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DEPARTMENT OF
PUBLIC WORKS

SOLID WASTE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
SUITE 500
SACRAMENTO, CA
95814-2715

April 25, 2000

ADMINISTRATION
PHONE 916-264-7043
FAX 916-264-7771

CUSTOMER SERVICE
PHONE 916-264-5757

City Council
Sacramento, California



Honorable Members in Session:

SUBJECT: IMPLEMENTATION OF AUTOMATED, COMMINGLED RECYCLING

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report recommends that City Council adopt the attached resolution which:

- Directs staff to pursue an aggressive and accelerated plan for implementation of automated, commingled recycling including suspension of competitive bidding; and,
- Directs staff to report back to the City Council in 30-60 days for the purpose of approving an amended agreement with Smurfit-Stone Container Corporation, consistent with the Smurfit-Stone Container Corporation proposal (March 15, 2000).

CONTACT PERSON: Gary Van Dorst, SW Planning Superintendent, 264-7561

FOR COUNCIL MEETING OF: May 30, 2000

SUMMARY:

This report recommends City Council concurrence with a staff recommendation to pursue an accelerated implementation of automated commingled recycling predicated on the City Council's policy direction to extend and amend our current processing agreement with Smurfit-Stone Container Corporation.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION:

In January 1999, City Council adopted a resolution pertaining to implementation of commingled recycling. The City Council report included a schedule for implementation with commingled recycling collection scheduled to begin as early as late 1999 and citywide implementation in place within two years or less.

However, the ability to process recyclables drives solid waste and recycling collection programs. The City's existing contract with Smurfit-Stone Container Corporation for processing recyclables is based on the current three-bin separation of materials. Processing costs under this system are less expensive than processing commingled recyclables. Our move to commingled recycling collection would require renegotiation of our current contract. To this end, City staff has requested proposals from our current contractor.

A list of pro's and cons regarding staff recommendations are summarized below:

Pros

- Will increase diversion from the residential sector an estimated minimum of 3,000 tons/year
- Provides City with net revenue under worst market conditions.
- Will result in citywide implementation an estimated 12 months earlier than alternative.
- Will save expense of continuing to purchase three bin sets for new starts and replacement purposes (\$25,000/year).
- May save the City money due to increasing resin costs related to the purchase of 90-gal cans for recycling.
- May result in a reduction of worker injuries.
- Positive response to City Council and public desire for a more convenient means of recycling.
- Will replace current recycling truck fleet that is fully amortized and has reached the end of its useful life.

Cons

- Extension of current contract under Smurfit-Stone container Corporation proposal represents a significant suspension of competitive bidding.
- Delaying implementation and competitive bidding the processing agreement may result in increased revenue used to partially offset collection costs.

Smurfit-Stone Container Corporation has provided the City with a proposal utilizing the services of BLT Enterprises as a sub-contractor. Analysis of the proposal indicates that

City Council
 Implementation of Automated, Commingled Recycling
 April 25, 2000

the processing cost under this latest proposal is favorable in terms of balancing potential increases in processing costs against rapid implementation of commingled recycling.

FINANCIAL CONSIDERATIONS:

The attached proposal from Smurfit-Stone Container Corporation is competitive in today's market place. When this proposal is benchmarked against Sacramento County's current processing agreement, the Smurfit-Stone Container Corporation proposal provides the City with floor prices which would protect the City from negative revenue in the event of a dramatic downturn in the markets. Overall, the Smurfit-Stone Container Corporation proposal is competitive with greater revenue under most market conditions. Our comparison of the County's current contract and the Smurfit proposal is as follows:

Jurisdiction	Net Revenue in 4/98	Net Revenue in 8/98	Net Revenue in 4/99	Net Revenue in 10/99	Net Revenue in 12/99	Net Revenue in 1/00	Net Revenue in 3/00
County of Sacramento Contract	<\$11.86/ton>	<\$11.44/ton>	\$4.24/ton	\$2.05/ton	\$8.63/ton	\$18.33/ton	\$28.59/ton
Under Proposed Contract Amendment for City of Sacramento	\$10/ton	\$10/ton	\$10 /ton	\$10/ton	\$10/ton	\$10/ton	\$20/ton

City Code, Section 57.04.401 (c), authorizes suspension of competitive bidding when the City Council determines, upon a 2/3 vote, that it is in the best interest of the City. Staff believes suspension of competitive bidding in this instance is in the best interest of the City in order to implement commingled recycling an estimated 12 months in advance of waiting to competitively bid processing services.

ENVIRONMENTAL CONSIDERATIONS:

The commingled processing of recyclables will not result in an impact to the environment relative to the processing of recyclables the conversion to a commingled, automated recycling collection system was also evaluated in the Negative Declaration for the curbside, single container recycling program, which determined that the system will have a less than significant effect on the environment. The project involves no new impacts or changed circumstances.

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POLICY CONSIDERATIONS:

The core policy question is whether the City should: 1) delay implementation of automated, commingled recycling until our current contract expires (September 2001), or 2) move to accelerate implementation of commingled recycling by suspending competitive bidding and amending and extending our current contract consistent with the attached proposal from Smurfit-Stone Container Corporation

The City Council previously directed staff to pursue an aggressive implementation schedule with regard to automated, commingled recycling. Streamlining the implementation of commingled recycling is also consistent with City policy to maximize resource recovery efforts.

ESBD CONSIDERATIONS:

Research of the City's directory of ESB/SBE contractors indicates the absence of any local, qualified enterprises capable of processing the City's curbside recycling materials from a commingled collection program.

Respectfully submitted,



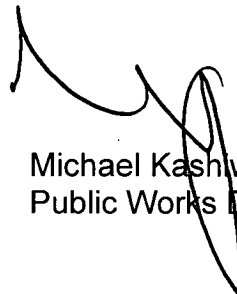
Gary Van Dorst
Solid Waste Planning Superintendent

RECOMMENDATION APPROVED:



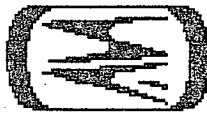
ROBERT P. THOMAS
City Manager

Approved:



Michael Kashwagi
Public Works Director

Attachment A: Smurfit-Stone Container Corporation
Correspondence (March 15, 2000)



Smurfit-Stone Container Corporation

Smurfit-Stone Recycling Company, 4800 Florin-Perkins Road, Sacramento, CA 95826
Phone: 916-381-3340 Fax: 916-381-9141

CONFIDENTIAL

March 15, 2000

Mr. Gary Van Dorst
Solid Waster Superintendent
City of Sacramento
Solid Waste Division
921 Tenth Street, Suite 500
Sacramento, CA 95814-2715

RE: Confidential Proposal for Curbside Commingled Recyclables Processing

Dear Gary:

In a continued effort to meet the City of Sacramento's desire to switch their current curbside program to a commingled program, Smurfit Recycling proposes to offer a processing agreement with the following proposed terms using BLT Enterprises as a sub-contractor.

Term: 7 years with renewal options

Rate: The following pricing mechanism will serve to compensate the City for all curbside commingled recyclables delivered in the program. The Floor price is \$10.00 per net ton, paid to the City for all delivered tons. Market pricing index will be tied to the Official Board Market index, first issue, San Francisco area high-side. The starting curbside materials price moving forward effective 3-1-00 will be \$20 per net ton based on the March high-side O.B.M. prices, San Francisco, for Mixed paper, #8 Newspaper and OCC which are \$60, \$105 and \$130 per ton, respectively. In April, 50% of a weighted average O.B.M price adjustment (up or down) compared to March will be added or subtracted from the City's curbside rate. The weighted average percentages for Mixed Paper, #8 Newspaper and OCC for purposes of the O.B.M Index will be 15%, 70% and 15%, respectively. April example: April high-side O.B.M., San Francisco, prices for Mixed Paper, #8 Newspaper and OCC are \$60, \$110 and \$150 per ton, respectively. The O.B.M. price adjustments, March to April, for Mixed Paper, #8 Newspaper and OCC are \$0, \$5 and \$20 per ton, respectively. Using the above referenced weighted average by material type, the price change, March to April, is \$6.50 per ton. The City's curbside price for April will adjust 50% of the price change increasing the per ton rate \$3.25 per ton. Per the above example, the City's adjusted April curbside rate is \$23.25 per ton. At no time during the contract term will the City's curbside rate drop below the \$10 per ton floor.

Quality: Residential single-stream curbside not exceeding 10% residual content.

Volume: 100% of the City's residential commingled curbside volume.

Delivery: To Sacramento Recycling and Transfer Station-8941 Fruitridge Road.

Smurfit also proposes to:

- For a period of six months, provide approximately 4 acres of secured land for storage and coordination of recycling bins at the Sacramento Recycling and Transfer Station, in order to expedite the roll-out of the commingled curbside program.
- Assist in the coordination of a rollout of a curbside commingled recycling program.
- Provide immediate processing capacity for the commingled recyclables at the Sacramento Recycling and Transfer Station.
- Guarantee a long-term purchasing agreement of the curbside recyclables that will generate revenue for the City of Sacramento.

Smurfit and BLT are uniquely qualified to provide these services to the city of Sacramento ("City"). This proposal can provide the City with a fast track rollout that will not only provide a 25-50 percent increase in recovered material, it will also provide a long-term revenue source to the city. Both companies have a proven track record in delivering quality services, on time and on budget to the City. Additionally, this system will provide the City with the opportunity to take advantage of the existing mitigation measures that exist within the land use requirements of the Sacramento Recycling and Transfer Station. All of the material will be staged, processed and stored within the confines of the Material Recovery Facility ("MRF") portion of the existing building.

Clearly, there are other areas that we will need to address; one in particular is the continuation of receiving and processing of the city's waste oil program. However, we feel confident that if the City is willing to pursue our proposed concept that we can quickly move forward in providing the necessary support to make these services a reality within the next few months.

Please call me at your earliest convenience or I will call you to follow up on this proposal.

Sincerely,



Richard Garmsen
General Manager

cc: Mike Oswald
Steve Miller

AMENDED

RESOLUTION NO. 2000-285

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF MAY 30 2000

**RESOLUTION SUSPENDING COMPETITIVE BIDDING
FOR RECYCLABLES COLLECTION AND AUTHORIZING THE CITY MANAGER TO
NEGOTIATE AMENDING AND EXTENDING THE CURRENT
RECYCLABLES PROCESSING AGREEMENT**

WHEREAS, City Council Resolution 89-685 established a recycling goal of 70% waste diversion by January 1, 1999; and,

WHEREAS, automated commingled recycling is consistent with the solid waste industry trend toward increased automation and mechanization; and,

WHEREAS, automated, commingled recycling will provide residents with an increased level of convenience; and,

WHEREAS, accelerating the implementation of automated, commingled recycling will increase the tonnage of residential waste that is recycled; and,

WHEREAS, the suspension of competitive bidding and extension and amendment of our current processing agreement will allow the City to implement commingled recycling approximately one year in advance of waiting to competitively bid processing services upon expiration of our current contract.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2000-285

DATE ADOPTED: MAY 30 2000

THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. Staff is directed to expedite container distribution and to pursue an aggressive and accelerated implementation schedule for commingled recycling.
2. Pursuant to Section 57.04.401 (c) of the Sacramento City Code, it is in the best interest of the City to suspend competitive bidding for the processing of commingled recyclables.
3. Staff is directed to report back to the City Council in 30-60 days for approving an amended agreement with Smurfit-Stone Container Corporation, consistent with Smurfit-Stone Container Corporation proposal (March 15, 2000).
4. Staff is directed to establish a mechanism for City residents to request smaller cans with the understanding that staff will encourage residents to accept a 90 gallon in order to maximize recycling capacity.
5. Staff is directed to pursue the procurement of clean air, low emission vehicles for recycling collection, as feasible.
6. Staff is directed to include "good neighbor policies" in the amended agreement.

JIMMIE R. YEE

MAYOR

ATTEST:

VALERIE BURROWES

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2000-285

DATE ADOPTED: MAY 30 2000

as amended

RESOLUTION NO. 2000-285

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
MAY 30 2000
OFFICE OF THE
CITY CLERK

**RESOLUTION SUSPENDING COMPETITIVE BIDDING
FOR RECYCLABLES COLLECTION AND AUTHORIZING THE CITY
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FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. Staff is directed to pursue an aggressive and accelerated implementation schedule for commingled recycling.
2. Pursuant to Section 57.04.401 (c) of the Sacramento City Code, it is in the best interest of the City to suspend competitive bidding for the processing of commingled recyclables.
3. Staff is directed to report back to the City Council in 30-60 days for approving an amended agreement with Smurfit-Stone Container Corporation, consistent with Smurfit-Stone Container Corporation proposal (March 15, 2000).

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

4.3

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION SUSPENDING COMPETITIVE BIDDING
FOR RECYCLABLES COLLECTION AND AUTHORIZING THE CITY
MANAGER TO NEGOTIATE AMENDING AND EXTENDING THE CURRENT
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WHEREAS, City Council Resolution 89-685 established a recycling goal of 70% waste diversion by January 1, 1999; and,

WHEREAS, automated commingled recycling is consistent with the solid waste industry trend toward increased automation and mechanization; and,

WHEREAS, automated, commingled recycling will provide residents with an increased level of convenience; and,

WHEREAS, accelerating the implementation of automated, commingled recycling will increase the tonnage of residential waste that is recycled; and,

WHEREAS, the suspension of competitive bidding and extension and amendment of our current processing agreement will allow the City to implement commingled recycling approximately one year in advance of waiting to competitively bid processing services upon expiration of our current contract.

Ruby This is amended

Please contact

Gary VanDorst

*See Mann for specifics if
Gary is confused.*

RESOLUTION NO.: _____

DATE ADOPTED: _____

THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

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MAYOR

ATTEST:

CITY CLERK

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