

WHAT HAS HAPPENED WITH RECYCLE ANN ARBOR?

An Open Letter From the Ecology Center Board of Directors

printed on recycled paper

Ecology Center

417 Detroit Street
Ann Arbor, MI 48104

NON-PROFIT
ORGANIZATION
U. S. Postage
PAID
Ann Arbor, Mich.
Permit No. 3

May 27, 1992

To the members of the Ecology Center:

If you've been reading the Ann Arbor News in the past month, you have possibly been wondering "What has happened with Recycle Ann Arbor?" Let me try to answer that question.

In early 1990, and in anticipation of major changes in local recycling operations, the Ecology Center reorganized Recycle Ann Arbor as a wholly-owned nonprofit subsidiary corporation. RAA was given its own separate Board of Directors, which adopted an entirely separate management structure and financial recordkeeping system.

In mid-1990, RAA signed five new contracts with the City of Ann Arbor; in 1991, it expanded its processing center, and won a competitive bid to provide weekly collection service for the City. We know now that RAA skimmed on those contracts. Now, RAA had historically offered low-budget, close-to-the-bone services, and had scraped by as best as possible. But with the huge expansion in recycling services, RAA could no longer break even on those contracts. In addition, RAA made serious managerial errors. After its bookkeeper quit in June 1991, it was unable to hire and retain a financial manager. Rapidly, the company's financial recordkeeping systems deteriorated, and management was unable to recognize the mounting operating losses. By April of this year, RAA was losing \$20,000 a month, had piled up approximately \$300,000 in debts, its workers' compensation insurance had lapsed, and its executive director resigned.

By this point, the Ecology Center's Board of Directors had grown greatly concerned. In April, the Ecology Center and the City of Ann Arbor intervened. The Center's staff coordinator, Mike Garfield, was appointed interim director of RAA. A Search Committee was formed to conduct a nationwide search for a new executive director. Over the past five weeks, Ann Arbor City Council voted to advance RAA contract payments to restore its insurance and allow it to meet payroll. In addition, the City commissioned an accounting firm to review RAA's books. Last Friday, the City released its auditors' report, which formed the basis for the proposed contract adjustments which City Council will consider this upcoming Monday, June 1.

The proposal will increase RAA's monthly operating contracts by nearly \$20,000, provide \$65,000 in capital monies to improve operating efficiencies, move up contract payments to improve RAA's cash flow, and provide a City executive to assist and advise RAA's management in improving operations. While the June 1 proposal does not address the company's debt, RAA is expected to develop a debt retirement strategy during the course of June which the City may later elect to support financially. The RAA Board Finance Committee has approved the proposal, and the Ecology Center Board of Directors will consider it this Thursday evening.

The Ecology Center Board of Directors believes that Recycle Ann Arbor has *begun* to take the steps to turn itself around. In February, an accountant was hired, and the organization's financial records are being reestablished. The City's auditors explicitly praised RAA's current accountant in their report. And, RAA's Search Committee has received 130 applications for the executive director position to date. The Center intends to see RAA get back on its feet, and to then separate the organizations completely. The June 1 City Council proposal is one step in achieving that goal.

I'd like you to know five good reasons that City Council should support the June 1 proposal:

- 1. RAA has been, and still is, the premier recycling program in Michigan.** In past years, RAA started Michigan's first curbside collection program, attained record-setting recovery rates, and fostered numerous smaller programs around the state. Even today, despite its financial problems, RAA features creative, groundbreaking programs in multi-family and commercial recycling. Its basic curbside collection service is consistently well-regarded.
- 2. Ann Arbor needs a recycling processing facility.** The City of Ann Arbor is building a large full-service materials recovery facility (MRF) which is scheduled to open in October 1993. Until that time, Ann Arbor needs a facility to sort containers, bale paper products, and prepare materials for market. RAA's Ellsworth Road facility is conveniently located, and -- if the City proposal were adopted -- appropriately funded.
- 3. RAA would still cost Ann Arbor far less than the next lowest bidder.** RAA's original price for the City's collection contract was more than \$1 million per year lower than the next lowest bidder. The proposed contract adjustments don't even move RAA's price close to its competitors.
- 4. Community-based recycling is still an important idea.** Everyone has become familiar with the conservation benefits of recycling. Recycling also has the potential to spur the creation of local industries and jobs - seven times more jobs than landfilling. RAA's markets are mostly local (and, incidentally, still strong), whereas most of its competitors now market their materials throughout the U.S. and to other countries. In addition, RAA is committed to the local community, and displays that commitment through special projects, such as working with the Ann Arbor News to increase its use of recycled newsprint.
- 5. Recycle Ann Arbor is an independent and nonprofit voice in the waste industry.** The waste industry is dominated by three huge corporations -- Waste Management, Inc., Browning-Ferris Industries, and Laidlaw. While these firms today provide recycling services, their commitment to recycling has not been demonstrated.

The June 1 City Council proposal is not the only thing that Recycle Ann Arbor needs to restore its financial health, but it is an important step. In my opinion, the proposal is also a good investment for Ann Arbor. *If you agree, I would ask you to contact your City Councilpersons and Mayor Brater as soon as possible to express your support.* The Ecology Center Board of Directors will be monitoring RAA's situation closely, as will the City of Ann Arbor. In coming months, we will keep you updated on RAA's turnaround.

Sincerely,



Charles Barbieri
President, Ecology Center Board of Directors