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Title: Resolution to Approve Compost Rates and to Establish Administrative Guidelines for Future Compost Rate Changes

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2/17/2009	2	City Council	Held and Closed	
2/17/2009	2	City Council	Approved	Pass

Resolution to Approve Compost Rates and to Establish Administrative Guidelines for Future Compost Rate Changes

The attached resolution establishes new compost rates effective March 1, 2009, and also establishes guidelines to allow the City Administrator to make compost rate changes in the future. During the past year, the market pricing for compost has decreased substantially due to the weakened economy. For example, Southeast Oakland County Resource Recovery Authority has lowered their compost pricing from \$7 per cubic yard in 2008 to \$3 per cubic yard in 2009 (minimum \$15) for loaded material, or free for those who shovel.

At the same time, the city's compost facility has produced a larger quantity of finished compost than in the past. As the result of this, the city currently has an estimated 10,000 to 15,000 cubic yards of surplus finished compost that did not sell last year. If this material is not removed from the site by mid-2009, it may hamper compost processing efforts, particularly in the fall of 2009. The MDEQ is enforcing new rules that limit the time compost can sit on a site. Compost that has remained static too long loses a significant portion of its nutrient value.

In an effort to gauge the wholesale market for this material, the city issued Invitation to Bid 3986 requesting pricing for 1,000 cubic yards or more, with pickup of the material due by March 31, 2009. This bid was sent to approximately 100 landscape suppliers in the area. Two responses were received on December 12, 2008:

- Environmental Reclamation: \$1 .00/ton for 5,000 tons (approx. \$50/cubic yard)
- Lodi Farms: \$2.75/cubic yard for 1,000 cubic yards

Discussions after the bid with Environmental Reclamation indicated a willingness to pay a higher price if they were able to pick up the material after March 31st. Staff re-bid the remaining compost materials under ITB 3991 with a later pick up date and no bids were received at the January 6, 2009, opening.

The City Administrator currently has the authority to change rates within the following parameters:

- \$15.00-20.00/cubic yard for up to 10 cubic yards per truck load
- \$10.00-i 5.00/cubic yard for 10 to 24 cubic yards per load
- \$8.00-i 3.00/cubic yard for 25 or more cubic yards per load

Currently, rates are set at the lowest points within each of these parameters. Based on market conditions and the amount of surplus material on hand, staff is recommending that the lower end of these parameters be adjusted as follows:

- \$5.00-20.00/cubic yard for up to 10 cubic yards per truck load
- \$2.50-i 5.00/cubic yard for 10 to 24 cubic yards per load
- \$0.50-i 3.00/cubic yard for 25 or more cubic yards per load

Staff is recommending that the Administrator set the following initial rates:

- \$7.00/cubic yard for up to 10 cubic yards per truck load
- \$5.00/cubic yard for 10 to 24 cubic yards per load
- \$2.75/cubic yard for 25 or more cubic yards per load

Any future rate changes will be posted 15 days in advance on the City's website and at the City's Material Recovery Facility.

We expect that these price adjustments will allow us to eliminate the current surplus inventory, and eliminate the potential costs for removal and/or disposal of the unsold surplus in the future.

Staff also evaluated the option of providing finished compost to city residents at no charge. However, the City-subsidized drop-off station operated by Recycle Ann Arbor currently sells this material, and such a give-away would cut into their revenue. Staff is recommending against that option at this point.

With the significant reduction of market rates for finished compost, staff has initiated an evaluation of the tip fees for incoming compostable materials. A recommendation on any necessary adjustments to these tip fees will be brought forward as part of the budget process for the new fiscal year starting July 1, 2009.

As part of a review of operational efficiencies, staff has also initiated an evaluation of public-private partnership opportunities for operating the Compost Center, similar to the arrangement that is currently used for operating the City's Material Recovery Facility. A proposal for this evaluation will be brought to Council within the next 60 days.

This resolution will supersede the compost rate resolution that was passed by City Council on April 7, 2008.

Prepared by: Tom McMurtrie, Systems Planning Unit

Reviewed by: Matthew J. Kulhanek, Fleet & Facility Manager and Sue F. McCormick, Public Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The city currently operates a compost operation providing finished compost and mulch to customers in Ann Arbor and the surrounding region;

Whereas, The compost center has seen a significant increase in yard waste being delivered to the site for processing;

Whereas, As a result of increased incoming material, it is estimated that there are approximately 10,000 to 15,000 cubic yards of finished compost material for sale;

Whereas, The City's Invitation to Bid has indicated that the City's compost pricing structure needs to be

changed to reflect current market conditions; and

Whereas, It is important for the compost site to move its products in a timely fashion to maximize revenues, conserve space for other compost related activities on-site and preserve the high quality of product being sold;

RESOLVED, That City Council approves the following rate parameters for compost products effective March 1, 2009:

Finished Compost (up to 10 cubic yards): \$5.00-20.00/cubic yard

Finished Compost (10 to 24 cubic yards): \$2.50-15.00/cubic yard

Finished Compost (25 cubic yards or more): \$5.00-3.00/cubic yard; and

RESOLVED, That City Council provide staff with the ability to adjust rates within these parameters, and that such rate changes be approved by the City Administrator;

RESOLVED, That administrative rate changes be instituted only after providing fifteen (15) days notice via posting at the Material Recovery Facility scalehouse and the City's website;

RESOLVED, That this resolution supersede the compost rates resolution passed by City Council on April 7, 2008; and

RESOLVED, That City Council authorize the City Administrator to take any necessary actions to implement this resolution.