

City's Covanta deal discourages rival recycling programs

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The city of Indianapolis faces financial penalties if it launches alternative recycling programs, under a pending deal with incinerator operator Covanta.

The Indianapolis Board of Public Works will vote Wednesday on an agreement that's worth more than \$112 million in revenue to Covanta, which would become the city's main residential recycling provider for the next 14 years.

Covanta is proposing to build a \$45 million recycling facility next to its incinerator on Harding Street. Under the deal negotiated by Republican Mayor Greg Ballard's administration, the city would continue to send all household waste to Covanta, but the company would pluck out recyclables and sell them on the commodities market.

Companies that rely on recycled goods oppose the deal because they say Covanta's facility would generate sub-par material for their industries. But the Department of Public Works says it's a way to boost the city's overall recycling rate without requiring residents to sign up for a separate curbside service.

Curbside recycling is currently available for an additional monthly fee through Republic Services, but participation is low.

Democrats on the City-County Council want the city to pursue other alternatives, but that would be impossible under terms of the Covanta deal, which were made available to the Board of Public Works on Friday.

The agreement prohibits the city from launching new recycling programs, and it provides that Covanta could receive \$333,333 a month in liquidated damages.

"In other words, if a future administration wants to switch to a better recycling program, it will have to pay off Covanta to the tune of \$4 million per year," Fred Biesecker, general counsel to the city council, said in a memo to Democratic Councilor At-Large John Barth.

The majority of the members of the Board of Public Works are appointed by Ballard. The panel is expected to approve the Covanta deal Wednesday.

Barth acknowledged that the council has no authority over the Covanta contract. He complained that terms of the agreement weren't known when the Board of Public Works held a public hearing on the issue July 23.

"It concerns me that the whole process of agreeing to this contract has been behind closed doors with no public input on the details of the contract," Barth said.

The Department of Public Works didn't respond this morning to questions about the Covanta deal.

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Covanta spokesman James Regan said via email that, while the company is guaranteeing it will recycle 18 percent of the waste stream, "It's in our best interest to do better—to recycle as much material as possible."

Biesecker also said the contract provides a financial disincentive for the city to significantly boost participation in the current curbside program. The city will receive a cut of the revenue Covanta generates by selling steam produced by its incinerator to Citizens Energy, but that could diminish, according to other terms of the contract

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Also under the new deal, the city could receive a share of Covanta's recycling revenue. Carey Hamilton, executive director of the Indiana Recycling Coalition, said the hurdle provided in the contract is too high.

"Industry tells me the city will very likely never see a dime based on the parameters in the contract," Hamilton said via email.

Here's a breakdown of key points in the contract:

- * City will continue to pay tipping fees, which are \$30.04 per ton of trash in 2014. That would generate about \$8 million for Covanta, based on the city's waste stream last year, which was 267,158 tons. The contract would last through 2028, making it worth at least \$112 million.
- * City will no longer have to meet a quota to provide 300,000 tons of waste.
- * City will continue to receive a share of steam revenue. City's share will be 10.8 percent, if it delivers at least 260,000 tons of trash. That share will increase or decrease 0.4 percent for every 10,000 tons over or under that minimum. Steam revenue may be reduced further if curbside recycling tonnage exceeds the 2013 amount by more than 5 percent.
- * Covanta must pull at least 18 percent of waste for recycling.
- * City and Covanta will share recycling revenue after the sixth full year of operation if 18 percent of the waste stream is recycled and Covanta receives \$225 per ton (net of recovery costs) for the material.
- * City will continue to pay Covanta's real and personal property taxes (as provided in earlier agreements), not to exceed \$4 million.

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McLaughlin covered business for daily newspapers in Massachusetts and Florida before joining IBJ in 2008. A native of the St. Louis area, she appreciates Indiana's Midwestern hospitality. Given her beats, you may find her taking in art, chronicling the death of a factory town or touring suburban developments. McLaughlin graduated from the University of Missouri School of Journalism in 1998.

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