



**TO:** Board of Contracts and Awards  
**FROM:** Michael P. Slevin III, P.E., Director, Environmental Services *jo for*  
Gary Kato, Division Manager, Solid Waste Management  
**COPY:** City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, Jill Tibbs, Finance/Purchasing  
**SUBJECT:** Increase and Extend Commingled Recyclable Material Processing and Marketing Contract – Specification No. PW040-0040F, Contract No. 4600010493 – July 26, 2016  
**DATE:** July 5, 2016

**SUMMARY:**

The Environmental Services Department, Solid Waste Management Division (SWM), requests approval to increase and extend Contract No. 4600010493 with Waste Management of Washington, Inc., a Delaware corporation (“Waste Management”), by \$2,400,000, sales tax not applicable, for a cumulative total of \$2,999,000, budgeted from ES Solid Waste Fund 4200, to continue to process and market commingled recyclables collected by the City through July 31, 2021.

**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 and extension 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 two-year extension in 2014 with Waste Management (formerly JMK Fibers LLC) to process and market commingled recyclables collected by SWM. The City pays Waste Management based upon a per-ton rate for handling, storing, and marketing the recyclables. This is offset by the market value of the recyclables, which Waste Management 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 Waste Management 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 2015. Material values for recyclable materials remain at near historical lows and are not covering the processing costs. This change from net revenue positive to net revenue negative caused a need to increase the value of the contract in the City system to meet the City’s contractual obligation and continue processing recyclable materials, which was done in Amendment No. 3.



The processing cost has increased at a rate less than inflation for the duration of the contract, but the revenues covering the contract costs have reduced significantly. 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. For the purposes of this contract, staff is estimating recyclable material revenues of approximately \$100,000 per year. Staff is recommending the total processing costs estimated to be paid is reflected, versus the total costs net of material revenues as in previous years.

**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 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 Proposal Specification No. PW04-0040F in February 2004.

**CONTRACT HISTORY:** The original contract was executed in May 2004, based for a 10-year term with up to two 5-year extensions, and established a per-ton processing rate and the remittance of recyclable sales to the City. Amendment No. 1, July 2004, and Amendment No. 2, July 2014, clarified certain contractual requirements, made minor revisions, and continued rates, terms, and conditions. Amendment No. 3, January 2016, increased the dollar amount to allow for increased payments related to the changing market conditions. Assignment, Assumption, and Consent Agreement No. 4600010493, December 2011, assigned JMK Fibers LLC, Contract No. 4600005143, to Waste Management of Washington, Inc.

**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, SWM, requests approval to increase and extend Contract No. 4600010493 with Waste Management of Washington, Inc., a Delaware corporation (“Waste Management”), by \$2,400,000, sales tax not applicable, for a cumulative total of \$2,999,000, budgeted from ES Solid Waste Fund 4200, to continue to process and market commingled recyclables collected by the City through July 31, 2021.



**FISCAL IMPACT:**

**EXPENDITURES:**

| FUND NUMBER & FUND NAME * | COST OBJECT<br>(CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT       |
|---------------------------|-------------------------------|--------------|--------------------|
| ES Solid Waste Fund 4200  | 514360                        | 5330100      | \$2,400,000        |
| <b>TOTAL</b>              |                               |              | <b>\$2,400,000</b> |

\* General Fund: Include Department

**REVENUES:**

| FUNDING SOURCE           | COST OBJECT<br>(CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT       |
|--------------------------|-------------------------------|--------------|--------------------|
| ES Solid Waste Fund 4200 | 512000                        | 4343400      | \$500,000          |
| Solid Waste Rate revenue | 512000                        | 4343130      | \$1,900,000        |
| <b>TOTAL</b>             |                               |              | <b>\$2,400,000</b> |

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** The contract expenditures of approximately \$152,000 for the remainder of 2016 were anticipated in the 2015-2016 budget.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes

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FINANCE PURCHASING