



Date: July 16, 2015

To: Thomas Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Donald M. Long, Director Solid Waste Management
Subject: Amendment #4 to the Scrap Tire Disposal/Recycling Service Contract

Executive Summary

In July 2002, Central Carolina Holding, LLC (CCH) was selected to provide scrap tire disposal and recycling services to the City of Durham. The initial contract period was for three years. The contract was amended in 2005 to change the end of service date to September 30, 2010. The Contract had two subsequent amendments, extending the contract to September 30, 2013 and September 30, 2015 respectively. The Contract included provision for two additional two-year extensions from October 1, 2015 through September 30, 2017 and October 1, 2017 through September 30, 2019.

In June 2010, a Request for Proposal was issued to solicit proposals from qualified Contractors to provide scrap tire hauling and disposal services. Central Carolina Holding, LLC was the only responder to submit a proposal. Tire disposal is a very specialized field; there are only two companies in North Carolina that provide this service, CCH and its subsidiary, US Tire Recycling. CCH has provided this service for the City since October 2002 and staff is pleased with the services provided by the firm. Therefore staff recommends that the City Council authorize the City Manager to renew the existing contract for an additional two-year term, as provided for in the original agreement.

Recommendation

To execute Amendment #4 to the existing Scrap Tire Disposal/Recycling Service Contract between the City of Durham and Central Carolina Holding, LLC for two additional years, with the option to renew for one additional two-year contract term, at an estimated annual cost of \$239,000 per year.

Background

The City of Durham opened a bid for Scrap Tire Disposal/Recycling Service in July 2002. Central Carolina Holding, LLC was awarded the contract and has successfully continued to manage the scrap tire disposal and recycling services since that time. Prior to 2002, this service was managed by Tires, Inc., which was purchased by CCH. The contract requires CCH to transport, dispose and/or recycle tires received from the City. The Contractor furnishes all the materials, tools, machinery, equipment and apparatus to perform all the work in connection with the Scrap Tire Disposal/Recycling Service Contract in strict accordance with all State and local laws, ordinances, rules and regulations. CCH handles approximately 2,900 tons of scrap tires annually on behalf of the City of Durham.

Issues/Analysis

Tire disposal/recycling is a very specialized field. There are only two companies in North Carolina that provide these services. During the last RFP process, twenty-three different companies along the east coast were notified and messages were posted announcing the RFP on several listserves. Five companies contacted staff and indicated an interest in the RFP. However, only one proposal was received, which was from our current Contractor. Central Carolina Holding, LLC has been providing this service for the City since 2002 and staff is pleased with their performance.

Alternatives

One alternative is to pursue another contractor through the City's bid process. CCH, which serves approximately 95% of municipalities in North Carolina, would likely be the only responder and may submit a bid higher than our current cost of \$74.50 per ton. Should other vendors respond, it is anticipated that their bids will also be higher than the current per ton cost the City currently pays under this contract. Solid Waste department staff recently surveyed several other communities within North Carolina and determined that the rate being paid by the City of Durham (\$74.50 per ton) is consistent with that being paid elsewhere in the state.

A second alternative is to get out of the tire recovery/recycling business. The City provides this service as a convenience to residents and in agreement with Durham County. The State of North Carolina requires that there be at least one facility that accepts tires for recycling in each County. The City agreed with Durham County to provide this service for all residents of Durham County in order for the County to be in compliance with the State law. The City could choose to end this agreement and require the County to operate a tire collection facility. This alternative would put a strain on the relationship that Solid Waste Management has established with the County's General Services Department in offering hauling services for recyclables from the County's convenience centers. Furthermore, the contract price the City has is better than most local governments and has allowed the City to break even or have a surplus on tire recycling services after the distributions from the State tire tax are considered, over the past several years (see Table 1).

Table 1

ITEM	FY 12-13	FY 13-14	FY 14-15
Tons managed	2,551	2,565	3,461
\$/ton	\$74.50	\$74.50	\$74.50
\$ total - expenses	\$190,033.60	\$191,068	\$257,851
Tire fees charged	\$4,737	\$3,326	
State rebate	\$327,310	\$342,725	\$350,488
\$ total - receipts	\$332,047	\$346,051	\$350,488
\$ VARIANCE	-\$142,014	-\$154,983	-\$92,637

Financial Impact

The City accepts scrap tires at the Solid Waste Convenience Center. Five or fewer tires are accepted at no charge. Tire retailers/haulers with DENR certification may bring tires at no charge only if all the tires are off the rim. Copies of car titles or E-500G tax forms may be required as proof of eligibility for free disposal. All others are charged \$91.00 per ton for disposal of scrap tires. The City receives approximately \$325,000 annually in revenues through rebates from the State tire disposal fund and the tipping fees for non-exempt customers.

The total cost over two years to extend the contract is approximately \$478,000. No new funds are required for this contract amendment, as funding is allocated through the annual budget process.

SDBE Summary**Attachments**

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