



MEMORANDUM

TO: Milton Dohoney Jr, City Administrator

FROM: Brian Steglitz, Public Services Area Administrator

CC: Paul Matthews, Interim Public Works Manager
Sarah Mason, Resource Recovery Manager

DATE: October 16, 2023

SUBJECT: Update on Staff Negotiation with Recycle Ann Arbor (RAA) for a Services Agreement for the Operation of the Proposed New Ann Arbor Regional Drop-Off Station (DOS) – Response to R-23-255

On July 6, 2023, Council adopted [R-23-255](#) directing staff to negotiate the terms of a services agreement with Recycle Ann Arbor for the operation of the proposed new Ann Arbor Regional Drop Off Station (DOS). Since that date, City staff have been meeting regularly with RAA to define a mutually agreed upon scope of services and determine costs of operation. This communication serves as the update on those negotiations as required by R-23-255.

Concurrent with these negotiations, the City has engaged its consultant to develop a business plan for the new facility. It is staff's intent to return to Council in early 2024 to present the business plan and proposed agreement with RAA for Council's consideration. Staff sees the business plan as a critical component because it will ensure that the City has a sustainable financial model in place and stable revenue source to support the life cycles costs associated with the new drop of station (DOS). In the interim, the City and RAA will be working towards amendment of the operating agreement for the current DOS to cover the extended period of time the existing facility will need to be open until the new facility is built.

Status of Contract Terms as Outlined in R-23-255

Length of the services agreement: Both parties have interest in a longer-term agreement, proposed to be 10 years, to provide financial stability and allow RAA sufficient time to finance equipment for use at the site.

Scope of services for site operation and (if applicable) equipment maintenance: The major focus of the early negotiation meetings was on identifying the responsibilities and tasks for the purchase, maintenance, repair, and replacement of the components of the new proposed site. The City requested RAA provide an initial review of the responsibilities and tasks, identifying their preferred model for site operation. After receiving that initial review from RAA, the City and RAA refined the division of responsibilities to serve as a basis for an initial cost proposal from RAA.

Compensation for the services, including cost to the city and funding sources: Staff asked RAA to provide a proposal on the annual operating cost for the site including the equipment maintenance, repair and replacement, staffing, and programming. RAA provided the City with a preliminary cost proposal for operating the site. This proposal will continue to be refined as long-term responsibilities are established. Note that the cost to operate the site is dependent on the number of visitors, the materials accepted, and the volumes of those materials. The City is working with RAA and WRRMA to determine the communities that will be served by this regional facility and how that impacts operational costs.

Responsibilities of the City (if any): The City has committed funding from the Solid Waste Fund capital budget to substantially cover the cost of building the new facility, with support from EGLE and Washtenaw County. The City also owns the property where the new DOS is proposed to be located. Negotiations with RAA continue to refine capital replacement responsibilities associated with the new facility.

Responsibilities of the Contractor (reporting, data tracking, site maintenance, coordination, and communication with the City): Site maintenance is being actively discussed as part of the cost proposal and scope development. Reporting, data tracking, coordination and communication need to be discussed, however, the City and RAA have an existing agreement for DOS operations at the current facility that can be used as a reference for this work.

Initial list of accepted materials and process for modifying (adding or deleting) materials or services: The City and RAA have an existing agreement for DOS operations at the current facility that can be used as a reference for this work.

Use of education space: Not yet discussed.

Intention for planned reuse space: RAA has informed the City about the importance of reuse to their mission, which is a shared priority for the City, and we will continue to have conversation about how to incorporate reuse into the new facility.

City access to the site and facility: Not yet discussed.

Revenue share from sale of recyclables (if applicable): Included in cost of operations discussion.

Revenue from reuse (if applicable): Included in cost of operations discussion.