



Legislation Text

File #: 08-1168, **Version:** 1

Resolution to Authorize a Commercial Solid Waste Collection Contract with Waste Management of Michigan (not to exceed \$900,000.00 annually)

The attached resolution approves and authorizes a contract for Commercial Refuse Collection Services with Waste Management of Michigan as part of the steps required for carrying out the "Commercial Recycling Implementation Recommendations" prepared by the Commercial Recycling Implementation Committee of the Environmental Commission. Preparation was requested by City Council on July 2, 2007. Recommendations were received and approved by City Council on January 5, 2009. Target date for implementation is July 1, 2009.

The Waste Management agreement has an initial term of five years, with two renewal options of three and two years respectively, for a possible total of ten years. Approval of the agreement at this time will provide approximately four and one-half months for Waste Management to prepare for this July 1, 2009 service transition.

During both the initial five year term and the extensions, continuation is subject to the appropriation of sufficient funds in the budget.

Benefits of a franchised waste hauler in the commercial sector include cost savings for businesses, improved customer service, reduced truck traffic, noise and wear and tear on city streets and alleys, improved contractor accountability and waste container pricing intended to create positive economic incentives for maximum recycling. The City will be billing the commercial sector for service received from Waste Management and in turn, will be paying Waste Management approximately \$900,000.00/year for services provided.

As part of the waste franchise transition, existing commercial (non-residential) accounts currently serviced by the city of Ann Arbor crews will, instead, be serviced by Waste Management. This includes 310 billable dumpsters (currently receiving weekly service at a subsidized \$39/month) and 61 non-profit locations (currently receiving this service at no cost). The rates for the customers that are transferred to Waste Management have not yet been set, but a committee has been formed to recommend fees to the City Council and we expect that the 310 existing city-subsidized accounts will be transitioned to full-cost pricing over a period of three to four years in order to ease the financial impact for these customers.

The overall impact on the solid waste operating budget in fiscal 2009/2010 for the commercial waste franchise/billing system and expanded recycling efforts can be summarized as follows based on current projections:

Waste Services Net Return (after expenses) - \$467,541
Move City Front-Load Commercial Accounts to WM - \$18,599
Commercial Dumpster Recycling Net Cost - (\$ 67,200)
Commercial Curb-Cart Recycling Net Cost - (\$130,044)

Capital Purchases (Recycling Carts and Dumpsters) - (\$162,000)
TOTAL NET RETURN TO SOLID WASTE FUND - \$ 126,896

The estimated net return to fund balance in fiscal 2010/2011 is \$279,000.

In addition to moving forward with authorization of this contract for commercial refuse collection services with Waste Management of Michigan, implementation will involve the following additional steps:

- Approval of proposed amendments to Chapter 26 (Solid Waste Ordinance) and related ordinance amendments as required to implement the program.
- Authorization for staff to engage the business community and the Commercial Recycling Implementation Committee in final stages of development of recycling container placement requirements and a commercial waste rate schedule, as part of the implementation recommendations.
- Integration of the implementation plan into the proposed FY 2009-2011 budget being prepared for Council's consideration, including all details required to prepare that budget.

The recommendations have been developed through an extensive process of input from the business community, a thorough procurement process for the commercial waste collection contract and detailed financial modeling of the impact of the proposed revenues and expenditures on the City's Solid Waste Enterprise Fund.

The recommended contract with Waste Management of Michigan results from a competitive procurement (RFP708) with responses from three companies (Waste Management, Republic Waste and Allied Waste), two firm proposals and a detailed interview and vendor proposal clarification process that has resulted in the draft contract that is attached, parts of which will be modified slightly once council authorization is received.

The results of this effort indicate that the recommended programs can be implemented to enable the City to achieve 50% diversion of its commercial waste stream while maintaining a positive net impact on the bottom line of the Solid Waste Enterprise Fund. Approval of the Chapter 26 ordinance amendments and waste franchise contract are the critical first steps in a phased implementation of the commercial recycling plan.

A three-year, graduated phase-in of expanded commercial recycling services is envisioned, with 22% of estimated sites added in year one, 33% in year two and 45% in year three, assuming the availability of solid waste operating funds.

On January 20, 2009, City Council appointed a solid waste rate schedule committee to work with staff and its consultant to develop solid waste rate recommendations under this commercial waste franchise. Those recommendations are to be presented to City Council no later than May 4, 2009. In order to keep the Solid Waste Enterprise Fund whole, it is imperative that the final rate structure recover all of the costs incurred by the city.

Approximately one half of the costs to be recovered through the commercial solid waste rates are

linked to the collection services offered by Waste Management. The other 50% are costs incurred by the city for waste transfer and disposal, billing, administration and capitalization of the waste transfer and MRF commercial material sort upgrades.

Because the rates have not yet been set for FY 2009-2010, City Council needs to be aware that termination of the contract due to a lack of sufficient funds for the first year, or for any of the next three years, will result in the City being obligated to pay Waste Management certain amounts as follows:

The City may cancel its contract with Waste Management at any time. However, if the effective date of termination is on or after July 1, 2009, there is a schedule of capital reimbursements (trucks, equipment and dumpsters) that will be owed to Waste Management for early cancellation as follows:

July 1, 2009 to June 30, 2010	\$243,000.00
July 1, 2010 to June 30, 2011	\$189,000.00
July 1, 2011 to June 30, 2012	\$135,000.00
July 1, 2012 to June 30, 2013	\$ 81,000.00
After July 1, 2013	\$ 0.00

Approval of the contract with Waste Management is recommended. This recommendation is based on an assumption that City Council will approve a rate schedule that is sufficient to cover obligations for this agreement and on the fact that Waste Management needs sufficient time to be prepared for the July 1, 2009, transition date. A delay of the approval the contract will delay the transition date.

Prepared by: Bryan Weinert, Solid Waste Coordinator

Reviewed by: Susan F. McCormick, Public Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The City of Ann Arbor adopted a Solid Waste Management Plan Update in 2002 that includes an overall recycling diversion goal (including the entire commercial sector) of 60% of the overall solid waste stream - approximately 40,200 tons/year for both City-serviced and non-City-serviced commercial customers;

Whereas, City Council accepted the Environmental Commission's report entitled "Commercial Recycling Recommendations" and endorsed the recommendations in that report on July 2, 2007;

Whereas, City Council directed the City Administrator and staff to develop where appropriate specific ordinances, regulations, programs and educational resources to implement the recommendations;

Whereas, City Council directed the Ann Arbor Environmental Commission to create a multi-stakeholder Commercial Recycling Implementation Committee of affected business groups to facilitate input from the business community related to the implementation of specific recommendations;

Whereas, City Council directed the City Administrator and staff to evaluate the franchising of commercial solid waste collection services within the City;

Whereas, A comprehensive procurement was completed (RFP708) for Commercial Refuse Collection Services, with business community input in the vendor selection process;

Whereas, The procurement process resulted in the recommendation to execute a contract with Waste Management of Michigan, Inc. as the best and lowest priced vendor;

Whereas, This recommendation was part of the Commercial Recycling Implementation Recommendations accepted and approved by City Council on January 5, 2009, including analysis verifying that the refuse collection franchise contract along with the balance of the program will result in a sustainable Enterprise Fund for solid waste management for the City, while achieving the commercial recycling goals identified in the plan;

Whereas, The City Administrator and staff have prepared a commercial solid waste refuse collection franchise contract with Waste Management of Michigan; and

Whereas, Waste Management of Michigan has received Human Rights and Living Wage approval on July 2, 2008;

RESOLVED, That City Council hereby authorize a five-year contract not to exceed \$900,000.00 annually for Commercial Refuse Collection Services with Waste Management of Michigan substantially in the form on file in the City Clerk's Office and contingent on adoption of changes to Chapter 26;

RESOLVED, That City Council authorize the option to extend the contract under the same terms and conditions for one-three year period and one-two year period subject to the annual appropriation of funds;

RESOLVED, That the City Administrator will not formally authorize specific collection and transport service locations or incur costs to Waste Management until a rate structure is approved by City Council that fully funds the services being rendered (excluding full cost recovery of the current city subsidized accounts), and that keeps the solid waste enterprise fund whole;

RESOLVED, That the Mayor and City Clerk are authorized to sign this contract approved as to form by the City Attorney and approved as to substance by the City Administrator; and

RESOLVED, That the City Administrator is authorized to take any additional steps necessary to implement this contract.