




**TO:** Board of Contracts and Awards  
**FROM:** Michael P. Slevin III, P.E., Director, Environmental Services,   
Lewis Griffith, P.E., Division Manager, Solid Waste Management  
**COPY:** City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator,  
Samol Hefley, Finance/Purchasing, and Andrea Boyes, Management Analyst III  
**SUBJECT:** Increase Commingled Recyclable Material Processing and Marketing Contract -  
Specification No. PW04-0040F, Contract No. 4600010493 – April 2, 2019  
**DATE:** March 18, 2019

**RECOMMENDATION SUMMARY:**

Environmental Services requests approval to increase Contract No. 4600010493 with Waste Management of Washington, Inc., a Delaware corporation ("Waste Management"), by \$5,700,000, plus any applicable taxes, for a cumulative total of \$8,699,000, budgeted from the ES Solid Waste Fund 4200, to continue to process and market commingled recycling through July 31, 2021.

**STRATEGIC POLICY PRIORITY:**

- Assure outstanding stewardship of the natural and built 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: In May 2004 the City executed a 10-year agreement with Waste Management (formerly JMK Fibers LLC) to process and market commingled recyclables collected by Solid Waste Management (SWM). In July 2014 the contract was extended two years to 2016, and in 2016 the contract was extended five years to July 31, 2021. The City pays Waste Management based upon a per-ton rate for handling, storing, and marketing the recyclables. Historically the revenue from recyclables covered and exceeded the expenditures for processing, but in 2015 due to a change in the market for recyclables, the sale of recyclables no longer covered the processing fees paid to Waste Management. This change from net revenue positive to net revenue negative caused a need to increase the value of the contract to meet the City's contractual obligation and continue processing recyclable materials.

In 2016 the City increased the contract by \$2,400,000, for a cumulative total of \$2,999,000, to cover the net cost of recycling. In 2018 the value of recyclable materials declined further when China, the world's largest importer of recycled materials, changed its policies resulting in increased costs to recycled materials in the City's commingled recycling stream. The City does not foresee a positive change in the market value of the recyclable materials in the near future. It is extremely difficult to predict the market for recyclable revenues. In January 2018 it costed the City \$64.63 per ton to recycle the commingled residential stream; in January 2019 it had increased 72 percent to \$111.40 per ton.



**ALTERNATIVES:**

Alternatives include not processing and marketing recyclable materials, or to process and market recyclable materials without a contractor. Sending recyclable materials to be landfilled would be less environmentally beneficial. 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 Proposal Specification No. PW04-0040F in February 2004.

**CONTRACT HISTORY:**

The original contract with JMK Fibers LLC was executed on May 11, 2004, in the amount of \$50,000, for 10-year term with the option to renew for two additional five-year terms. Amendment No. 1, effective July 7, 2004, clarified certain contractual requirements; contract was administratively increased in April 2009 by \$150,000; Assignment, Assumption, and Consent Agreement No. 4600010493, effective December 28, 2011, assigned JMK Fibers LLC, Contract No. 4600005143, to Waste Management of Washington, Inc.; Amendment No. 2, effective July 31, 2014, extended the contract through July 31, 2016; Amendment No. 3, adopted by Resolution No. 39371, increased the contract by \$400,000, for a cumulative total of \$600,000, to allow for increased payments related to the changing market conditions; Amendment No. 4, adopted by Resolution No. 39501 on July 26, 2016, added glass in the commingled material, increased the contract by \$2,400,000, for a cumulative total of \$2,999,00 and extended the term five years to July 31, 2021.

**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 residents and ratepayers.

**SBE/LEAP COMPLIANCE:**

Not applicable.



**FISCAL IMPACT:**

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Environmental Services Solid Waste Fund 4200	514360	5330100	\$ 4,731,000
Environmental Services Solid Waste Fund 4200	514310	5330100	\$ 969,000
<b>TOTAL</b>			<b>\$ 5,700,000</b>

\* General Fund: Solid Waste Management

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Environmental Services Solid Waste Fund 4200	512000	4343130	\$ 4,731,000
Environmental Services Solid Waste Fund 4200	512000	4343632	\$ 969,000
<b>TOTAL</b>			<b>\$ 5,700,000</b>

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$ 4,413,000**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No.**

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.** The City budgeted for the expense based on the cost of recycling prior to the market disruption. The City is currently engaged in community outreach and if Council decides to maintain curbside recycling the additional unbudgeted expense will be covered by a monthly recycle surcharge.