



**Date:** May 7, 2013

**To:** Thomas J. Bonfield, City Manager  
**Through:** W. Bowman Ferguson, Deputy City Manager  
**From:** Donald M. Long, Director Solid Waste Management  
**Subject:** Contract for Processing and Marketing Recyclable Materials

### **Executive Summary**

In March 2011, The City of Durham's Department of Solid Waste Management (SWM) issued a Request for Proposal (RFP) seeking qualified consultant firms that specialize in solid waste planning, permitting and design to assist with developing and implementing a Comprehensive Solid Waste Disposal Plan (the "Plan"). The resulting Plan was implemented in three phases. Phase I included a review and analysis of current SWM operations and existing system conditions at the City transfer station (transfer, loading, usage, materials flow, etc.), with recommended improvements. Phase II generated a Request for Proposal (RFP) soliciting private-sector partners for the individual recommendations and components of the project which were recommended in Phase I and the review of the responses to the RFP. Phase III consisted of the selection of Contractors and contract negotiations and development.

Staff recommends selection of Sonoco Recycling, LLC as the Contractor to receive, process and market recyclable materials collected by the Solid Waste Management Department (SWM). All services under this Contract are at no cost to the City, and the proposed contract sets forth terms under which the City will receive increased revenues from the sale of recycled materials compared to our current contract with Sonoco.

### **Recommendation**

Staff recommends that the City Council authorize the City Manager to execute a contract with Sonoco Recycling, LLC to process and market recyclable materials and to establish terms for revenues to be received in accordance with the Average Market Value (AMV) for recyclable materials, with an initial contract term of five years, and an option to renew the contract for three additional five year terms.

### **Background**

In December 2009, the City of Durham entered into a contractual agreement with Sonoco Recycling to receive, process and market the City's curbside single stream recyclables on a no cost, no profit sharing basis. The agreement was later renegotiated to include a \$30.00

per ton revenue sharing agreement for all single stream recyclable materials. Sonoco has been a partner with the City in responsibly managing the processing and marketing of its recyclable materials. This arrangement has worked very well for the Department.

In 2011 the Department contracted with a Consultant to assist SWM with developing and implementing a Comprehensive Solid Waste Disposal Plan to address the need for improvements or replacement of its transfer station and to address its overall business practices. The resulting Plan included a review of municipal solid waste and recycling operations, disposal concerns, and additional ways to increase waste diversion opportunities. A Request for Proposal was issued to solicit Contractors for the hauling and marketing of recyclable materials. The Consultant assisted the Department in the evaluation and selection process for prospective Contractors, assuring that City requirements were met. RFP responses were evaluated by a panel and the Consultant provided a matrix separating each cost aspect of recycling. Following the evaluation, the panel recommended Sonoco Recycling, LLC be engaged to process and market recyclable materials.

### **Issues and Analysis**

This Contract is at no cost to the City. At no time shall the City make payment to the Contractor for accepting, processing, or marketing Program Recyclables. Sonoco will pay the City for all recyclables delivered to its designated facilities in accordance with the AMV for recyclable materials.

If the City delivers recyclable materials to Sonoco's Materials Recycling Facility (MRF) located at 111 S. Rogers Lane, Raleigh, NC, a transportation subsidy will be paid to the City. Should the City divert recyclable material to the Contractor's Transfer Station located at 4619 Industry Lane, Durham, NC, a transportation fee of \$15.00 for each Ton of Program Recyclables delivered to the Contractor's TS will be deducted. If the net amount due by the Contractor to the City, inclusive of the transportation subsidy and/or any transportation fees is less than zero dollars, the Contractor will make no payment to the City and the City will not make any payment to the Contractor.

### **Alternatives**

City staff can disregard the recommendations of the Consultant and the evaluation panel and begin negotiations with the other Responders to the RFP for recycling services, or City staff can simply renew the current agreement and receive a lesser amount in revenue for the processing of the city's recyclables. The recommended alternative is to authorize the City Manager and Administration to proceed with a service contract with Sonoco Recycling, LLC. Staff feels that Sonoco offers the City the best revenue options for its recyclable materials.

### **Financial Impact**

All services under this Contract are at no cost to the City. The Contractor shall pay the City monthly for each ton of recyclables delivered to its facility. The payment per ton shall be calculated as described in the Analysis of Potential Recycling Revenue Table below. Any fees associated with this contract will be deducted from the revenue earned by the City.

Under the current agreement with Sonoco, the City receives an average \$314,653 for recyclables annually. Under the recommended agreement, the City will receive an average of \$749,472 annually, a projected increase in revenue of \$2,174,095 in the initial five-year term of the contract.

**Analysis of Potential Recycling Revenue:**

|   |         |         |         |          |          | May<br>2013<br>AMV |          |          |          |          |
|---|---------|---------|---------|----------|----------|--------------------|----------|----------|----------|----------|
| Range of Potential AMV Values   | \$75.00 | \$85.00 | \$90.00 | \$100.00 | \$115.00 | \$117.73           | \$125.00 | \$135.00 | \$150.00 | \$175.00 |
| <b>Current Contract</b><br>\$30/ton if average price >\$90<br>\$18/ton if average price ≤\$90   | \$18.00 | \$18.00 | \$18.00 | \$ 30.00 | \$ 30.00 | \$ 30.00           | \$ 30.00 | \$ 30.00 | \$ 30.00 | \$ 30.00 |
| <b>Sonoco Recycling</b><br>(AMV - \$50) x 60% + transfer subsidy<br>Transfer subsidy =<br>\$10/ton if AMV ≥ \$90.01<br>\$8/ton if \$70.01 ≤ AMV ≤ \$90.00<br>\$6/ton if AMV ≤ \$70.00 | \$23.00 | \$29.00 | \$32.00 | \$ 40.00 | \$ 49.00 | \$ 50.64           | \$ 55.00 | \$ 61.00 | \$ 70.00 | \$ 85.00 |

**\*The highlighted area indicates the City’s revenue share if the Contract was in force today.**

**SDBE Requirements**

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Sonoco Recycling of Raleigh, North Carolina and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

No M/SDBE or W/SDBE goals were set.

**WORKFORCE STATISTICS**

Workforce statistics for Sonoco Recycling are as follows:

|                 |    |       |
|-----------------|----|-------|
| Total Workforce | 81 |       |
| Total Females   | 35 | (43%) |
| Total Males     | 46 | (57%) |
| Black Males     | 14 | (17%) |
| White Males     | 8  | (10%) |
| Other Males     | 24 | (30%) |
| Black Females   | 1  | (1%)  |
| White Females   | 2  | (2%)  |
| Other Females   | 32 | (40%) |