



TO: Environmental Commission

FROM: Howard S. Lazarus, City Administrator

DATE: May 25, 2017

SUBJECT: Solid Waste/Recycling Program Area Status Updates

PURPOSE: This memo provides information and status updates on various project and program efforts of the City in the Solid Waste Fund program areas.

Solid Waste Fund

The Solid Waste Fund balance is estimated to be \$9.3 million as of June 30, 2017; however, this does not yet account for the \$5.2M OPEB liability, which will hit the fund in FY18. Based on the City's policy on providing a minimum of 25% of the annual operating expenses, the minimum fund balance level is approximately \$4.1 million. As a result of the upcoming OPEB liability and the fact that current annual operating costs exceed the solid waste revenues, it is anticipated that if nothing changes programmatically the City will be below the minimum fund balance level by the end of FY18. A final determination by City Council on the final contract for the MRF interim operations is necessary for staff to fully complete the updated Solid Waste Fund Financial Plan/Forecast.

Recent Procurement of Services

With the upcoming expiration of the City's Landfill Disposal Services contract on June 30, 2017, City Council awarded a five-year contract with Advanced Disposal Services Solid Waste Midwest, LLC (Advanced Disposal) to provide solid waste transfer, transport and disposal services for the City, with an option to extend the contract for up to two additional five-year periods. The prices included in this contract and their effect on the Solid Waste budget are less than anticipated and budgeted for FY18. The FY18 budget submittal anticipated a 30% increase in these costs, but the proposed contract results in approximately 33% less than current costs. One likely reason for this reduction is due to the fact that the operations of the City's waste transfer station has been bundled with this landfill contract, rather than keeping it under the Material Recovery Facility (MRF) operations contract as had been done previously. It must be noted that although the proposed budget included a 30% landfill increase, it did not anticipate

increased recycling costs. The contract costs that are currently being negotiated for the MRF interim operations reflect increased costs compared to the budget for recycling.

Another existing services contract that will expire on June 30, 2017 is a contract with Recycle Ann Arbor for Student Move-In/Move-Out services in handling and managing bulky waste and reuse items. These services have been provided in the spring and late-summer since 2007, first by the City directly and then by Recycle Ann Arbor under contract since 2014, concluding this spring's event, which was held from April 27th through May 8th. In March, 2017 the City issued a Request for Proposals (RFP) seeking firms to provide these services, and Recycle Ann Arbor was the only submitter. A resolution to award a three-year contract to Recycle Ann Arbor, with an option to extend the agreement for one additional two-year period is expected to be presented to City Council at their June 19, 2017 regular meeting.

The next services contract set to expire is the Compost Center Operations contract with Denali (formerly known as WeCare) which will expire in January, 2018. City staff and the City's consultant on the recent Organics Management Plan, CB&I, will soon begin developing an RFP for a new multi-year contract for compost center operations to replace the current contract when it expires in January.

Plans

CB&I has utilized the feedback provided at the April 27, 2017 Environmental Commission and has finalized the City's Organics Management Plan. The plan document has been posted on the City's website and can be found at <http://www.a2gov.org/departments/systems-planning/planning-areas/Pages/Organics-Management-Plan-.aspx>

The Washtenaw County Solid Waste Planning Committee has released the County's draft Solid Waste Management Plan Amendment for public review and comment. The draft document was released for the ninety (90) day public comment period on April 21, 2017 and is available on the County's website at www.ewashtenaw.org/swp. The County is strongly encouraging comments during this review period, as this is the only opportunity to integrate feedback from the public, municipalities and other interested parties into the final plan amendment.

Additionally, the County, along with the City as a partner, has completed a Waste Diversion Site Feasibility Study to identify potential approaches and locations for increased drop-off recycling opportunities throughout the County. City staff is working with the County to schedule a presentation regarding the outcomes of this study at a future Environmental Commission meeting.

This summer, staff will begin to develop an RFP seeking consulting services for the development of the City's solid waste plan update. The benefit of proceeding with hiring a firm to undertake the effort of a solid waste plan update, rather than delaying this work, is that the resulting holistic plan for all of the program areas will be completed through the lens of today's conditions - - funding constraints, MRF situation, Drop-Off Station needs, findings and recommendations of the recent Organics Management Plan, etc. - - and lay out the direction of the solid waste area programs moving forward in light of these conditions. In addition, staff has learned from CB&I there have been many changes in the industry, both in processing methods and in trends in MRF operations and markets, since the last solid waste plan and our last modification of the MRF. When this new information is coupled with the Solid Waste Fund's diminishing funds and negative cash flow operations, there is a critical need to evaluate the entire solid waste program and to make operational and programmatic changes that will enable the City to deliver services desired by the community and to work towards prioritized community goals within the funding capacity that can be provided for these services and programs.

Materials Recovery Facility (MRF)

At its meeting on April 17, 2017, City Council postponed action on the selection of either Recycle Ann Arbor (RAA) or Waste Management of Michigan (WMM) for award of the interim operations contract for the MRF until June 5, 2017. This postponement was done to allow RAA to submit a final option proposal(s) to the City for its consideration to determine if the costs for RAA's options are competitive with WMM's pricing for baling of recyclables as called for in Council's resolution R-17-070. The final proposal was submitted to the City on April 28, 2017 and is being reviewed by staff for reporting to the City Council by the June 5, 2017 Council meeting.

As to the longer-term matter of bringing the MRF back into operation as a local processing facility for the community's recyclable materials rather than transporting them to other facilities for processing and moving to reuse markets as is currently being done and will continue under the selected interim operations contract, Public Services staff have initiated discussions with Washtenaw County staff on the potential of moving the MRF to a more regional service model. In addition to staff's interest in this potential, it has also been suggested by the Environmental Commission. If this move in service model is undertaken, it will take an extended period of time to lay the groundwork, to cultivate the relationships necessary to reach agreement on the cost sharing and other responsibilities of each participant, and to lay out and then implement this approach. While it was staff's goal to be further advanced in determining the long-term approach for the operations of the MRF, staff resources have been, and continue to be spent on the negotiations and related work that have been required for the Interim Operations Contract for the MRF as well as on other priority needs in the solid waste program area.

As there is need to replace all of the existing equipment (other than the new baler), which may include building/facility modification costs in addition to the equipment itself, this potential will be at some time in the future. Due to the level of investment such improvements would require, a determination must be made on the appropriate capacity/sizing of the facility... should the MRF serve a broader area than the City and become a more regional facility? Or should it serve the City and the operator be allowed to obtain outside third-party material? Once the level of investment is determined, then a decision will need to be made as to how to undertake that investment - - include it in the funding of a new long-term operating contract, or perform it separately from the operating contract. Following these decision milestones, an RFP for the long-term operation of the MRF can be issued based on those decisions, and the contractor market at that time will establish whether or not this would be at a cost lower than the current and/or next step in hauling recycling operations.

CB&I is performing an examination to gain an understanding of the payback period on an accelerated MRF repair, given the increased costs of recycling under the current short-term operations contract with WMM and the proposed interim operations contracts compared to costs to the City under the prior contract with ReCommunity. It is anticipated that their draft Preliminary Review of MRF Options technical memo will be submitted to staff in the next few weeks.