

CITY OF BUFFALO
DEPARTMENT OF AUDIT & CONTROL

AUDIT REPORT ON THE CITY'S
RECYCLING PROGRAM

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COMPTROLLER



FOR THE PERIOD
JANUARY 1, 2005 through MAY 31, 2008

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BACKGROUND

Recycling Services and Contract Background

The City of Buffalo (the “City”) first entered into a contract with BFI Waste Systems of North America, Inc. (“BFI”) on July 6, 2000. There was no cost to the City for receipt of comingled recyclables at BFI’s material recovery facility. BFI further agreed to pay the City a five dollar (\$5.00) per ton rebate in any month when the average price for recycled newspapers exceeded sixty-five dollars (\$65.00) a ton. BFI also agreed to pay quarterly allocations of \$18,750.00 (\$75,000.00 yearly) to be used to promote the Buffalo Recycling Program.

On April 24, 2002 the City received bids for a new contract for recycling. Under the terms of this agreement, the City subcontracted recycling operations. BFI was the low bidder. The yearly cost to the City was \$1,569,203. Under the terms of this contract, the City agreed to allow BFI to utilize the City’s recycling vehicles. BFI agreed to insure and maintain the vehicles. The use of BFI’s employees was allowed through a Memorandum of Understanding between the City and AFSCME Local 264 AFL-CIO dated December 10, 2002. The initial term of this contract was five years with options for renewal.

The contract was again amended May 3, 2005. It was agreed that the City would receive \$10.00 per ton for recyclables delivered to a facility owned by Allied Waste Services of North America, LLC (“Allied Waste Services” OR “Allied”). The City was guaranteed to receive an increase should Allied reach agreement with any other municipality, town or village in Erie County for a higher rate. All other terms of the contract remained in effect. On May 18, 2005, the City agreed and accepted the assignment of the contract to Allied Waste Services.

The City and Allied Waste Services agreed to enter into a one-year renewal contract for the period July 1, 2007 to June 30, 2008. There was an increase in the unit price cost resulting in a revised monthly total for the contract of \$ 147,374 and the annual cost \$1,768,492. All other provisions remained the same. This amended agreement can be renewed at the City’s option for an additional two year term expiring June 30, 2010. Pursuant to the action of the Common Council in Item No. 74 of its Proceedings of June 10, 2008, the contract between the City and Allied Waste Service was extended for an additional two (2) years through June 30, 2010.

Inter-Municipal Agreement

On March 18, 2003 the City entered into an inter-municipal agreement with the County of Erie to administer a State grant for Municipal Waste Reduction and/or Recycling Project. This agreement was effective until December 31, 2006 with an option to extend. The option to extend the agreement for one year was exercised by the City and County of Erie for the years 2007, 2008 and 2009. The New York State Department of Environmental Conservation agreed to allocate a total of up to \$179,677 to fund the initial three years (2003-2006) and renewable years of the agreement with the City and the County of Erie providing a local match of \$179,677. The

City is required to allocate \$35,000 annually as its part of the local match and the County of Erie allocates \$24,893 annually as its share of the match. The purpose of the agreement is to outline duties and responsibilities of the County of Erie and City concerning the implementation and funding of a recycling education project.

Highlights of the agreement are as follows: (1) the Recycling Coordinator shall use Buffalo City Hall as a primary place of employment for a minimum of two (2) days per work week. The salary of the coordinator is set at \$48,158 plus \$20,226 for fringe benefits; and (2) bi-weekly progress reports are to be provided to the Commissioner of Public Works, Parks & Streets to assess the progress of the program.

The goal of the project is to increase recycling waste Citywide from the present rate of 6.5% (1997) to 12% by the end of the original grant, which ended December 31, 2006. Other goals include increasing recycling at schools, the Buffalo Municipal Housing Authority, government offices, multi-unit apartments and businesses. As a means of attaining the aforementioned goals, a recycling incentive program for City residents was to be established.

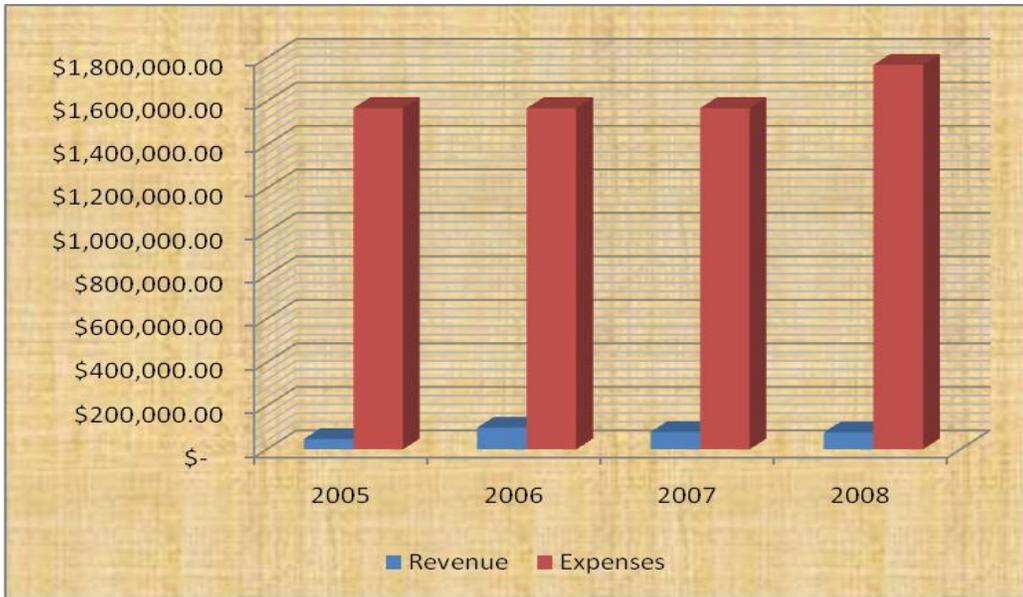
Audit Findings and Recommendations

Recycling Rate

Using revenues as a basis, as there currently is no definitive tracking of actual pick-up participation percentages, there was a drop of approximately \$20,000 from 2006 to 2007. The revenue for the period audited in 2008 shows a slight increase from 2007, but still below 2006, as shown on the graph. Requests for information regarding the percentage of citizen participation showed a wide discrepancy depending on the source.

The Recycling Coordinator gave us a “best guess” of 40%, Allied Waste Services estimated 50% and the Buffalo News reported no more than 33%. During the course of our audit, requests for documentation of rates went unanswered. Recycling of city waste citywide, which was reported on July 14, 2008 by the Buffalo News as being about 9%, is lagging well below expectations and appropriate measures should be taken to increase participation. This would benefit the City as increasing revenues help offset the expenses which are fixed by contract, reduce garbage tonnage, as well as improve our environment for current and future generations.

We recommend the development of a better model to statistically track household participation, so the City can best determine what level of investment in recycling is required. There is an interest in recycling, but more reliable data is necessary to verify which efforts are successful and identify which areas of the City could use more attention.



	2005	2006	2007	2008
Revenues	\$ 47,700.00	\$ 99,822.40	\$ 79,824.50	\$ 78,318.75
Expenses	\$ 1,569,202.00	\$ 1,569,202.00	\$ 1,569,202.00	\$ 1,768,491.00

Advertising (promotions) Funds Are Not Being Utilized Properly.

Our examination of the \$75,000 annual payment made by Allied Waste Services to the City for advertising (promotion) of Buffalo’s recycling program shows that the majority of the monies were spent on the purchase of recycling bins. Of the \$116,276 expended for years 2006 and 2007 only \$4,821 was for recycling kits, bags and brochures provided to the citizens of Buffalo. In conjunction with the lack of advertising (promotions), revenue for this same period decreased from \$99,822 in 2006 to \$79,825 as of May 2007.

We recommend the following actions to increase collection rates: the City consider instituting a recycling incentive program, consider increasing the types of materials that can be recycled and implement a model recycling program in City Hall and City owned buildings. In addition, the City should make a concerted effort to increase consumer and commercial awareness of the importance of recycling, present opportunities to recycle at City parks, community events, etc. and explore the feasibility of a mandatory recycling program. These measures can be enhanced significantly if the \$75,000 intended for promotional activity is actually dedicated for that purpose.

A citywide tracking system should be instituted to allow monitoring of recycling participation by district, which in turn would allow intensive targeting of those areas where participation is below standard collection rate and insure that funds are being efficiently used and directed to those

areas where increased targeting of participation is needed. Truck weigh-in tickets should provide a basis for tracking.

Allocation of grant monies

We found that approximately **57%** of the total grant monies were allocated for the salary and fringe benefits paid to the Recycling Coordinator over a three year period. The budget is shown below for the term of the lease agreement which is from January 1, 2007 to December 31, 2009.

Schedule A - Project Description and Budget - continued

Attachment to Contract C302847
between NYSDEC and the County of
Erie

Project Budget

Item	
Salary of full time Recycling Coordinator	\$144,473.00
Fringe Benefits (42% of salary)	60,679.00
Printing/postage Costs of Brochures	57,002.00
Bus placards and billboards	27,000.00
Promotional items	6,000.00
Travel cost to one recycling conference per year	4,500.00
Equipment (must be pre-approved by DEC Clerical office supplies are not considered eligible for grant funding)	1,200.00
Recycling Website	14,000.00
Broadcast media	27,500.00
Recycling Display	8,000.00
Print Advertising	9,000.00
Total Cost	359,354.00
State Share (50% of eligible cost)	179,677.00

We recommend that the City consider the merits of hiring of a full-time recycling coordinator who would report directly to the Commissioner of Public Works, Parks & Streets. As of December 31, 2009, the City could opt to terminate its participation in the Inter-Municipal Agreement and divert funds that are provided to the County as the City’s matching share of the agreement to the implementation of an aggressive city waste recycling program directed by the City’s own Recycling Coordinator.

If the Recycling Coordinator were dedicated exclusively to the City of Buffalo, the City could exercise greater control over the duties of the person, which would require better understanding of City-based concerns. The City could stress stronger interaction with the City School District and more closely and aggressively promote the City's recycling agenda.

A plan developed by the City's Recycling Coordinator should include a statistical analysis of recycling in each district of the City and an aggressive advertising campaign could be waged to target those areas found to be lagging. As of May 1, 2008, \$240,711 was available for advertising and promotions. A goal of the Recycling Coordinator would be to increase citizen participation in recycling which in turn would increase revenues for the City of Buffalo and lower costs both financially and environmentally through reduced garbage tonnage and use of landfills. A sufficient increase in revenues could then offset the cost of the coordinator.

Preventive Maintenance

We recommend that the City periodically perform a physical examination of vehicle repair and service orders maintained by Allied Waste Services to ensure that proper maintenance and servicing of City vehicles being used for recycling is being performed. Currently, the City does not perform any examination of vehicle repair or service orders which would provide a preventative measure to ensure that the vehicles are being maintained properly. While the maintenance records are available, they are not regularly inspected, and the City should do so.

Otherwise, Allied operates a safe, clean recycling facility. The vehicle repair and maintenance facility was found to be orderly with vehicle records up to date.

Daily Log Sheets

Daily log sheets maintained by Allied Waste Services drivers provide documentation that City vehicles provided to Allied for recycling pickups in the City of Buffalo are being used solely for that purpose. Previously, City vehicles were used to collect materials in the suburbs. Written permission to continue this procedure was not granted by the City and this practice was discontinued last year.

We recommend that the City periodically perform a physical examination of driver log sheets to verify that the logs are being maintained and can be provided as a source document to the City to verify that the policy of "City vehicles for City use only" is in effect at all times.

Disposal Weigh Tickets

The Department of Public Works, Parks & Streets is responsible for the accuracy of payments received from Allied Waste Services for the pickup of recyclables (\$10 per ton) and payment of invoices submitted by Allied Waste Services for recyclable pickups. Our audit included the testing of 159 weigh tickets. Tonnage reported by Allied Waste Services was compared to the

actual weigh ticket for accuracy. The test revealed that the tonnage reported by Allied agreed with the weigh tickets and the amount paid per ton (\$10) by Allied to the City.

We recommend that the City request that copies of disposal weigh tickets be submitted along with the monthly payment. These tickets should be reconciled by the Department of Public Works, Parks & Streets to ascertain the accuracy of the payment. In regards to payments processed by the City to Allied Waste Services for monthly pickups of recyclables, documentation listing the total tonnage by category should be submitted with the invoice. The above information should be maintained and filed by the Department of Public Works, Parks & Streets and be available for audit review.

Conclusion

We conclude that the City of Buffalo's participation in the Inter-Municipal Agreement with the County of Erie for recycling and waste reduction should be considered for termination at December 31, 2009. The City should consider using the \$35,000 in matching funds paid to the State of New York for participation in the Inter-Municipal Agreement to create an administrative position to develop and administer an aggressive recycling program. This administrator would be located in City Hall and report directly to the Commissioner of Public Works, Parks & Streets.

The \$75,000 annual payment received from Allied Waste Services to promote the financial and environmental benefits of recycling should be considered to be used to aggressively target areas with low recycling participation in the City. Citizens of Buffalo as well as businesses located within City boundaries should be educated to increase awareness that increased recycling will bring additional revenue to the City as well as reduce the impact on landfill space. The option of instituting a mandatory recycling program should be explored by the recycling administrator and City Officials.

The financial data we examined was accurate and in agreement with City records maintained by the Department of Public Works, Parks & Streets, although additional supporting data related to monthly tonnage payment should be provided on a regular basis going forward.

AFTERWORD

On April 22, 2009, the Audit team met with representatives of the Department of Public Works, Parks and Streets. They had previously received a copy of this audit and reported that they found it to be helpful and fairly accurate. They are in the midst of preparing a Request for Proposals to revamp the City's current recycling system. The staff of the department was very cooperative in the preparation of this report and their professionalism is duly noted and appreciated. A formal written response to the audit will be prepared shortly.