

City Of Reedley
AMENDMENT NO. 1

AMENDMENT TO THE RECYCLING SERVICES AGREEMENT MADE BY THE CITY OF
REEDLEY AND PEÑA'S DISPOSAL SERVICE
DATED JUNE 16, 2016

The City of Reedley (City) and Peña's Disposal Service (Contractor) hereby agree to amend the current agreement as follows:

1. Eliminate the pay scale described in Section 4 (COMPENSATION), Part A of the agreement used to calculate payment or charge to City for any recyclables processed by the Contractor; and replace with:
2. Contractor shall pay to or collect from City compensation for receipt of 100% of the residential and commercial recycle waste streams using Attachment A (attached) to set the price per ton to be paid or collected from the City each month. Such sum or invoice for payment, accompanied by all required reports and supporting documents shall be presented to the City no later than thirty (30) days following the end of the month prior, for recyclables received by Contractor in the prior month.
 - a. Reports include the following:
 - i. Semi-annual update of the Scrap Rates used to calculate blended values in Attachment A
 - ii. Semi-annual reports showing the published PPI rates and the average market pricing from RecyclingMarkets.net for the commodities specified in Attachment A
 - iii. Semi-annual Waste Composition Studies Annual analysis of Contractor's processing cost
 - b. Sliding Price Scale material values and data shall be evaluated semi-annually during the contract term by the Contractor and submitted to the City for review, to determine validity with the current market prices and scrap values. Any proposed changes to the sliding price scale or data shall be agreed upon by both parties within 30 days of submittal to the City. Failure to agree on any scale changes may be cause for contract cancellation per the cancellation provisions of the contract and upon written notice by either party.
 - c. Per ton compensation to or from City shall be according to the following formula. A positive value indicates amount paid by Contractor to City. A negative value indicates amount paid by City to Contractor.

$$(0.85 \times \text{Material Value}) - (\text{Processing cost}) = \text{Compensation to City}$$

- d. Fixed Processing Cost may be adjusted. It will be the responsibility of the Contractor to request a price adjustment and to provide all documentation necessary. The request for price adjustment must be submitted to the Public Works Director within the thirty (30) calendar day period prior to the annual anniversary date of the agreement. The Fixed Processing Cost shall be adjusted annually based on the movement of the unadjusted figures of the U.S. Department of Labor Consumer Price Index (CPI) for all Urban Consumers (CPI-U, San Francisco Area). The Fixed Processing Cost may be changed in an amount equal to the percentage of movement for the most recent twelve-month period. In no instance shall the CPI increase exceed 5%. The Fixed Processing Cost as a result of this formula shall be binding on the contractor for the subsequent contract year. The adjustment of the unit bid price shall not be retroactive and shall apply only to changes incurred after approval.

Retroactivity:

The City agrees to implement the amended contract price arrangement effective August 1, 2018; the month the proposed price scale was submitted to the City by the Contractor. Upon execution of this


using the amended pricing mechanism, and invoice (with attached detail adjustments) the City for any amounts to be reimbursed to the Contractor.

Both Parties agree to extend the base agreement on a year-to-year basis after expiration of current agreement.

Except as amended herein, the Agreement between the City of Reedley and Peña's Disposal Service, dated June 16, 2016 shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 on the 28th day of August, 2018, and agree that this amendment shall amend and be incorporated as part of the agreement dated May 16, 2016.

Dated 9/15/18 By:  CONTRACTOR

Dated 8/30/18 By:  CITY OF REEDLEY
Nicole R. Zieba, City Manager

ATTACHMENT "A"

TABLE 1: RESIDENTIAL SINGLE-STREAM BLENDED VALUE

City of Reedley (Residential)										
Weight Received (lbs)	274,811.60									
Time Frame	Monthly									
Material	Percentage	Total Weight (lbs)	Scrap Rate (Per Lb)	Index	Scrap Value	CS Rate (\$/lb)	Total CS Value (CRV)	Total Value	Value x 85%	Curbside Payment for CRV Material
Aluminum	0.09%	239	0.66	RecyclingMarket.net	\$ 162.53	\$ 1.38	\$ 370.58	\$ 533.11	\$ 453.15	
Mixed Glass #2	1.84%	7,805	0.03	RecyclingMarket.net	\$ (117.07)	\$ -	\$ -	\$ (117.07)	\$ (80.51)	
Mixed Glass #1	3.79%	10,408	0.03	RecyclingMarket.net	\$ 146.54	\$ 0.04	\$ 426.76	\$ 593.30	\$ 504.30	
PET Plastic	0.72%	1,979	0.11	RecyclingMarket.net	\$ 314.88	\$ 0.66	\$ 1,108.04	\$ 1,312.92	\$ 1,124.48	
HDPE Colored	1.88%	4,842	0.16	RecyclingMarket.net	\$ 680.83	\$ -	\$ -	\$ 680.83	\$ 578.70	
HDPE Natural	0.63%	1,783	0.28	RecyclingMarket.net	\$ 503.92	\$ 0.02	\$ 87.37	\$ 561.29	\$ 477.10	
Mix Hard Light	5.41%	9,371	0.02	RecyclingMarket.net	\$ 198.67	\$ -	\$ -	\$ 198.67	\$ 188.87	
OCC	23.54%	61,843	0.04	PI	\$ 2,167.99	\$ -	\$ -	\$ 2,167.99	\$ 1,842.79	
POP	2.29%	6,193	0.10	PI	\$ 597.85	\$ -	\$ -	\$ 597.85	\$ 508.17	
ONP	3.89%	10,690	0.02	PI	\$ 260.53	\$ -	\$ -	\$ 260.53	\$ 203.45	
Scrap Metal	0.00%	0	0.08	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	
Flux Caps	3.50%	9,618	0.09	N/A	\$ 721.88	\$ -	\$ -	\$ 721.88	\$ 613.17	
PET non-Crv	0.33%	879	0.11	RecyclingMarket.net	\$ 95.50	\$ -	\$ -	\$ 95.50	\$ 81.18	
Tires & Oil	0.00%	0	-	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	
Wood	0.00%	0	-	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	
Residuals	34.33%	149,451	(0.01)	Data Typing Fee	\$ (1,092.31)	\$ -	\$ -	\$ (1,092.31)	\$ (1,178.46)	
	100.00%	274,812			\$ 8,541.14		\$ 1,962.76	\$ 8,504.00	\$ 7,225.60	
		137.41							\$ 40.86	

	Par Ton	Monthly
Value per ton calculated by Blended Value Revenue Share / Average tons per month. \$4678.40 / 137.41 = \$34.05	\$ 34.05	\$ 4,678.40
Residual Fees	\$ -	\$ -
Baling Costs	\$ 221.22	\$ 221.22
Processing Cost	\$ 7,138.23	\$ 7,138.23
Operational Cost	\$ 585.35	\$ 585.35
Administrative Cost	\$ 100.31	\$ 100.31
Transportation Cost	\$ 1,374.06	\$ 1,374.06
Start Up	\$ 144.38	\$ 144.38
Total Processing Cost	\$ 9,563.44	\$ 9,563.44
Net Charge/Payout	\$ (4,885.05)	\$ (4,885.05)

Based on the current waste composition and market values, the current charge to the city for residential single stream material would be \$35.55 per ton or \$4,885.05 monthly.

TABLE 2: COMMERCIAL SINGLE-STREAM BLENDED VALUE

City of Reedley (Commercial)											
Weight Received (lbs)	57,525.00	Material	Percentage	Total Weight	Scrap Rate Per LB	Market	Scrap Value	CS Rate (CRV)	Total CS Value (CRV)	Total Value	Value @ 85%
Aluminum	0.24%	141	\$ 0.88	RecyclingMarkets.net	\$ 109.50	\$ -	\$ -	\$ 109.50	\$ 93.07	Curbside Payment for CRV Material	
Mixed Glass #2	0.48%	283	\$ 0.02	RecyclingMarkets.net	\$ 7.88	\$ -	\$ -	\$ 7.88	\$ 6.59		
Mixed Glass #1	0.78%	469	\$ 0.01	RecyclingMarkets.net	\$ 7.18	\$ -	\$ -	\$ 7.18	\$ 6.10		
PET Plastic	0.30%	175	\$ 0.11	RecyclingMarkets.net	\$ 18.74	\$ -	\$ -	\$ 18.74	\$ 15.93		
HDPE Carded	3.84%	2,210	\$ 0.18	RecyclingMarkets.net	\$ 238.13	\$ -	\$ -	\$ 238.13	\$ 202.41		
HDPE W/Label	0.88%	506	\$ 0.28	RecyclingMarkets.net	\$ 142.28	\$ -	\$ -	\$ 142.28	\$ 120.84		
Mix Hard Rigid	1.98%	1,139	\$ 0.02	RecyclingMarkets.net	\$ 24.18	\$ -	\$ -	\$ 24.18	\$ 20.51		
DCC	54.65%	31,437	\$ 0.04	PPV	\$ 1,100.51	\$ -	\$ -	\$ 1,100.51	\$ 945.26		
SOP	3.30%	1,891	\$ 0.10	PPV	\$ 174.88	\$ -	\$ -	\$ 174.88	\$ 148.64		
ONP	1.87%	1,074	\$ 0.01	PPV	\$ 24.70	\$ -	\$ -	\$ 24.70	\$ 20.97		
Scrap Metal	0.00%	0	\$ 0.08	N/A	\$ -	\$ -	\$ -	\$ -	\$ -		
Flt Cans	2.08%	1,197	\$ 0.08	N/A	\$ 89.74	\$ -	\$ -	\$ 89.74	\$ 74.28		
PET non-crv	0.11%	69	\$ 0.11	RecyclingMarkets.net	\$ 7.50	\$ -	\$ -	\$ 7.50	\$ 6.37		
Tires & Oil	0.00%	0	\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ -		
Wood	0.00%	0	\$ -	N/A	\$ -	\$ -	\$ -	\$ -	\$ -		
Residuals	30.83%	17,447	\$ (0.01)	Gate Tipping Fee	\$ (244.26)	\$ -	\$ -	\$ (244.26)	\$ (207.62)		
	100.00%	57,525			\$ 1,684.65	\$ -	\$ -	\$ 1,684.65	\$ 1,451.98		
		28.76							\$ 58.57	Total Blended Value after 85% Revenue Share	

	Per Ton	Monthly
Value per ton calculated by Blended Value Revenue Share / Average tons per month, \$1431.98 / 28.76 = \$49.79	\$ 49.79	\$ 1,431.96
Fixed Processing Costs (Annual Increase based on CPI)	\$ 1.61	\$ 46.30
	\$ 51.95	\$ 1,494.08
	\$ 4.26	\$ 122.57
	\$ 0.73	\$ 20.99
	\$ 10.00	\$ 287.60
	\$ 1.05	\$ 30.20
	\$ 69.60	\$ 2,001.70
	\$ (19.81)	\$ (569.74)

Based on the current waste composition and market values, the current charge to the city for commercial single stream material would be \$19.81 per ton or \$569.74 monthly.



REEDLEY CITY COUNCIL

- Regular Item
- Workshop
- Closed Session
- Public Hearing

ITEM NO: 12

DATE: August 28, 2018

TITLE: APPROVAL OF ITEMS PERTAINING TO THE RECYCLING SERVICES AGREEMENT BETWEEN THE CITY OF REEDLEY AND PENA'S DISPOSAL SERVICE DATED JUNE 16, 2016.

- A. APPROVE AND AUTHORIZE THE CITY MANAGER TO EXECUTE AN AMENDMENT TO THE CURRENT RECYCLING SERVICES AGREEMENT WITH PENA'S DISPOSAL SERVICE FOR THE ACCEPTANCE AND PROCESSING OF RECYCLABLES FROM THE CITY OF REEDLEY.
- B. ADOPT RESOLUTION NO. 2018-078 AMENDING THE 2018-2019 ADOPTED BUDGET TO APPROPRIATE \$50,000 FROM THE SOLID WASTE ENTERPRISE CAPITAL FUND TO COVER ADDITIONAL COST FOR THE PROCESSING OF THE CITY OF REEDLEY'S RESIDENTIAL AND COMMERCIAL RECYCLABLES.

SUBMITTED: Russ Robertson, Public Works Director *WR*

APPROVED: Nicole R. Zieba, City Manager *NZ*

RECOMMENDATION

That the City Council authorize the City Manager to execute an amendment to the current Recycling Services Agreement with Pena's Disposal Inc. (Pena's) to accept and process recyclables from the City of Reedley as well as adopt Resolution 2018-078 appropriating additional funds to cover recyclables processing cost increases.

EXECUTIVE SUMMARY

The City of Reedley has a current Recycling Services Agreement with Pena's to accept and process both commercial and residential recyclables gathered by City of Reedley refuse trucks. The agreement was approved by the City Council on June 14, 2016. Since that time, Recycling Markets have changed dramatically for the worse. The United States and California in particular have been caught off guard by the Chinese government's decision to impose strict new standards initially and now a complete ban on certain materials. Recyclable material export shipments are at a slow trickle and literally thousands of bales of material are being stockpiled across California, and in many cases, being sent to land-fills due to lack of storage capacity.

Recyclable materials processing companies across California, including Pena's, are reeling from the effects of a defunct recyclable materials market and experts foresee the situation getting worse before it gets better. There is speculation that China will shut the door on all recyclable commodities in the near future. This situation has led to an oversupply of recyclable commodities which is driving market prices down sharply. For example, Mixed Paper such as newspaper, wrapping paper, etc., is now considered a residual or trash and is not being recycled and must be processed and disposed of at the land-fill.

Due to these drastic market changes, the pay scale listed in the current Recycling Services Agreement with Pena's is no longer applicable and according to Pena's is resulting in a net loss to their company. Pena's is proposing an amendment to the current agreement that includes a revised pay scale that is based on published Pulp and Paper Index (PPI) rates and the average market pricing from RecyclingMarkets.net for specified commodities.

The amendment includes the following key points:

- The price per ton on the proposed pay scale is based on the following formula; 85% of material value minus the processing costs will equal the City's compensation or payment.
- The materials value portion of the price scale will be updated every six months to reflect the then current market value of materials.
- Any proposed changes to the price scale shall be agreed upon by both parties within 30 days of submittal to the City. Failure to agree on price scale changes may be cause for contract cancellation.
- The fixed cost portion of the price scale will not change, however Pena's may adjust the processing cost each year based on the U.S. Department of Labor Consumer Price Index (CPI). In no instance shall the CPI increase exceed 5%.
- The current agreement with Pena's expires on June 16, 2019. The agreement would then be extended on a year-to-year basis if both parties agree.

City staff have explored available options at this time for recyclables processing. Pena's is the closest processor to Reedley. There are other processors located in Visalia and Fresno, but hauling the material to those processors would equate to longer driving times and additional wear on the City's garbage trucks. Also, given the current volatility of the market, other processors are currently working through actual cost analysis and in the process of renegotiating with their contracted cities. Due to the short contractual term of the proposed addendum and the ability for the City to pursue other options should they present themselves, staff feels that the proposed addendum is in the best interest of the City at this time.

FISCAL IMPACT

The Agreement would result in an additional cost to the city of approximately \$46,000 for fiscal year 2018-19 for the processing and disposing of residential and commercial recyclables. These costs could increase or decrease every six months as market conditions dictate.

ATTACHMENTS

1. Amendment to the Recycling Services Agreement including attachment "A"
2. Recycling Services Agreement between Pena's Disposal Inc. and the City of Reedley dated June 16, 2016.
3. Resolution 2018-078