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Title: Actions related to residential recycling (Citywide):

1. Approve a Second Amendment to the Service Agreement with Mid-Valley Recycling, LLC., extending the term of the contract to June 30, 2036
2. Approve a Second Amendment to the Service Agreement with Cedar Avenue Recycling and Transfer Station, LP extending the term of the contract to June 30, 2036

Sponsors: Department of Public Utilities

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Attachments: 1. Attachment 1 - 1st Amendment - Mid-Valley.pdf, 2. Attachment 2 - 1st Amendment - CARTS.pdf, 3. Attachment 3 - Agreement - Mid-Valley.pdf, 4. Attachment 4 - Agreement - CARTS.pdf, 5. Attachment 5 - 2nd Amendment - Mid-Valley.pdf, 6. Attachment 6 - 2nd Amendment - CARTS.pdf

Date	Ver.	Action By	Action	Result
4/22/2021	1	City Council		continued

REPORT TO THE CITY COUNCIL

April 22, 2021

FROM: MICHAEL CARBAJAL, Director
Department of Public Utilities

BY: JERRY L. SCHUBER, SR., Assistant Director
Department of Public Utilities, Solid Waste Management Division

SUBJECT

Actions related to residential recycling (Citywide):

1. Approve a Second Amendment to the Service Agreement with Mid-Valley Recycling, LLC., extending the term of the contract to June 30, 2036
2. Approve a Second Amendment to the Service Agreement with Cedar Avenue Recycling and Transfer Station, LP extending the term of the contract to June 30, 2036

RECOMMENDATIONS

Staff recommends that the City Council approve a Second Amendment to the Service Agreement with Mid-Valley Recycling, LLC (Mid Valley); and approve a Second Amendment to the Service Agreement with Cedar Avenue Recycling and Transfer Station, LP (CARTS).

EXECUTIVE SUMMARY

On July 1, 2016, The City entered into the Service Agreements (Agreements) with Mid Valley and CARTS (together, Service Providers) for the processing of residential recycling material. Thereafter, on June 24, 2019, the City approved the First Amendments to the Agreements with Service Providers. The First Amendments revised the Service Providers' per-ton payment to the City to the proposed revised payments schedule reflecting the downturn of the recyclables market; and revised the recycled fiber market index to the PPI Recovered Paper - Export Market Index, Mixed Paper (54) - Official Board Markets Los Angeles commodity designation as the previously-named index was no longer operative.

The Department of Public Utilities recommends that the City Council approve Second Amendments to the Agreements to extend the term of the Agreements to June 30, 2036 with no change in the processing fee ceiling of \$20 per ton or allowances for revenue sharing with the City depending on market conditions. The Amendments will ensure the City continues to meet landfill diversion requirements and provides for utility rate stabilization by maintaining the current recycling materials pricing schedule until the expiration of the agreements in 2036.

BACKGROUND

The City entered into the Agreements with the Service Providers on July 1, 2016, for the processing of residential recycling material collected by the City. The Agreements allowed the City to receive a revenue share of the materials processed and sold by both Service Providers with a minimum price of \$1 per-ton. Thereafter, on June 24, 2019, the City approved the First Amendment to both Agreements establishing a new payments schedule, which allowed the Service Providers to charge a fee for processing the recycling materials while still allowing for future revenue sharing with the City should the recycling markets recover. The First Amendments revised the recycled fiber market index to the PPI Recovered Paper - Export Market Index, Mixed Paper (54) - Official Board Markets Los Angeles commodity designation. This revision was due to the elimination of the market index stated in the Agreement.

The proposed Second Amendments will add an additional ten-year extension to the current agreements which expire in 2026 with no change in the processing fee ceiling of \$20 per ton or allowances for revenue sharing with the City depending on market conditions. The City typically delivers approximately 32,000 tons annually of recycling materials. In 2020, due to the Covid-19 global pandemic, there was an increase to 36,000 tons or 11.1% from the previous year. Neighboring Jurisdictions are reported to be paying between \$35 and \$90 per ton for recycling material processing. The requested extension to the Agreements will allow for the alignment of these contracts with the solid waste contracts for transfer operations and landfill agreements. The Amendments will also ensure the City continues to meet landfill diversion requirements and provides for utility rate stabilization by maintaining the current recycling materials pricing schedule until the expiration of the agreements in 2036.

The City Attorney's Office has reviewed the Second Amendments and approved as to form.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not implemented because this action pertains to amendments to existing service agreements.

FISCAL IMPACT

Based on the current recycling materials market and current payments schedule in the Agreements, the Solid Waste Management Division anticipates expense to the Solid Waste Enterprise Fund of approximately \$429,000 in processing fees during Fiscal Year 2021. The recycling processing fees can vary with the fluctuation of the recyclables market and are tied to the PPI Recovered Paper - Export Market Index, Mixed Paper (54) - Official Board Markets Los Angeles index.

Attachments:

1. First Amendment to the Service Agreement with Mid Valley
2. First Amendment to the Service Agreement with CARTS
3. Service Agreement with Mid Valley
4. Service Agreement with CARTS
5. Second Amendment to the Service Agreement with Mid Valley
6. Second Amendment to the Service Agreement with CARTS