

City of Culver City, California
City Council Agenda Item Report

7Meeting Date: December 8, 2008		Item Number: <u>C-6</u>
AGENDA ITEM: Approval of an Agreement with Bestway Recycling, Inc. to Purchase Recycling Material from the Public Works Environmental Programs and Operations (EPO) Refuse and Recycling Division.		
Contact Person/Dept.: Cathi Vargas or Damian Skinner		Phone Number: (310) 253-6411 or (310) 253-6421
Fiscal Impact: Yes ☒ No ☐ General Fund: Yes ☐ No ☒		
Public Hearing: ☐ Action Item: ☐ Attachments: ☐		
Public Notification: Master E-Mail Notification List via e-mail on (12/03/08); Bestway Recycling, Inc. via e-mail on November 7, 2008		
Department Approval: Charles D. Herbertson (11/25/08)	City Attorney Approval: Carol Schwab (by H. Baker) (12/02/08)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (12/02/08)	City Manager Approval: Jerry B. Fulwood (12/02/08)	
<u>RECOMMENDATION:</u> Staff recommends the City Council approve an agreement with Bestway Recycling, Inc. to purchase aluminum, paper, glass, corrugated cardboard, and plastics (recycling material) from the Public Works Environmental Programs and Operations (EPO) Refuse and Recycling Division. <u>BACKGROUND:</u> The Public Works Environmental Programs and Operations Division (EPO) operates an exclusive franchise to collect, transfer, and haul solid waste and recycling material within the City of Culver City. EPO also plans and implements waste diversion programs that divert recyclable material from the landfill. As part of the City's waste diversion programs, EPO operates a commercial and residential mixed recycle collection program. A mixed recycle program allows Culver City businesses and residents to combine all of their paper, plastic, glass, aluminum, and cardboard (recycling material) into one container rather than separating them into several containers. Commercial businesses are provided a two or three cubic-yard recycling bin, and homeowners are provided a blue 96-gallon recycling container.		

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DISCUSSION:

Since May 2006, EPO has contracted with Bestway to purchase the City's recyclable material at a rate of \$35 per ton. Corrugated cardboard that has been separated out and is sold to Bestway at 65% of the Official Board Market rates (OBM).

For the past several years, Bestway has been an optimal partner for EPO's collection operations. The Bestway material recovery facility is located two blocks east of the Transfer Station. As a result of the close proximity, EPO is able to optimize its recycling collection operations in the following ways:

- There is little cost to hauling recycling material to Bestway because of the close proximity to the Transfer Station.
- Because collection vehicles can haul directly to the Bestway facility, no material is stored on the Transfer Station tipping floor, thus eliminating the need to separate and store material.
- Unlike most recyclers, Bestway will accept a commingled stream of recycling material from the City.

EPO has surveyed the local recycling market for a recycler that will purchase mixed recycle material at competitive rates, provide the level of service that is provided by Bestway, and is located in close proximity to the Transfer Station. Staff has found that there are no companies that are located within a reasonable distance from the Transfer Station that provide a comparable level of service. Additionally, many of the cities surveyed are not paid for their recyclable material; rather they give their recyclable material to their contract hauler to help offset collection costs.

Bestway has offered to purchase the City's co-mingled recycled material for \$15 per ton, loose cardboard for \$20 per ton, and bailed cardboard for \$25 per ton. The proposed price for cardboard is approximately 62% of the current Official Board Market rate of \$40 per ton. Bestway has offered to absorb the volatility in the commodities market by locking cardboard prices at \$20 and \$25 per ton. Staff believes that these are fair prices given the rapid decline in commodity prices for recycled paper, metals and plastic goods. Bestway has agreed to contractually honor these prices for a seven month period. At the end of the seven-month period, staff will re-negotiate the commodity prices based on the market at that time and return to Council for consideration of an amendment to the agreement.

FISCAL ANALYSIS:

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EPO on average collects and recycles 8,300 tons of recyclable material annually. By entering into this contract with Bestway, the EPO Enterprise Fund would continue to generate \$138,500 in revenue annually. Additionally, EPO will avoid approximately \$249,000 in disposal costs.

The projected revenue for this service is significantly below the Adopted Budget for Fiscal Year 2008-09. During the Fiscal Year 08-09 budget preparation process, staff projected the revenue for the sale of recyclable material to be \$351,409; however, the collapse of the commodities market in recent months has greatly depressed the demand and prices for these materials. Despite the current market, Bestway has agreed to continue to purchase Culver City's recyclable material at a reduced price. After surveying the local market, staff believes that Bestway's offer is fair since most recyclers pay very little, pay nothing, or will charge a small fee to accept the material.

ATTACHMENTS:

None.

MOTION:

That the City Council:

1. Approve an agreement with Bestway Recycling, Inc. to purchase recyclable material, from December 1, 2008 – June 30, 2009, for a revenue of \$15 per ton for commingled recycling material, \$20 per ton for loose corrugated cardboard, and \$25 per ton for bailed corrugated cardboard, to the Environmental Programs and Operation's Enterprise Fund; and
2. Authorize the City Attorney to review/prepare the necessary documents and authorize the City Manager to execute such documents.