

AGENDA



Thursday, December 17, 2009

**Solid Waste Services
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 82

Subject: Approve the negotiation and execution of a restated and amended contract with Mid-America Recycling, L.L.C. dba Greenstar for the transport, processing, and sale of commingled recycling material for a 36-month term with estimated revenue of \$7,661,354 and estimated processing and transportation expenditures in an amount not to exceed \$14,782,935 and four (4) 6-month extension options related to the completion of the City's proposed single-stream material recovery facility, with estimated revenue of \$1,322,317 and estimated processing and transportation expenditures in an amount not to exceed \$2,640,319 per extension option, including accrued processing and transportation costs in an amount not to exceed \$2,100,000, for a total contract not to exceed \$12,393,589.

Amount and Source of Funding: Revenue Funding is included in Fiscal Year 2008-2009 and 2009-2010 Operating Budget of the Solid Waste Services Department.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Tammie Williamson, Acting Director, (512) 974-1997

Boards and Commission Action: Reviewed by the Solid Waste Advisory Commission

Prior Council Action: June 5, 2008- Council approved the current contract with Mid-America Recycling, L.L.C. dba Greenstar (formerly Vista Fibers).

The Solid Waste Services Department (SWS) implemented Single-Stream Recycling in October 2008 and executed a short-term contract, approved by Council in 2008, with Mid-America Recycling, L.L.C. dba Greenstar for the transportation, processing, and sale of single-stream recycling material. The City executed a short-term contract to evaluate options to build a new local Single-Stream Material Recovery Facility (SSMRF). Although the City recently issued a Request for Proposal (RFP) to establish and operate a local SSMRF, selection and construction could take some time to complete. The City's contract with Greenstar expires on September 30, 2010 and there are no extension options after September 2011.

Staff Recommendation

Staff recommends amending the current Greenstar contract with Amendment Option 3 which will allow the City to continue providing Single Stream Recycling services to Austin residents until a local SSMRF is constructed.

Background

The current contract was negotiated during the spring of 2008, approved by Council on June 5, 2008, and went into effect on October 1, 2008. The contract is a 2-year agreement with two (2) 6-month extension options. Terms of the contract included a stipulation that all transportation costs and processing fees due to Greenstar were to be deducted by Greenstar from the gross revenue from the sale of recyclable materials collected by the City of Austin.

During the first year of single-stream recycling operations, the program experienced a 50% increase in the amount of materials being recycled as well as a decrease in operational costs as a result of moving to every-other-week collections. However, the worldwide economic downturn caused an unpredictable and

severe negative effect on recycling markets. As a result, the contract is currently revenue negative and the City is experiencing a deficit. The City currently owes Greenstar approximately \$2,100,000 for processing and transportation that could not be covered by the gross revenue generated from the sale of material. To address the City's contract concerns, the City and Greenstar discussed: 1) extending the length of the contract to ensure there is no interruption in the Single-Stream Recycling Program before a local SSMRF is operational, 2) establishing lower processing fees in exchange for extending the contract length, and 3) obtaining proper authorization to pay any amount owed to Greenstar throughout the term of the contract.

Amendment Option Details

Amendment Option 1: Greenstar will reduce the current processing fee by \$20 per ton for all materials currently included in the single-stream recycling program, provided the City commits to the remainder of the existing 2-year contract term, immediately executes the two (2) six-month extension options associated with the existing agreement, and further commits to an additional two-year extension, effectively extending the contract through September 2013.

Estimated total expenditures for processing and transportation services and estimated gross revenue under this amendment option are as follows:

60-Month Commitment

10/1/08 through 9/30/13

Estimated Total Expenditures - \$21,598,531

Estimated Gross Revenue - \$12,950,622

Over the 60-month commitment period through September 2013, a conservative estimated gross revenue amount of \$12,950,622 is expected, with expenditures for processing and transportation services estimated at \$21,598,531. Total processing fee savings over the 60-month period compared to current contract terms is estimated at approximately \$4,500,000.

Amendment Option 2: Greenstar will reduce the current processing fee by \$5 per ton for all materials collected in the single-stream recycling program, provided the City commits to the remainder of the existing 2-year contract term and immediately executes the two (2) 6-month extensions, effectively extending the contract through September 2011. Additionally, this amendment option includes a series of four (4) 6-month extension options after September 2011 in which the City will have the right to exercise the extensions one at a time. No later than sixty (60) days prior to each 6-month extension, the City will notify Greenstar if the City intends to exercise another 6-month option in full, or if the City believes the start-up of the new MRF will occur in less than six months. In the event the new MRF is expected to be operational in less than six months, Greenstar will agree to work cooperatively with the City and its MRF contractor on a month-to-month basis during the transition phase. Greenstar recognizes that they will not receive 100% of the material during the transition phase.

Estimated total expenditures for processing and transportation services, and estimated gross revenue under this amendment option are as follows:

36-Month Commitment

10/1/08 through 9/30/11

Estimated Total Expenditures - \$14,616,158

Estimated Gross Revenue - \$7,661,354

Additional Four (4) Six-Month Extensions (Each at City's Option)

10/1/11 through 9/30/13

Estimated Expenditures per Option - \$2,596,884

Estimated Revenue per Option - \$1,322,317

Over the 36-month commitment through September 2011, a conservatively estimated gross revenue amount of \$7,661,354 is expected, with expenditures for processing and transportation services estimated at \$14,616,158. Total processing fee savings over the 36-month period when compared to current contract terms is estimated at approximately \$560,000. Each of the four additional 6-month extension options after September 2011 will be exercised by the City as needed.

Amendment Option 3: Greenstar will reduce the current processing fee by \$3.50 per ton for all materials collected in the single-stream recycling program, provided the City commits to the remainder of the existing 2-year contract term and immediately executes the two (2) 6-month extensions, effectively extending the contract through September 2011. This amendment option also includes a series of four (4) 6-month extension options after September 2011 in which the City will have the right to exercise the extensions one at a time. The City is committed to deliver 100% of the material to Greenstar for 30 months, but during the last six months of the 36-month period, and for each 6-month extension option thereafter, the City is only required to deliver 50% of its material to Greenstar. The City will notify Greenstar no later than sixty (60) days prior to each 6-month extension option if the City intends to exercise another 6-month option in full, or if the City believes the start-up of the new MRF will occur in less than six months. In the event the new MRF is expected to be operational in less than six months, Greenstar will agree to work cooperatively with the City and its MRF contractor on a month-to-month basis during the transition phase.

Council authorization for this amendment option is requested to provide Greenstar the total amount due for processing and transportation services. Estimated total expenditures for processing and transportation services, and estimated gross revenue under this amendment option are as follows:

***36-Month Commitment**

10/1/08 through 9/30/11

Estimated Total Expenditures - \$14,782,935

Estimated Gross Revenue - \$7,661,354

***Additional Four (4) Six-Month Extensions (Each at City's Option)**

10/1/11 through 9/30/13

Estimated Expenditures per Option - \$2,640,319

Estimated Revenue per Option - \$1,322,317

*Note: During the last six months of the 36-month period, and for each 6-month extension option thereafter, the City is only required to deliver 50% of material to Greenstar. For purposes of estimating expenditures and revenue, 100% of material is used.

Over the 36-month commitment through September 2011, a conservatively estimated gross revenue amount of \$7,661,354 is expected (assuming 100% of material is delivered), with expenditures for processing and transportation services estimated at \$14,782,935. Total processing fee savings over the 36-month period when compared to current contract terms is estimated at approximately \$400,000. Each of the four additional 6-month extension options after September 2011 will be exercised by the City as needed.