



Legislation Text

File #: 11-0773, Version: 1

Resolution to Authorize Contract Amendment Number 3 with Recycle Ann Arbor for Adjustment to Compensation per Service Unit (\$107,042.00)

The attached resolution approves and authorizes a contract amendment with Recycle Ann Arbor (RAA) for an adjustment to their compensation per service unit. This adjustment is being requested because the current compensation structure was based on projections for the single stream recycling program that have not fully materialized. The current compensation is based on the number of recycle carts serviced, and the total tons recycled. Below are details comparing the single-stream program projections with actual figures:

- **Recycle Carts:** The number of recycle carts in the field is approximately 9.2% lower than initially projected. The original projections anticipated 32,779 carts being deployed, but the actual number is 29,734 carts. The main reason for this lower than expected figure is that many of the smaller multi-family residential units that were previously using the 11-gallon recycling “totes” are able to share recycle carts, resulting in a smaller number of deployed carts. In addition, it has been discovered that there was inadvertent double-counting of some residential units in the original projections that resulted in an artificially high projection number.
- **Recycle Tons Collected:** The number of tons projected by the city’s recycling consultant for FY11 was 18,425 tons. The actual number that will have been collected in FY11 will be approximately 10,800 tons, a 40% shortfall. The main reason for this shortfall is that the projections were based on per-household generation rates provided by RecycleBank that were from communities that had a much larger percentage of single-family homes than Ann Arbor (which has almost 50% multi-family). On the positive side, the actual ton collected is still a 20% increase over the number of tons that were collected in the previous year.

The financial impacts of these differences are shown below.

	FY11	Projected	Difference	Requested
Cart numbers	29,734	32,779	-3,045	29,734
\$/cart/month	\$ 3.25	\$ 3.25	-0-	\$ 3.55
Total Cart \$	\$1,159,626	\$1,278,381	-\$118,755	\$1,266,668
Tonnage Pmt	\$187,560	\$406,332	-\$218,772	\$187,560
Total	\$1,347,186	\$1,684,713	-\$337,527	\$1,454,228

This financial shortfall is affecting RAA’s ability to operate on a month-to-month basis. Under the current contract amendment, RAA has a margin of less than 3% on an annual basis for this program, and in many months they do not break even.

Because of this tight financial situation, RAA has taken many steps to cut operating expenses beyond the initial efficiencies recognized from the change in collection approach and the lower than expected volumes. These include re-negotiating their driver union contract, decreasing staff, and reducing other expenses. The result is that RAA can now operate more efficiently in providing their services to the city.

However, the reduction in operating expenses do not entirely make up for the financial shortfall caused by the projections that failed to materialize, so RAA needs an adjustment to their compensation per service unit. RAA is requesting an adjustment on their monthly per-cart tip fee to \$3.55. There would be no change to the tonnage payment schedule. This would result in an annual additional payment of \$107,042.00 at the current cart deployment level. As shown in the chart above, however, this requested adjustment would result in a total payment to RAA that is \$230,485.00 less than had been projected under the original projected scenario.

This payment will also be \$151,443.00 less than the \$1,605,671.00 that was paid to RAA in FY10, the last year of the two stream recycling program, which ended June 30, 2010.

Prepared by: Tom McMurtrie, Systems Planning Unit

Reviewed by: Sue F. McCormick, Public Services Administrator

Approved by: Roger W. Fraser, City Administrator

Whereas, The single stream recycling program has increased recycling tonnages collected in the City of Ann Arbor, but not to the extent that was projected in the business case that was used to develop Recycle Ann Arbor's current compensation per service unit;

Whereas, The number of recycle carts deployed as part of the single stream recycling program has also fallen short of the original projections;

Whereas, Recycle Ann Arbor is struggling financially on a month-to-month basis to meet expenses because of the shortfall;

Whereas, Recycle Ann Arbor has taken a number of steps to cut costs and increase efficiencies, including re-negotiating their union contract and reducing staff;

Whereas, The cost to the City will be less with the proposed contract amendment than with the previous two-stream collection system;

Whereas, Recycle Ann Arbor (RAA) has had a long and positive history of providing quality recycling services to the City of Ann Arbor;

Whereas, Funds for this contract amendment are available through the approved Solid Waste budget; and

Whereas, Recycle Ann Arbor received Human Rights approval on August 24, 2010 and Living Wage approval on June 20, 2011;

RESOLVED, That City Council hereby authorize a contract amendment with Recycle Ann Arbor substantially in the form as shown in Attachment A (on file in the City Clerk's Office), which includes an adjustment to \$3.55 on the monthly per-cart tip fee to RAA;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute the contract amendment after approval as to form by the City Attorney, and approval as to substance by the City Administrator; and

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