

Central Connecticut Redemption Center, New Britain, CT

A stake holder testimonial before DEEP Re: Implementation of Public Act 21-58: Bottle Bill Modernization

To Katie Dykes, DEEP Commissioner and Chris Nelson, Supervising Environmental Analyst,

Independent Redemption Centers are an integral part to the state's container redemption program.

Any discussion surrounding deviating from the Connecticut redemption model to an industry sponsored model before the recently passed legislative reform have taken effect is bad public policy.

The three major concerns held regarding the industry proposed model are the following:

1. The lack of adequately defined rules and regulations of the deposit system under a new industry run model
2. Handling fee change is not implemented
3. Logistical issues with new organization in place with no controls provided to DEEP.

The industry sponsored / designed redemption program will not serve well Connecticut's efforts to expand access to redemption locations.

The industry proposed model does not provide DEEP or the CT State any means to regularly monitor the system and assess fines and penalties for any negligence in the system.

Without these safeguards in place the current and future independently owned redemption centers can be put under further unfair scrutiny from the large producers/initiators that they are not currently subject to.

With the increase in the handling fee the number of redemption centers statewide will grow exponentially. The new handling fee will incentivize small business owners to open redemption centers, and help retailers improve their redemption facilities

Allowing the provisions of the recently passed legislation to take effect will dramatically increase the number of locations where consumers can conveniently be repaid their deposit money, especially in urban areas. As an example, there are 14 locations in Hartford County today...under recently modernized CT model there could be upwards of 30 new centers in the CT.

1. Are the tentative objectives listed above the right objectives to guide DEEP's implementation of its responsibilities with respect to the Bottle Bill? Are there other objectives that should be included? Are there special considerations related to how these objectives should be balanced?
 - Increase public education on deposit container laws. What containers have deposit, different ways to redeem deposits, locations of deposit redemptions
2. How should DEEP apply the criteria in Section 9(a) in approving an application from a beverage stewardship organization for approval? Are there particular substantive or procedural criteria that DEEP should require or encourage applicants to meet?
3. What guiding principles should govern the formation of a stewardship organization?
4. Given the need to approve a stewardship organization in advance of the July 1, 2022 deadline for submission of a stewardship plan, should DEEP set a specific deadline for submission of an application?
 - Yes, January 1, 2022, with public access to all applications submitted and any plans laid forward by the beverage industry.
5. Section 9(c)(1)-(9) spells out many specific requirements that must be included in a stewardship plan in order to be approved by the DEEP Commissioner. Should DEEP clarify any of these requirements, or require specific demonstration of these elements, in the Request for Submissions? For example, should DEEP specify a timeline for achieving and exceeding the eighty per cent annual redemption rate, pursuant to Section 9(c)(1), in the Request for Submissions?
 - Yes, DEEP should specify a timeline of no less than 5 years from Bill passage of SB 1037, (2026) to achieve an 80% annual redemption rate. In achieving this specified rate DEEP shall ensure none of the changes made by SB 1037 are rolled back including but not limited to the expansion of containers and deposit increase to 10c.
 - DEEP should require the plan submitted to show a detailed implementation plan of existing redemption center operations and future operations in the CT system. Under no circumstance shall DEEP allow a plan to curb the redemption center availability in the CT. (Oregon has RC capped at 20, this should not be allowed) RC operating guidelines shall remain unchanged from current law, business operations must not be affected by any plans put into place.
6. What performance criteria should a stewardship organization need to include in its submitted plan? Are there any penalties, oversight, and accountability metrics that should be applied to a stewardship organization?
 - Monthly reporting of containers redeemed in the system, detailed reports showing the sources of redemption and the material type. (RVM, Redemption Center, bag drop, retailers, PET,AL,Glass)
 - Penalties shall be assessed to the stewardship organization if they cause harm or delay any operations in the redemption cycle.

- i. Failure to provide adequate pickups to retailers, redemption centers in a timely manner
- ii. Failure to process payments of handling fees/deposits back to retailers and redemption centers within 7 days of material collection
- iii. Undo hardship or imposing standards not written a formal operating agreement between stewardship organization and redemption providers

The fine shall be on a per occurrence basis of a \$1000 per infraction. Any harm or financial damage caused to the redemption operators shall be paid by the stewardship organization. There shall be oversight from both the stewardship organization and DEEP.

7. What additional parameters or requirements should the DEEP Commissioner specify, pursuant to Section 9(c)(10), to include in an approvable Stewardship Plan?
 - Any changes that the stewardship organization intends to make after passage must go through a stakeholder approval process with all parties notified 90 days in advanced of the meeting.
 - Deposit value must be adjusted from time to time to keep up with inflation, if it has been detected that the recycling rate has declined for two consecutive years the deposit value must be increased.
 - Handling Fee value must be adjusted to keep up with inflation. An annual meeting must be held with all parties involved to discuss current costs and the need for increase to the handling fee.
8. How should DEEP go about ensuring that members of the independent redemption centers community, municipal resource recovery facilities, municipal leaders, wine and spirits distributors, and reverse vending machine operators, and/or any others not specified in Section 9(c) are able to provide input on the Stewardship Plan?
 - DEEP should identify a focal from each party above that oversees identifying all interested parties within their sector. The focal will relay back to DEEP the number of parties in their respective sectors to calculate a quorum for each.
 - DEEP shall setup a collaborative work environment which allows all parties to work together on the planned requirements and reviews. (Slack, Microsoft teams, Trello boards, zoom meetings)
 - DEEP should make sure there is a quorum for each of the parties listed above before any decisions are made.
9. Beyond the criteria specified in Section 65, are there any other criteria or considerations should DEEP take into account to optimize redemption center grant funding to (a) ensure equitable access to redemption, (b) support economic development opportunities in underserved communities, (c) expand consumer access to redemption, and (d) provide for compatibility of investments with a potential future transition to a stewardship organization-led redemption program?
 - Applicants must show proof of lease or property deed before obtaining grant funds
 - Applicants must have a credit score no lower than 600.

- Applicants must show they have contacted a current redemption center owner or DEEP and are familiar with the processes in place to operate a redemption center successfully.
- Applicants must demonstrate reoccurring monthly payments from distributors for a 12-month period to validate the business is in good standing before any grant forgiveness is approved.
- **See RC income Model Below for economic analysis and recommendations for RC grant funding limits and placement requirements.**

10. What are the requisite parties that should be included in such an MOA, and how can DEEP efficiently facilitate discussions among such parties?

- The independent redemption centers community, municipal resource recovery facilities, municipal leaders, wine and spirits distributors, and reverse vending machine operators, recycling operators, waste haulers
- The discussions should be facilitated through collaborative tools and scheduled public meetings.

11. What best practices/programs should the wine and liquor industry utilize to help them achieve the goal of collecting and processing of at least 80% of the wine & liquor containers sold in the state?

- The industry should be looking to see what the current problems in the system exist and how it can help remedy them. The current single stream recycling system we have leads to high levels of contaminations in the material source due to glass in the blue bins.
- The industry can help solve the problem by alleviating the waste haulers of the glass contamination issues through public education measures and potential dealings with RVM and redemption centers to take on this material for an agreed upon fee.

The table below illustrates a sample business model for a redemption center operation in Connecticut. In this particular model, the assumptions are as follows:

- Number of employees not including the owner: 3
- Average rental cost per month \$4000
- Inflation over time for expenses 2%, but in reality, this number can be much higher
- Gross income is before taxes and any debt payments
- Annual growth rate of containers redeemed: 20%

The first four years of a new redemption operation will yield losses totaling over \$223,000. The owner will only have positive revenue after 5th year of operation assuming that their growth rate can maintain 20% per year. As you can see, it is critical that the grant amounts disbursed for new RC operation should be at the maximum amount of \$150,000.00, anything less will put new owners at greater financial risk and will lead to higher rates of defaults, leading to shut downs of the centers before profitability is reached.

Redemption Center Income Model	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Revenue	\$ 175,000.00	\$ 210,000.00	\$ 252,000.00	\$ 302,400.00	\$ 362,880.00	\$ 435,456.00	\$ 522,547.20	\$ 627,056.64
Containers Redeemed	3,500,000.00	4,200,000.00	5,040,000.00	6,048,000.00	7,257,600.00	8,709,120.00	10,450,944.00	12,541,132.80
Gross Margin %	60%	60%	60%	60%	60%	60%	60%	60%
Gross Revenue	\$ 105,000.00	\$ 126,000.00	\$ 151,200.00	\$ 181,440.00	\$ 217,728.00	\$ 261,273.60	\$ 313,528.32	\$ 376,233.98
Operating Expenses								
Wages (3 People @ \$15/hr)	\$ 120,931.20	\$ 123,349.82	\$ 125,816.82	\$ 128,333.16	\$ 130,899.82	\$ 133,517.82	\$ 136,188.17	\$ 138,911.94
Rent (\$4000/month)	\$ 48,000.00	\$ 48,960.00	\$ 49,939.20	\$ 50,937.98	\$ 51,956.74	\$ 52,995.88	\$ 54,055.80	\$ 55,136.91
Utilities	\$ 4,560.00	\$ 4,788.00	\$ 5,027.40	\$ 5,278.77	\$ 5,542.71	\$ 5,819.84	\$ 6,110.84	\$ 6,416.38
Insurance	\$ 5,000.00	\$ 5,250.00	\$ 5,512.50	\$ 5,788.13	\$ 6,077.53	\$ 6,381.41	\$ 6,700.48	\$ 7,035.50
Can liner bags	\$ 12,000.00	\$ 12,240.00	\$ 12,484.80	\$ 12,734.50	\$ 12,989.19	\$ 13,248.97	\$ 13,513.95	\$ 13,784.23
Total Expenses	\$ 190,491.20	\$ 194,587.82	\$ 198,780.72	\$ 203,072.53	\$ 207,465.99	\$ 211,963.92	\$ 216,569.23	\$ 221,284.96
Gross Income	\$ (85,491.20)	\$ (68,587.82)	\$ (47,580.72)	\$ (21,632.53)	\$ 10,262.01	\$ 49,309.68	\$ 96,959.09	\$ 154,949.03

The table below illustrates the future required number of RCs in the state of CT. The assumption of the model below is that 80% redemption rate is achieved and that 50% of the redemption is occurring through RC's and the other 50% is through RVMs. The required number of containers for an RC to stay operational and generate enough revenue is based on the model above from year 8 of operation. Anything under that container amount could lead to negative revenue and the redemption center not longer able to stay in business. The model below calculates a 1 RC need for every 72,000 people. The second table shows the model for the top 10 populated cities in CT.

CT population (2020)	Average Total Containers Sold (Rolling 4 year Avg)	Average Containers/person	Assumed Redemption Rate	Yearly Redeemed Containers	RVM/RC Collection Split	RC Required Redeemed Containers	Estimate for Total required RCs in CT	Current Number of active RCs in CT	Potential New RC locations
3,605,944.00	1,492,744,414.00	414	80%	1,194,195,531.20	50%	12,000,000.00	49	18	31

Rank	Town	Population	Potential Containers	Yearly Redeemed Containers by RC	Recommended RC per Town
1	Bridgeport	145,639.00	60,294,546.00	24,117,818.40	2.01
2	New Haven	130,331.00	53,957,034.00	21,582,813.60	1.80
3	Stamford	129,309.00	53,533,926.00	21,413,570.40	1.78
4	Hartford	123,088.00	50,958,432.00	20,383,372.80	1.70
5	Waterbury	108,276.00	44,826,264.00	17,930,505.60	1.49
6	Norwalk	88,599.00	36,679,986.00	14,671,994.40	1.22
7	Danbury	84,619.00	35,032,266.00	14,012,906.40	1.17
8	New Britain	72,767.00	30,125,538.00	12,050,215.20	1.00
9	West Hartford	63,063.00	26,108,082.00	10,443,232.80	0.87
10	Greenwich	62,587.00	25,911,018.00	10,364,407.20	0.86

DEEP Recommendations:

- Administer the grant amount to the max \$150,000.00 per application, this will lead to potentially 33 new RCs, which is in line with the required new redemptions center shown above in the modeling
- Grants should only be issued to applicants which are opening new centers in areas that currently do not have access to a RC. There should be adequate due diligence done to prevent the issues seen in NY and Maine where there are multitude of RCs in the same town competing for the same container stream leading to subpar RC experiences and eventual shut downs of centers. Maine has recently implemented a similar system like the liquor permit process system to prevent against these overcrowding of RC issues.
- Develop a checklist for potential new RC owners to be vetted by in order to assure good RC experiences for customers and overall, well-being of the RC operation.
- Come up with guidelines for RC spacing within towns which require multiple RCs and also with RCs that cover many smaller towns to prevent overcrowding. A minimum of an 8-10 mi radius maybe a viable number for RCs that cover a few different smaller towns.

I have been working under the CT Bottle Law for 18 Years. Please don't hesitate to contact me if you have any questions pertaining to this industry. I will be happy to help.

Sincerely yours,

Shahil Kantesaria
Central Connecticut Redemption Center