



TO: Board of Contracts and Awards
FROM: Michael P. Slevin III, P.E., Director, Environmental Services
Gary Kato, Division Manager, Solid Waste Management
COPY: City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, and
Jill Tibbs, Finance/Purchasing
SUBJECT: Increase for Commingled Recyclable Material Processing and Marketing
Request for Proposals Specification No. PW04-0040F, Contract
No. 4600010493 – January 26, 2016
DATE: January 11, 2016

SUMMARY:

The Environmental Services Department, Solid Waste Management Division (SWM), requests approval to increase Contract No. 4600010493 with Waste Management of Washington, Inc., Tacoma, WA, by \$400,000, sales tax not applicable, for a cumulative total of \$600,000, budgeted from ES Solid Waste Fund 4200, to continue to process and market commingled recyclables collected by the City.

STRATEGIC POLICY PRIORITY:

- Strengthen and support a safe city with healthy residents.
- Assure outstanding stewardship of the natural and build environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

The contract increase will allow the City to continue processing and marketing commingled recyclables to divert materials from the landfill, recover value from Tacoma’s waste stream, and reduce environmental impacts for the community and future generations.

BACKGROUND:

ISSUE: The City executed a 10-year contract in 2004 and a 2-year extension in 2014 with Waste Management of Washington, Inc. (formerly JMK Fibers LLC) to process and market commingled recyclables collected by SWM. The City pays the Contractor based upon a per ton rate for handling, storing, and marketing the recyclables. This is offset by the market value of the recyclables, which the Contractor remits to the City. During the life-to-date of the contract, the revenue from recyclables has typically covered and exceeded the expenditures for processing. The market for recyclable materials declined significantly in February 2015, and the sale of recyclables is no longer covering the processing fees paid to the Contractor on a consistent basis. When the contract was previously executed and extended, SWM reasonably expected the net revenue to be positive or neutral throughout the term and the remaining extensions. The City received approximately \$730,000 per year in net revenue from the start of the contract through 2014, and the City expended \$190,000 in net revenue in 2015. This change from net revenue positive to net revenue negative causes a need to increase the value of the contract to meet the City’s contractual obligation and continue processing recyclable materials. The City does not foresee a positive change in the market value of the recyclable materials in the near future.



ALTERNATIVES: Alternatives include not processing and marketing recyclable materials, or to process and market its recyclable materials without a contractor. Sending recyclable materials to be landfilled would be less environmentally beneficial and no revenues would be received by the City. SWM does not currently have the resources, staff and designated facility space or equipment to process the quantity of recyclable materials collected by the City.

COMPETITIVE SOLICITATION: This contract was originally awarded to JMK Fibers LLC as a result of Request for Proposals Specification No. PW04-0040F in February 2004. The contractor has agreed to increase the contract at the same prices, terms, and conditions as the original contract.

CONTRACT HISTORY: The original contract was executed in May 2004 in the amount of \$50,000, based for a 10-year term with up to two 5-year extensions. Amendment No. 1, July 2004, and Amendment No. 2, July 2014, clarified certain contractual requirements, made minor revisions, and continued rates, terms, and conditions. Assignment, Assumption, and Consent Agreement No. 4600010493, December 2011, assigned JMK Fibers LLC Contract No. 4600005143 to Waste Management of Washington, Inc. The contract was administratively increased in April 2009 by \$150,000. This increase will bring the contract to a cumulative total of \$600,000, sales tax not applicable, through July 2016. This is the third amendment to the contract.

SUSTAINABILITY: Recycling is a key element in sustainable waste management services to protect the environment, recover value from Tacoma’s waste stream, and enhance the quality of life for the citizens and ratepayers.

SBE/LEAP COMPLIANCE: Not applicable.

RECOMMENDATION:

The Environmental Services Department, Solid Waste Management Division (SWM), requests approval to increase Contract No. 4600010493 with Waste Management of Washington, Inc., Tacoma, WA, by \$400,000, sales tax not applicable, for a cumulative total of \$600,000, budgeted from ES Solid Waste Fund 4200, to continue to process and market commingled recyclables collected by the City.

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDE R)	COST ELEMENT	TOTAL AMOUNT
ES Solid Waste Fund 4200	514360	5330100	\$400,000
TOTAL			\$400,000

* General Fund: Include Department



REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
ES Solid Waste Fund 4200	512000	4343400	\$62,000
ES Solid Waste Fund 4200	512000	Various	\$338,000
TOTAL			\$400,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$400,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

