



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Contract Amendment for Recycling Center Operations

1. Resolution dispensing with competitive bidding and authorizing an amendment to contract 8001348 with Allan Company Inc. (Allan Company), for operation of the Glendale Recycling Center, increasing the contract amount by \$1,555,200 to \$2,057,264, and extending the contract duration three-years to March 31, 2025

COUNCIL ACTION

Item Type: Action Item

Approved for March 22, 2022 **calendar**

EXECUTIVE SUMMARY

The contractor Allan Company operates the Glendale Recycling Center, Materials Recovery Facility and Transfer Station located at 540 West Chevy Chase Drive. Due to the continuing depressed market for recyclable materials, this contract was converted from a revenue contract to a standard contract where the vendor receives payment from the City for services provided. City staff completed a cost benefits analysis of the Glendale Recycling Center to determine its viability and cost-effectiveness in a volatile market for recyclables. Staff determined that the best option at this time is to continue operations as they are with the current contractor. Extending the continued contract is the most cost-effective option at this time plus it will allow the time necessary to assess further changes in waste management both statewide and locally, and develop a long-term solution for the future of the recycling center.

COUNCIL PRIORITIES

Exceptional Customer Service: Having a local municipal recycling center provides desired recycling services to Glendale residents and businesses.

Sustainability: The recycling of metals, cardboard, plastic and other commodities in Glendale reduces pollution, preserves resources and extends landfill capacity.

Fiscal Responsibility: Staff determined continuing operations of the Glendale Recycling Center with the current contractor is the most cost effective option for the City.

RECOMMENDATION

Staff respectfully recommends that the City Council approve a Resolution dispensing with competitive bidding and authorizing an amendment to contract 8001348 with Allan Company, for operation of the Glendale Recycling Center, increasing the contract amount by \$1,555,200 to \$2,057,264, and extending the contract duration three-years to March 31, 2025.

BACKGROUND

The Public Works Department has collected recyclables from Glendale's residential and commercial customers for over 30 years. The City first entered into a contract with Allan Company for processing services in July 2006. Since that time, collected recyclables have been delivered to Allan Company at the Glendale Recycling Center for processing and marketing these materials. At the execution of the original contract, Allan Company agreed to pay the City \$26 per ton for recyclable material collected by the City and delivered to the contractor at the recycling center. In 2008, the contract was amended to increase this rate to \$31 per ton. In 2011, the contract was amended again to extend the term through October 2021 plus an option for five additional years to 2026, and increase the rate to \$36 per ton.

In 2017, China implemented their National Sword Policy that significantly disrupted the market for recyclables. While China had previously been the largest importer of recyclables, this policy which banned several hard-to-process materials and set stringent contamination levels essentially diverted the import of recyclables to other smaller countries with less capacity to process this material such as Vietnam, Malaysia, Indonesia and Thailand. As a result, the value of recyclable materials collapsed.

Due to this recyclables market disruption, on May 4, 2021, the Glendale City Council approved an amendment to the contract so that the city could begin paying the Allan Company \$54 per ton for processed curbside recyclables through October 2021, to continue uninterrupted recycling service in Glendale. Based on the tonnage of recyclables and residuals processed at the Glendale Recycling Center, the total annual cost was projected to be \$616,834. Once this ceased to be a revenue contract, staff initially endeavored to select a new operator for the Glendale Recycling Center via a request for proposals process. Staff prepared the request for proposals to be released to qualified operators; however, based on the significant capital investment that would be required by any new Recycling Center operator, the continuing depressed market for recyclables, and

a reasonable standard for Glendale to commit to a minimum five-year contract, staff determined the City was unlikely to receive competitive proposals from multiple companies.

On October 19, 2021, the Glendale City Council approved an amendment to the contract with Allan Company increasing the contract amount by \$350,000 and extending the contract duration to March 31, 2022. The purpose of this extension was to afford staff time to conduct a cost benefits analysis of the recycling center to determine its viability and cost-effectiveness and to bring a long-term solution for the Glendale Recycling Center to the City Council for consideration.

ANALYSIS

While once a source of revenue, most cities are dealing with the reality of having to pay for recycling processing. Given the continuing state of recyclable markets in both the United States and locally, there is little competition from recycling center operators for these types of municipal contracts. After initially preparing a request for proposals for a recycling center operator, staff performed additional analyses of the current market for these types of contracts, reaching out to other municipalities and examining other contracts. Further, staff completed a broader cost benefits analysis of the recycling center itself, including the redemption or “buy-back” center, to analyze the viability and cost-effectiveness of the center, and examine other regional alternatives for the processing of the City’s recyclable material and the associated costs; particularly in light of the reduction of City recyclable material being brought to the center as a result of the commercial franchise program.

The City of Glendale is mandated by the State of California to collect and divert from the landfills residential recyclable materials. Staff analyzed the option of closing the Glendale recycling center and instead taking recycling materials to other local facilities. Since the Glendale Recycling Center is located next door to the Ginger Bremberg Integrated Waste Management facility, this will result in new transportation costs. In examining other alternative locations for the processing of Glendale’s residential recyclables, an annual average of around 9,600 tons was used for this comparison. Staff considered relative distance of other processing facilities and the associated hauling costs, as well as the expected tipping fees for each facility over the next three years.

As shown below, maintaining the delivery of recyclable materials at the Glendale Recycling Center at the City’s current tipping fee remains the most cost-effective option. Delivery of materials at Burbank, City Terrace and Athens Sun Valley, the nearest feasible processing facilities, are considerably more due to the increase in hauling costs and tipping fees.

Facility	Annual hauling cost	Tipping fee (per ton)	Annual materials cost (9,600 tons)	Total Estimated 3-year cost
American Reclamation	\$66,816	\$62.25	\$597,600	\$1,993,248
Burbank Recycling Center	\$208,800	\$121	\$1,161,600	\$4,111,200
City Terrace Recycling	\$392,544	\$75	\$720,000	\$3,337,632
Athens Sun Valley	\$442,656	\$65	\$624,000	\$3,199,968

Therefore, soliciting a new company to operate the Glendale Recycling Center is not advisable at this time. A new operator would be required to invest in new equipment such as a sorting line, baler, conveyer, scale and separators. They would also need to hire staff to manage and operate the facility. This type of investment is cost prohibitive for a three-year contract under current market conditions.

The Glendale Recycling Center is permitted as a Materials Recovery Facility and Transfer Station. It is currently underutilized as a city asset and its evolution and usefulness to the City needs further time and research. The current contract with Allan Company for processing the City's recycling remains the most suitable and cost effective approach for managing our recyclable materials at this time.

Lastly, in addition to accepting recyclable materials from the City, the Glendale Recycling Center is also a public facility that receives material dropped off from the public. With recycling centers closing throughout the region, Glendale residents and others will continue to receive these desired services under the proposed contract extension.

Staff recommends that the current contract be extended for three years to maintain the current favorable cost per ton, and allow for the City to thoroughly analyze the changing waste processing landscape in the City and the region over the next few years in order to facilitate good long term decisions on waste management in the future. As a result of negotiations with the Allan company, they have agreed to hold the current rate of \$54 per ton for the proposed three-year extension.

Project Description:	Recycling Center Operations
RFP Approved:	May 2006
Advertisement Method:	Newspaper
RFP Issued:	May 2006
RFP Due Date:	June 20, 2006

Company Name(s) and Proposal Amount(s):	Allan Company Recycle America Burbank Recycling
Selection Criteria (If SS, list applicable Provision):	Revenue per ton
Recommended Consultant(s):	Allan Company
New / Existing Consultant(s):	Existing
Procurement Method (RFP / SS):	Original contract RFP, extension SS
Contract Term:	Original 5 years
Project Begins:	July 2006
Project Ends:	March 31, 2022
Change Orders (When Applicable)	
Company name:	Allan Company
Original Approved Contract Amount:	\$0
Approved Contingency:	\$0
Change Order History:	Increase amount \$502,064 and duration to March 31, 2022
This Change Order (Increase):	\$1,555,200 and three additional years
New Contract Total (If Approved):	\$2,059,264

STAKEHOLDERS/OUTREACH

The City will continue to provide outreach to customers regarding Glendale recycling Center services.

FISCAL IMPACT

The Glendale Recycling Center operation will cost \$518,400. The Public Works Department budget can absorb this cost and therefore no new appropriation is being requested at this time. The funding is outlined below:

Existing Appropriation		
Amount	Account String	Funding Source
\$518,400	43110-5300-PWD-7523	Refuse Disposal Fund

ENVIRONMENTAL REVIEW (CEQA/NEPA)

This item is considered a ministerial activity and therefore, not subject to CEQA review.

CAMPAIGN DISCLOSURE

The names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report are listed below, in accordance with the City Campaign Finance Ordinance No. 5744.

Allan Company, Inc.

Full Name	Title	Business Address	City	State	Zip
Jason A. Young	President/CEO	14620 Joanbridge Street	Baldwin Park	CA	91706
Stephen A. Young	Secretary	14620 Joanbridge Street	Baldwin Park	CA	91706
Michael Ochniak	CFO	14620 Joanbridge Street	Baldwin Park	CA	91706
Donald R. Rogers	VP Marketing	14620 Joanbridge Street	Baldwin Park	CA	91706
Richard Hubbard	VP Operations	14620 Joanbridge Street	Baldwin Park	CA	91706

ALTERNATIVES

Alternative 1: Approve the attached Motion to amend the contract with Allan Company for the operation of the Recycling Center extending the duration.

Alternative 2: Not approve the recommended Motion. The Recycling Center will cease operations on March 31, 2022 and the City would have to take recyclable material to a location outside of Glendale, at a higher cost.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

Etienne Ozorak, Integrated Waste Superintendent

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

None