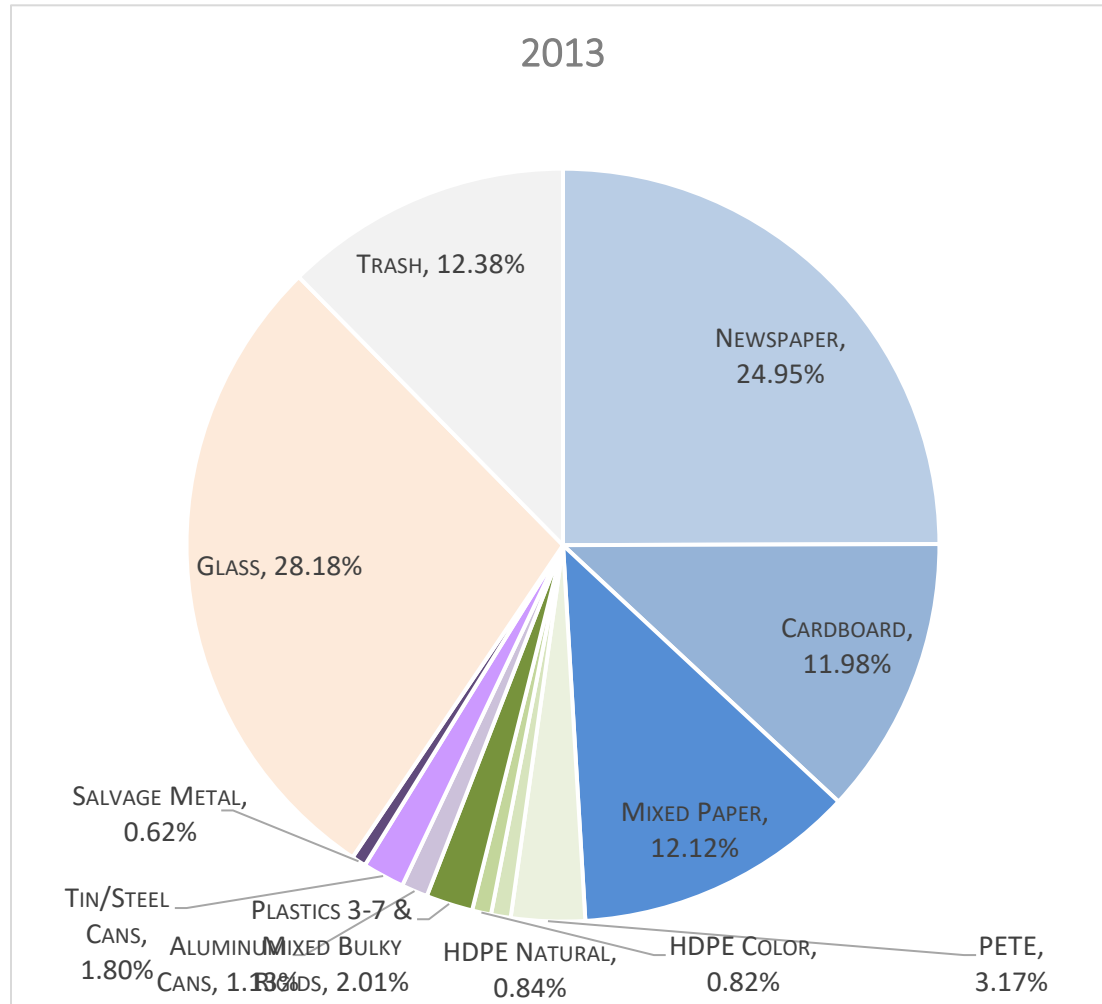
## V. Regular Composition Studies

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- Incentivize everyone to reduce contamination
- Back-end studies after processing
- Define procedure for study & route selection
- Recognize that the ton changes over time



# V. Regular Composition Studies



## VI. Communication is Key

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- Seek market feedback on draft RFPs
- Ask references about vendor openness and communication
- Require regular meetings with vendor at least quarterly





## VII. Expect Change

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- Incentivize processor to reinvest in facility & take advantage of new technology
- Include process for adding and removing materials from stream
- Contingency plans in case of emergency, natural disaster, major retrofit of plant



# In Summary

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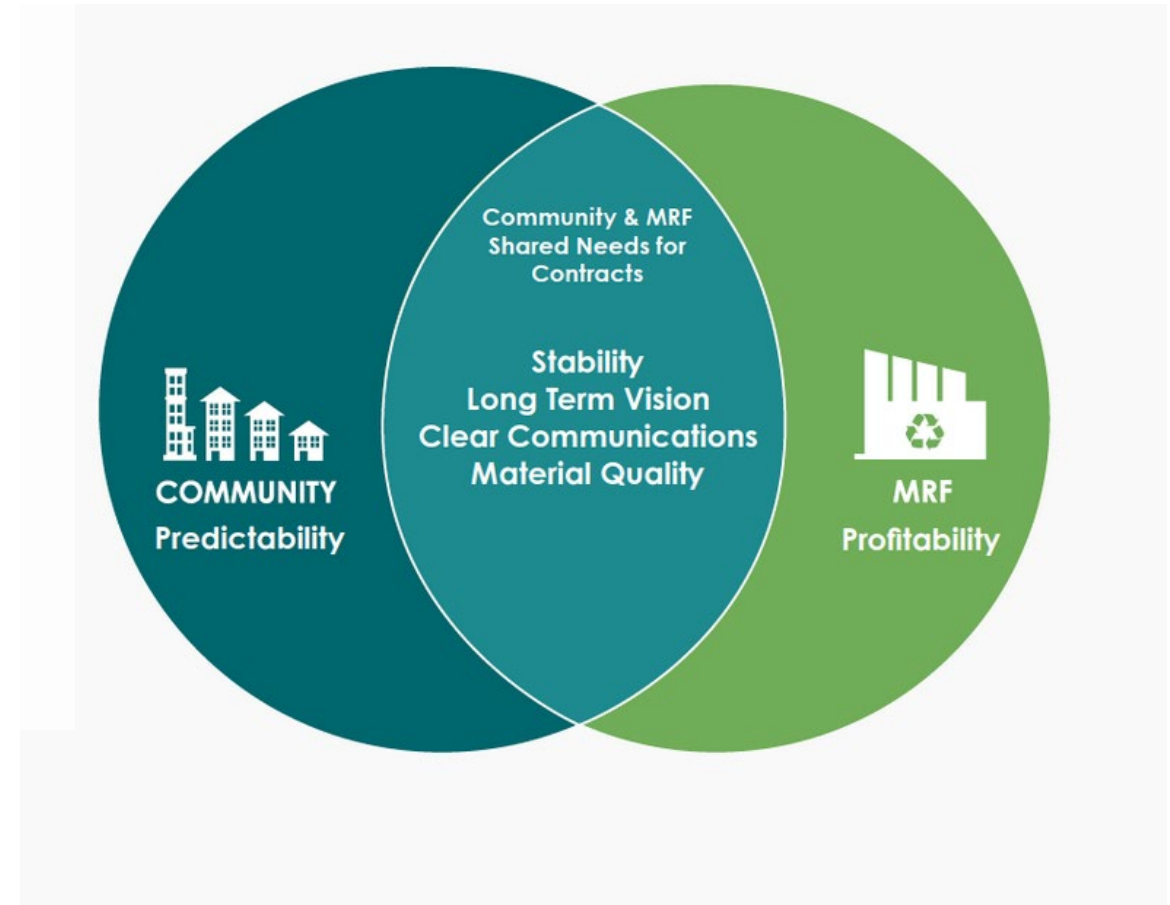
## Contracting Fundamentals

- Evaluate separating collection & processing contracts
- Start RFP process 3.5 years in advance
- Use historical market data to assess pricing trade-offs
- Conduct regular composition studies
- Ask for feedback, references, and regular meetings
- Expect change and plan accordingly

# Additional Resources

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- The Recycling Partnership's MRF Contracts Guide
- Pinellas Partners in Recycling's Contracting Best Practices Guide
- SWANA Open Forum





# Thank You

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