

Agenda Report

TO: CITY COUNCIL

DATE: February 2, 2009

FROM: CITY MANAGER

SUBJECT: AUTHORIZATION TO AMEND THE CONTRACT WITH CEDARWOOD YOUNG CORP., DBA ALLAN COMPANY TO PROCESS RECYCLING MATERIAL COLLECTED IN THE CITY OF PASADENA

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to amend the contract with the Cedarwood Young Corp., dba Allan Company for payment to the City for recycling material collected from the City of Pasadena's Curbside Recycling program reducing the payment from \$42.15 per ton to \$15.00 per ton for the period January 1, 2009 to April 1, 2009, with a second three month extension to July 1, 2009, based upon a review of recycling market conditions at the end of the first three month period.

BACKGROUND:

In 1989, the California Integrated Waste Management Board adopted AB 939 as a response to diminishing landfill capacity. The bill required cities to undertake efforts and document progress to reduce, reuse and recycle as methods to decrease the amount of disposal and extend the useful life of landfills. The City of Pasadena operates a curbside recycling program that collects approximately 7,600 tons of recyclables per year. The sale of this material provided the City with approximately \$400,000 in recycling revenue in FY 2008 which partially offsets the cost of the program.

The City Council authorized a contract with the Allan Company for the processing and resale of recyclables on June 23, 2008. The agreement between the Allan Company and the City has a payment to the City of \$42.15 for each ton of curbside recycling material provided to the Allan Company

The current economic crisis has caused a historic drop in the recycling commodity markets. Worldwide demand for recyclable goods has decreased significantly. According to many industry reports the prices have dropped between 60 to 70 percent. Since September 2008 paper commodities, which make up the majority of curbside recycling, have dropped 60%. There has been a similar drop in the aluminum and plastic commodity prices.

Staff has received a letter from Allan Company requesting a three month reduction in their current contract pricing. The request will result in a reduction in the amount per ton Allan Company currently pays from \$42.15 per ton to \$15.00 per ton. The request is to be temporary and would apply to the first quarter of 2009 (January through March). This pricing will be reviewed at that time, and an extension of this pricing may be requested for an additional time period based on market conditions.

Staff has contacted other local recyclers for cost to process the curbside recycling material. Community Recycling and Resource, located 16.6 miles from the City Yards, has proposed to charge \$42.00 per ton for processing the curbside recycling material. The net cost difference is \$57.00 for sending material to Community Recycling versus the Allan Company.

FISCAL IMPACT:

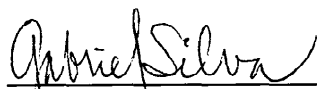
In Fiscal Year 2009, the City of Pasadena has experienced revenue of approximately \$27,000 per month for the material collected from the City of Pasadena Curbside Recycling program transported to Allan Company for processing. The temporary agreement would reduce this revenue to about \$10,000 per month.

In Fiscal Year 2008, the City received approximately \$400,000 in recycling revenue; based upon a projected drop in the amount of material collected we anticipate a 10% to 15% reduction in revenue in FY 2009, approximately \$360,000. The requested reduction from \$42.15 to \$15.00 is projected to result in an additional \$51,000 decrease in recycling revenue for this three month period. Staff will utilize Fund 406 Refuse Collection balances to offset the reduced recycling revenue.

Respectfully submitted,

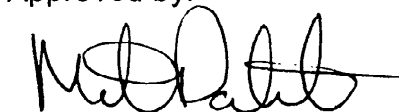

MICHAEL J. BECK
City Manager

Prepared by:



Gabriel Silva
Management Analyst IV
Department of Public Works

Approved by:



Martin Pastucha, Director
Department of Public Works



ALLAN COMPANY

Dealers in Primary and Secondary Paper Making Fibers

January 13, 2009

Gabriel Silva
Recycling Coordinator
City of Pasadena
233 West Mountain Ave
Pasadena, CA 91103

Dear Mr. Silva:

The economic recession in the United States has caused a historic drop in recycling commodity prices. The paper commodities which make up 70% of single stream material were valued at approximately \$144 per ton in September, today the average value is \$62 per ton. There has been a similar drop in aluminum and plastic prices. Today the total value of one ton of single stream from the City of Pasadena has fallen to roughly \$100 per ton while our operating costs are \$95 per ton and we pay the city \$42.15 per ton. Our loss is over \$35 per ton on the material we receive from Pasadena. Allan Company has processed the City of Pasadena's curbside recyclables directly with the City or through the franchise hauler for over 10 years. We have been a loyal vendor for the City and have absorbed losses before, but never to this magnitude. We request the City to give us a 3 month reprieve from our contract pricing. We propose to reduce what we pay the city to \$15 per ton for the first quarter of 2009 (January through March). At that time we would like to sit and discuss the markets with the staff, hopefully commodity prices will rebound and we can resume our contract pricing.

We would like to meet with you at your earliest convenience to discuss this in more detail. Thank you for your business and we look forward to hearing from you.

Sincerely,

Jason A. Young
Vice President

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name: CEDARWOOD-YOUNG COMPANY, a California corp. d/b/a ALLAN COMPANY

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

PLEASE SEE ATTACHED

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

PLEASE SEE ATTACHED

Prepared by: NENAD TRIFUNOVIC
Title: GENERAL COUNSEL
Phone: 626/962-4047
Date: 10/2008

NAMES OF TRUSTEES, DIRECTORS, PARTNERS AND OFFICERS

Trustees

None, except for retirement plan trustees.

Directors of the organization

Stephen A. Young
Jason A. Young
Joe Pearson
Donald R. Rogers
David Romberg

Partners

None

Officers of the organization

Stephen A. Young, President
Jason A. Young, Vice President and Secretary
Joe Pearson, Chief Financial Officer
Donald R. Rogers, Vice President, Sales and Marketing
David Romberg, Vice President, Southwest
Richard Hubbard, Vice President, Operations
Francisco Del Rincon, Vice President, Northern California
Bo Yang, Vice President, Export