



Legislation Text

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Resolution to Remove Not-to-Exceed Limit on Purchase Order for Service Agreement with Waste Management of Michigan

On March 2, 2009, City Council approved Resolution R-09-082 authorizing a service agreement with Waste Management of Michigan for the City’s commercial franchise program. The approved agreement had an initial term of five years, with two renewal options of three and two years respectively for a possible total of ten years. This resolution does not change the service agreement.

The terms of the agreement call for contractor compensation to be based on a service fee schedule that includes container type and size as well as service frequency. The contract document itself does not have a maximum compensation amount identified since the total expense for these services depends on these variables. As part of the move to this commercial franchise program, there was a two-year phase-in process to allow commercial properties with existing private contracts time to transition into the new, required program. With the franchise program now fully implemented, there will continue to be some variation as commercial property uses change and refuse generation declines through increased recycling.

The original resolution as approved placed an annual not-to-exceed amount of \$900,000.00 on this agreement. This dollar amount was based on an estimate on the total number of commercial accounts thought to be within the City of Ann Arbor, which at that time included accounts with the City as well as with several private waste haulers. Now with the franchise program fully implemented, the actual contract billing will exceed this original estimated amount. It is projected that the Waste Management billing for services provided by the end of the fiscal year will be approximately \$1,100,000.00 for the current fiscal year.

This expense is offset by the revenues that are being captured by the rates established as part of the commercial franchise program. These rates are evaluated and adjusted during the city budget process to ensure that the program is funded. At the current rates, the franchise program will bring in \$1,681,458.00 per year. The expense and revenue breakdown is as follows:

REVENUE

City Franchise billing \$1,681,458.00

EXPENSES

Collection (Waste Management) 1,118,224.00
Transfer and Disposal costs 365,000.00
Customer Service 100,000.00

TOTAL \$1,583,224.00

The attached resolution authorizes the removal of the not-to-exceed limit on the Waste Management purchase order. No change to the service agreement is required.

Prepared by: Tom McMurtrie, Solid Waste Coordinator

Reviewed by: Craig Hupy, Interim Public Services Administrator

Approved by: Steven D. Powers, City Administrator

Whereas, The City of Ann Arbor issued RFP 708 to receive pricing for commercial solid waste collection services;

Whereas, Waste Management of Michigan was the best and lowest priced vendor;

Whereas, On March 2, 2009 City Council approved Resolution R-09-082 authorizing a commercial collection service agreement with Waste Management of Michigan for the City's commercial franchise on March 2, 2009;

Whereas, The initial estimate for annual payments to Waste Management of Michigan under the terms of the service agreement once the commercial solid waste collection franchise program was fully implemented was \$900,000.00 per year;

Whereas, A not-to-exceed amount of \$900,000.00 per year for payments to Waste Management of Michigan was included in Resolution R-09-082;

Whereas, The commercial solid waste customer base will fluctuate over the term of the contract as commercial property uses change, as new properties develop or are redeveloped, or as commercial refuse rates decline as the result of increased recycling;

Whereas, Funds to offset the costs of the commercial solid waste collection program, including the costs of the franchise contract, are provided by the revenues from the rates for the commercial franchise program established by City Council as part of the City budgeting process; and

Whereas, Compensation due to Waste Management of Michigan under the terms and conditions of the contract by the end of the current fiscal year will exceed \$900,000.00;

RESOLVED, That Mayor and City Council removes the annual not-to-exceed limit on the Waste Management of Michigan purchase order that was included in Resolution R-09-082; and

RESOLVED, That the City Administrator be authorized to take any other necessary administrative actions to implement this resolution.