

MEMORANDUM

TO: STEVE GIESBRECHT, BOROUGH MANAGER
FROM: KARL HAGERMAN, PUBLIC WORKS DIRECTOR 
SUBJECT: LANDFILL SALVAGE PROGRAM – INFORMATION AND RECOMMENDATION
DATE: 12/11/2013
CC: KATHY O'REAR, BOROUGH CLERK

As you know, the Sanitation department has recently supported various changes to Municipal Code Chapter 14.12 which made revisions to account for Borough incorporation, a changed recycling program and also a change to the salvage program fees. The ordinance readings brought in a higher level of scrutiny related to the salvage program change and was a repeated point of discussion among the Assembly members.

The discussion centered on the change from a salvage permit rate structure that included rates for weekly (\$5), monthly (\$15) and yearly (\$100) permits to a daily rate (\$10) only. Note that the number of days that the landfill is open for salvaging is, and has always been, two days per week, Sunday and Monday.

The background of the program and its original intent was discussed during the ordinance readings and public hearing, but for the benefit of this report I will restate this information. The salvage program was brought about by concerned and well-meaning citizens that requested, through the Utility Advisory Board, the development of a program that would allow them to access various usable items that other citizens had thrown away. The development of the program included discussions with ADEC regarding liabilities of such a program and ultimately a program was developed that adequately covered these liabilities through a well-defined written program and permit system. Salvaging for valuable scrap was factored into the original program, but the emphasis was for recycling of discarded items through reuse in the community.

The program has been successful in meeting many citizen's needs for parts and pieces, but it has also transformed into a program that is utilized to a greater degree by commercial metals salvagers for recovery of "precious" non-ferrous metals and sale of those metals to scrap markets. This type of activity, and the high prices being received for this type of scrap, has created a highly competitive atmosphere among the salvagers. This competitive nature that has developed has become a problem for operations staff at the landfill by requiring more time to police and monitor salvaging activities, settle disputes and maintain control over the landfill during non-salvaging hours. The competitive nature of the salvage program caused staff to discuss ways in which to mitigate the "high maintenance" aspects of the program while still maintaining the original intent of the program.

The prices paid by regional scrap metal vendors in general have grown substantially since the salvage program was developed in 2003. This fact has led to two separate instances of profitable bulk scrap removal and sales by the Borough, once in 2010 and once this year in 2013. As this profitability has solidified over the years, it is obvious that the sanitation department has unintentionally established a local business niche in which private salvagers are profiting greatly from Borough scrap metals.

Original program permit fees were developed with program efficiency and value to the customer in mind. These two principles are valid in consideration of the original intent of the program but become less acceptable when realizing that profit margins are very high for commercial scrap metal salvagers who target higher priced scrap commodities.

In consideration of the undesired shift to commercial scrap operators and the increase in value of the scrap pile overall, the department settled on the answer of changing the salvage program to allow for only daily permit sales, at a price of \$10.00 per day. While this is a sizable increase to the previous weekly rate of \$2.50 per day, monthly rate of \$1.87 per day or annual rate of \$0.96 per day, the new fee will recover some of the lost revenue that could have been achieved by the Borough if the scrap was sold in bulk while not placing any one salvager at hardship due to the rate. It was also presumed that if a part or piece desired from the landfill cost less than \$10.00 from a local vendor, then there would be no need to purchase a salvage permit. Local experience shows that it is rare to find appliance, small engine or car parts available for less than \$10.00.

It is unknown if the \$10.00 daily rate will result in less commercial profit salvaging. The increased cost of the permit will decrease profit margins of this particular salvaging group, but probably not enough to completely discourage this type of activity. Selling daily permits only will slow down the Sunday morning rush to the landfill by requiring all salvagers to stop at the scale, fill out a new permit and make payment at the counter.

The issue at hand boils down to how to discourage the scrap metal profiteering activity without impacting other well-meaning salvagers that just want to get a part to fix something in Petersburg. For the department to know that we are meeting the approval of the Assembly with any changes, the question posed to the Assembly is this:

Is the Assembly supportive of administrative changes to the Landfill Salvage Program that would eliminate private commercial profiteering from metals in the landfill scrap pile?

The Sanitation department contends that the original intent of the program is valid and is a benefit to the community. The program allows residents to repair or build equipment and facilities with materials that have been discarded by others. The commercial scrap salvaging for profit activity is not a benefit to the community, only to the individuals that take part in this activity. Further, since the weight removed from the scrap pile and sold for profit is now of value to the Borough, this activity decreases the return on the scrap pile when sold in bulk.

The following numbers are presented to offer some additional information on the salvage poundage and values removed from the landfill. Note that the weight figures include all metal and wood removed from the landfill under the salvage program.

- Total poundage removed from landfill since start of program: 1,479,190 lbs
- Average poundage removed from landfill each year: 134,199 lbs
- Average poundage removed from landfill each month: 11,183 lbs
- Value of removed scrap (as bulk scrap sold by Borough): \$21,448*

*The value to the Borough is in bulk scrap form and only calculated for poundage removed after 2007 when the Borough scrap pile had value to the regional scrap haulers. The revenues received by individual salvagers are much higher per pound due to their focus on non-ferrous metal removal. It is unknown what percentage of the overall salvaged weight was sold for profit or what the market value was for the seller. The value of the Borough's scrap will surely fetch a higher price if regional salvagers know that the scrap pile has not been high graded prior to submitting their proposals for purchase and removal of the bulk pile.

Administrative changes could refocus the program to the original intent of providing a benefit to the community. I recommend that salvaging of any items would only be allowed if the items were to be reused within the community. This would allow residential or "commercial" salvagers to remove items, but would eliminate the highly competitive activity of profiteering from scrap sales to the lower 48. This change would require additional policing by the sanitation staff at first but it is fairly safe to say that we know what can be reused in Petersburg and what is being picked up due to its value

elsewhere. The staff will be diligent on requesting reuse information from salvagers and if the salvaged materials will not be used in Petersburg, the material will remain in the landfill scrap pile.

As the program settles into the original intent, the competitive atmosphere should drop off and less staff time will be required to monitor the program. Once this happens, the department would be supportive of a decrease in salvage permit fees to \$5 per day, which will again encourage the benefit to the community by lowering costs for the parts and pieces salvagers.

Attached to this report is a copy of the current Salvage Permit for the Assembly's review. Also attached is a revised copy of the written Salvage Program with changes proposed to eliminate commercial profiteering from the scrap metal pile. I believe this is the right way to approach this issue and this program. I will be available for questions during the Assembly discussion on this matter on December 16th.

Thank you for your consideration of this issue.
