

ANN ARBOR COMPOST CENTER

REVIEW OF PUBLIC-PRIVATE
PARTNERSHIP WITH WECARE ORGANICS



SOLID WASTE FUND CHALLENGES

- Loss of revenue generated by millage
- Value of recyclable materials down
- More expensive automated collection equipment
- Rising health care & pension costs



SOLID WASTE PROGRAM CHANGES

- Bagged leaf program
- Elimination of Christmas tree pick up
- Commercial waste collection
- Convert to public-private partnership for compost operations
- All included in FY11 budget



SOLID WASTE FUND FY11 BUDGET

- Millage revenue \$11.2m
- Total revenue \$13.6m
- Total expenses: \$13.1m
- Program changes allowed the City to adopt a balanced SW Fund budget for FY11
- These changes also project a positive return to fund balance through FY15



UPCOMING SOLID WASTE FUND PROJECTS/PROGRAMS

- Commercial recycling expansion (becoming mandatory July 1, 2011)
- Commercial food waste expansion
- Drop-off station replacement

COMPOST OPERATIONS OVERVIEW

EXISTING PROGRAM

- FY10 Actual
 - Compost Operations expenses: \$930k
 - Compost Operations revenues: \$247k
 - Overall loss: \$682k
- FY09 Actual
 - Compost Operations expenses: \$893k
 - Compost Operations revenues: \$325k
 - Overall loss: \$568k
- High fixed costs (equipment & permanent staff)
- Correlation between tonnage variations and operating costs are not direct



PUBLIC PRIVATE PARTNERSHIPS

- FCR: Operate Material Recovery Facility and Transfer Station (26 years)
- Recycle Ann Arbor: Curbside recycling collection contract (15 years)
- Waste Management: Commercial waste collection (5 years with 5 yr option to renew)



RFP PROCESS

- 2009
 - City issues RFP 730
 - Received four proposals in May 2009
 - After Selection Committee reviews/interview, St. Louis Compost is finalist
 - St. Louis Compost withdraws proposal in May 2010
 - Changes in market conditions and economy
 - Could not procure merchant tonnage commitments
 - Business plan may not be successful



RFP PROCESS

- 2010
 - City decides to re-issue RFP 730A
 - Received three proposals in August 2010 (see attachment B)
 - Spurt Industries (Zeeland, MI)
 - New England Organics (Portland, ME)
 - WeCare Organics (Jordan, NY)
 - WeCare is finalist based on Selection Committee reviews/interview
 - Highest rated in non-financial areas
 - Lowest tip fee for the City
 - Second lowest financial package overall (before normalization)
 - Better financial package for City with 2010 bids



WECARE ORGANICS

- Founded in 1999 as a wholly owned subsidiary of WeCare Holdings
- Based in Jordan, NY, the company serves the Northeast, Mid-Atlantic and Great Lakes states
- Operates 9 compost facilities, including:
 - New York, NY
 - Rockland County, NY
 - Cape Resources, MA
 - Burlington County, NJ



WECARE ORGANICS

- Committed to continuing US Composting Council Seal of Testing Assurance Program
- Affiliations
 - Water Environment Federation (WEF)
 - US Composting Council
 - Solid Waste Association of North America
- Will market finished product under the WeCare brand
- History of community education and outreach activities, Earth Day celebrations



PROPOSAL DETAILS

- WeCare would operate the compost site, including use and maintenance of the compost equipment storage building
- City will continue to operate the scalehouse which handles compost, solid waste and recycled materials
- WeCare will initially lease compost equipment from the City (up to 5 months) and be responsible for operating and maintenance/repair cost
- The City and WeCare are currently negotiating the sale of some of the compost equipment



PROPOSAL DETAILS

- City to pay tip fees on all incoming materials (\$19/ton reducing to \$17.50/ton in 2015)
- City will be paid on incoming merchant tons (\$1/ton)
- City will be paid on outgoing finished product (\$.50/ton)
- 5 yr contract w/ 2 yr option to renew



FINANCIAL IMPACTS

WeCare Organics Proposal

- Total expenses in FY12 (1st full yr of operation): \$373k
- Estimated revenue in FY12: \$36k
- Net cost to city: \$337k
- Savings over current operations: \$376 in FY12
- Charges to the City are tonnage based

FINANCIAL IMPACTS

- Projected losses for compost operations

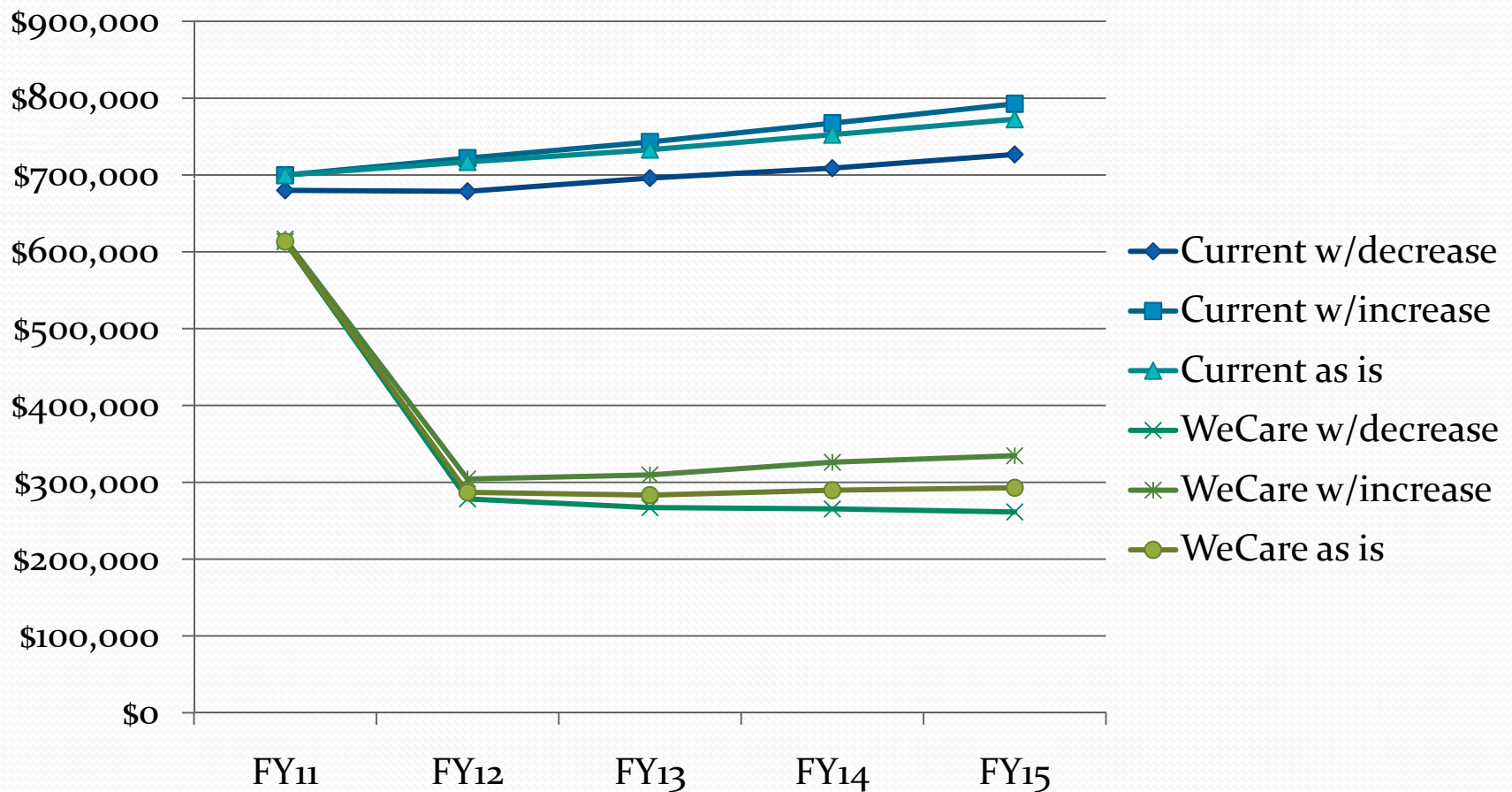
	City Operations (attachment A)	WeCare Operations (attachment C)	Difference
FY11	\$699,775	\$634,513 (partial year)	\$65,262
FY12	\$713,909	\$337,629	\$376,280
FY13	\$732,904	\$345,157	\$387,747
FY14	\$752,468	\$354,261	\$398,207
FY15	\$772,620	\$365,382	\$407,237



FINANCIAL IMPACTS

- Tonnage based charges
 - Direct financial incentive to reduce City tonnage
 - Allows for better understanding of the financial impact of program changes
- Food waste program
- Promoting at home composting/mulching of leaves
- Bagged leaf collection
- Variations in annual leaf volumes

COMPOST LOSSES UNDER THE CITY AND WECARE (w/ variations of City tonnages)





FINANCIAL IMPACTS

- Sale of compost equipment
 - One time revenue
 - Equipment appraised at \$900k
- Accumulated replacement cost in Fleet Fund
 - One time revenue
 - Compost equipment is \$327k
- What if we get back in the compost business



STAFF IMPACTS

- Current staffing includes 2 operators, 1 mechanic and 1 supervisor
- The two operators will be moved to vacant positions in Field Operations which have already been approved and budgeted
- The mechanic will move back to Fleet operations in January and offset a mechanic's retirement in February
- The supervisor position will be re-assigned within Field Operations as they continue their evaluation of supervisory positions



PUBLIC IMPACTS

- Finished product will be marketed and sold under the WeCare brand
- Incoming and outgoing product will be market priced
- Purchase and drop off of small loads will be at the RAA Drop Off Station
- A minimum local inventory will be maintained for AA residents
- WeCare expects to offer a variety of finished product blends



NEXT STEPS

- City Council consideration on November 15th
 - If Council action/approval is delayed into December then transition would likely be pushed to February 1st
- If approved by Council
 - Finalize contract, bonding and insurance
 - Formalize transition plan for January 1st
 - Compost site reopens on January 3, 2011 under WeCare operation



QUESTIONS