



CITY OF WAUWATOSA MEMO

To: **Financial Affairs Committee**

From: **David Simpson, Director of Public Works**

Date: **February 21, 2023**

Subject: **Memo from the Director of Public Works recommending award of a contract for processing of recyclable materials to Waste Management**

A. Issue

The City is currently under contract with Republic Services to process recyclable materials at the Materials Recovery Facility owned by the City of Milwaukee and Waukesha County (Joint MRF) through the end of 2023, however we have been unable to haul recyclable materials to the facility for over three months so we are recommending entering into a new contract with a different vendor at this time.

B. Background/Options

The City's costs to process recyclable materials increased drastically in 2019 so proposals for processing of recyclable materials beginning in 2020 were acquired from all available vendors. At that time the decision was made to contract with Republic Services at the Joint MRF for 2020 and evaluate how the year went before deciding on a long-term contract. In 2020 Republic Services provided quality service and only had one day of downtime. The commodity values that Republic Services were able to obtain were also higher than expected. Based on the positive experience the City entered into a 3-year contract with Republic Services starting in 2021.

In 2021, there were approximately 20 days where the City was not able to haul recyclables to the Joint MRF and we were required to find an alternate location. In 2022 there were 123 days where the City was not able to haul to the Joint MRF making this location extremely unreliable. Although the City has a contract with Republic Services, we are considered a third-party source so our materials can be turned away if deemed necessary when the Joint MRF is over capacity and/or the facility has a shutdown due to mechanical issues which is often the case. The City has been put in a position to haul to alternate locations where we are not able to partake in a revenue share or have protection from being turned away. As a result, the City has requested to terminate the contract with Republic Services who is agreeable to the early termination.

City staff acquired pricing for recycling processing from the remaining available recycling processors in the area which are Waste Management and John's Disposal. The following are the total annual estimated costs for recyclable processing and hauling, which is the net cost of the processing fees and revenue and includes additional costs for City required fuel to travel to the MRFs:

- Waste Management: \$208,684
- John's Disposal: \$250,602

Waste Management has proposed a three-year contract with an annual increase up to CPI based on the Water, Sewer, and Trash Collection (WST CPI) 12-month average. This average increase for

2022 was 4%. The City's cost share of the commodity values will remain the same throughout the contract, which is 80% of the blended net value, as opposed to 70% share currently received from Republic Services. Recycling commodity values have been on a down turn recently, however the commodity values provided by Waste Management were the highest of the proposals.

Additionally, Waste Management guarantees alternative hauling locations if they experience a shut down and will be upgrading their facility in the late spring and summer of 2023. Based on all factors evaluated we are recommending that we proceed with the proposed three-year contract with Waste Management for processing of recyclable materials. The contract with Waste Management would be effective immediately, upon approval.

C. Fiscal Impact

Based upon the proposal provided by Waste Management there will be a savings of \$14,916 for the 2023 budget, however actual costs will vary depending upon the value of commodities and amount of recyclable materials processed throughout the year.

D. Recommendation

Authorize execution of a 3-year contract with Waste Management for processing of recyclable materials with a processing fee of \$95/ton, an environmental fee of \$5/ton, and a potential fuel surcharge of \$4/ton. An annual increase after year one no greater than CPI based on the Water, Sewer, and Trash Collection (WST CPI) 12-month average. The City to receive 80% of the commodity value revenue through the life of the contract.