



Date: October 8, 2012

To: Thomas J. Bonfield, City Manager
From: Donald Long, Director of Solid Waste Management
Subject: CIP Ordinance Amendment to Create Solid Waste Management Cart Buyout Capital Project

Executive Summary

In an effort to more accurately account for the Solid Waste cart buys out from Otto Environmental Systems, the administration recommends creating a new project titled Solid Waste Cart Buyout. The purchase was made on 09/08/2012 in the amount of \$3,935,111.00. As such, the proposed Solid Waste Capital Project Ordinance amendment moves cost for the cart cost to this new project.

Recommendation

The Solid Waste Department recommends that the City Council adopt an ordinance amending the Solid Waste Project Ordinance #14289 for fiscal year, 2012-2013, for the purpose of creating a new project for the buyout of the existing residential roll-out carts in the amount of \$3,935,111.00. The funding sources are a transfer from Solid Waste operating fund balance in the amount of \$524,900.00 and a transfer from the Water and Sewer capital project fund balance in the amount of \$3,410,211.00.

Background

In July 2008, the City of Durham entered into a contract with Otto Container Management, LLC to rent, maintain, repair and deliver carts to households served by the Solid Waste Management Department in the collection of household municipal solid waste. In July 2009, the service was expanded to include recycling services to the community. In July 2010, the then current contract was amended to increase the number of carts serviced under the contract and to increase the annual monetary appropriations for this service. Substantial growth in the City of Durham, and the need to replace or repair the aging inventory of carts already in service, has continue to require additional carts. Due to the significant increase in the demand of the collection services, the Administration determined that had become more cost effective for the City of Durham to purchase carts rather than remain in the cart rental program. In July 2012, City Council authorized the City Manager to terminate the existing contract with Otto Container Management, LLC, to enter into a new service contract for cart maintenance, to enter into a piggyback agreement through the City of Monroe, NC to purchase new carts in the future, and to purchase the existing inventory of rented carts from Otto Container Management, LLC.

Issues and Analysis

At the inception of the Initial Contract with Otto Container Management, LLC, the SWM department was unable to adequately meet the demands of carts that were needed due to growth within the City, damaged, lost and stolen carts and the inception of the single-stream

recycling program. As the demand for carts continued to increase, it became cost prohibitive to continue renting roll-out carts. Administration has determined that it is more cost effective for the City of Durham to purchase carts rather than to continue renting. Purchasing carts allows the SWM department to more accurately plan for the number of carts needed annually to meet the demands of households served.

Alternatives

The City Council could choose not to approve amending the FY2012-13 CIP ordinance; however it would make accounting for the purchase administratively complex.

Financial Impact

1. A budget transfer from the Solid Waste operating budget in the amount of \$524,900.00.
2. A budget transfer from the Water and Sewer Capital project fund in the amount of \$3,410,211.00. This is a one year loan and will be paid back through external financing.

SDBE Summary

Not applicable to this item.