



Request for City Council Committee Action From the Department of Public Works

Date September 1, 2009

To: Honorable Sandra Colvin Roy, Chair, Transportation and Public Works Committee

Referral: Honorable Paul Ostrow, Chair, Ways and Means Committee

Subject: **Extension of Recyclables Processing and Marketing Contract with Allied Recycling**

Recommendation:

That the City Council authorize the appropriate city staff to enter in to a one year contact with Allied Recycling Services, to possibly be extended at the sole option of the City for an additional one year period, under the terms presented in the staff report.

Previous Directives:

May, 2004, Direction to enter into contract with BFI Systems (predecessor to Allied) for Recyclables Processing and Marketing

Prepared by: Susan Young, Division of Solid Waste and Recycling 673-2443

Approved by: _____
Steven A. Kotke, P.E., City Engineer, Director of Public Works

Presenter: Susan Young, Director, Solid Waste and Recycling

Financial Impact:

Financial resources are contained in the Solid Waste and Recycling and Sewer Enterprise Funds

Background/Supporting Information

The City contract for processing and marketing of recyclables collected in the residential recycling program is at an end. Commodities markets, as other sectors of the economy, are seriously depressed and market forecasts project limited demands for recyclables in the near term. Until commodity prices stabilize or a reliable forecast of economic health returns, it is not in the City's best interests to issue an RFP to enter into a long-term recyclables processing and marketing contract.

Staff has engaged in exploratory discussions with the current recyclables processing and marketing vendor, Allied Recycling Services. Allied is not agreeable to a renewal of the present contract terms under present market conditions, as stated in their letter. The commodities indicators that are noted, for instance, pricing at a ONP #8 (Old Newspaper #8) instead of Allied's initial proposal of ONP #6, are advantageous to the city because they have a higher payback value, and are only possible because the city has a clean and well sorted recyclables product that we deliver to Allied. The processing fees are lower than the fees that the City pays under our present contract, and are a result of the city's well sorted recyclables and investments that Allied has made to plant efficiencies at its Minneapolis facility.

It must be noted that the City will receive significantly less revenue from our recyclables in the future than we have the past few years; the historically high recycling markets were not sustainable, and like building or raw materials commodities, will be in a broad low period in their pricing cycle for the foreseeable future. It is not possible to precisely anticipate exact pricing, but less than one third of our 2008 revenue of \$1.8 million is anticipated in 2009, even under the present, favorable, contract conditions; it is possible that a net payment to Allied may be required in 2010 or 2011.

The Permanent Review Committee reviewed the staff recommendation on August 20, and agreed that a renegotiation of the current contract is in the best interests of the City.

If the recommendation to extend the current contract is accepted, staff will continue to closely follow commodities prices and State legislative efforts, such as a Bottle Bill, that may significantly affect our recycling programs. It is anticipated that issuance of a Request for Proposals will be requested of the Council either in late 2010 or 2011, depending on these conditions. A longer term contract that would reflect any significant program changes could be negotiated at that time.