



Agenda Report

January 23, 2023

TO: Honorable Mayor and City Council
FROM: Department of Public Works
SUBJECT: AUTHORIZATION TO INCREASE CONTRACT NO. 31537 WITH AMERICAN RECLAMATION, INC. BY \$600,000 TO PROVIDE MATERIAL RECOVERY PROCESSING FOR UP TO TWO ADDITIONAL YEARS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment;
2. Authorize the City Manager to increase contract 31537 with American Reclamation Inc., by \$600,000 for material recovery processing for a period of up to two additional years; thereby increasing the total not-to-exceed annual amount from \$325,248 to \$625,248 through April 19, 2025; and
3. To the extent this transaction could be considered a separate procurement subject to the Competitive Selection Process, grant the proposed contract increase with American Reclamation Inc. an exemption from the Competitive Selection Process set forth in the Competitive Bidding and Purchasing Ordinance pursuant to the Pasadena Municipal Code, Section 4.08.049(B), contracts for which the City's best interests are served.

BACKGROUND:

The Public Works Department operates a curbside recycling program that collects approximately 7,700 tons of recyclable material per year. To achieve the success of this program, Public Works contracts with material recovery processing vendors to properly divert recyclable materials from landfills. On August 19, 2019 City Council awarded a three-year contract to American Reclamation Inc. for \$975,774; with two

additional one-year options for \$325,248 annually at the discretion of the City Manager. During the executed three-year contract term, the American Reclamation recycling facility suffered a catastrophic fire on November 1, 2019 that caused them to initially shut down their operations. The initial shutdown led to an extended shut down of 23 months due to COVID health restrictions, long lead times for equipment, and difficulty in obtaining parts and materials. During this shut down, the City processed its recyclables at the Puente Hills Material Recovery Facility (PHMRF) through an existing agreement with the Los Angeles County Sanitation Districts.

On September 1, 2021, American Reclamation Inc. brought their sorting operation back online and resumed material recovery processing. The City of Pasadena began processing its material at this facility and observed a significant increase in recycling tonnage diversion. The monthly recycling increased by 23% from 498 to 614 tons per month. This increase was due to American Reclamation's efficient material processing system, third-party residual processing, and its central location which facilitates delivering multiple loads per day.

On September 14, 2022, the Department of Public Works received a letter from American Reclamation requesting an increase in the current contract pricing from \$42.24 to \$89.88 per ton due to declining commodity prices, increases in labor, fuel, residual dump fees, and final-destination transportation cost. Staff had discussions with American Reclamation and agreed to revisit the contract at the end of the three-year term of the contract, which is set to expire on April 19, 2023.

Researching the current recycling commodity markets and trends, the average recyclable commodity prices are down 39% percent from the third quarter of 2022. Processing costs are also up 9 % from the prior quarter and up 2% year over year. Both the recovered paper sector and plastics recyclers are seeing a downturn in the value of material for recycling. It is expected that high energy prices and lower demand for finished products driven by the cost-of-living crisis will continue to put downward pressure on prices for recycled plastics. In the recovered or wastepaper sector, prices for mixed papers have fallen significantly over the past month and look set to be at even lower levels in the future.

Staff has determined that reverting back to PHMRF is not a viable option since the operation is now operated by a third-party at a comparable cost to American Reclamation and would be subject to a competitive selection process. In addition, the increased transportation distance of 14 miles to PHMRF in heavy freeway traffic affects daily operations and increases fuel and labor costs.

Therefore, staff intends to exercise the first one-year extension of the contract at the revised contract amount and monitor the recycling commodity market trends to readjust or decrease the rate, if warranted. Staff will also monitor the market to decide the appropriate time to issue a new Request For Proposals to hopefully take advantage of a better recycling market in the future or decide if exercising the second one-year extension is warranted at that time.

COUNCIL POLICY CONSIDERATION:

This project is consistent with the City Council's goal of Strategic Plan: Increase conservation and sustainability. It also supports the United Nations Urban Environmental Accords of 2005 Action 4 of achieving zero waste to landfills and incinerators by 2040.

ENVIRONMENTAL ANALYSIS:

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15061 (b) (3). The project is covered by the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment. The material processing contract will not result in any significant effect on the environment.

FISCAL IMPACT:

The total cost of this action will be \$600,000. Funding for this action will be addressed by the utilization of existing budgeted appropriations in the Refuse Collection Fund (Fund 406) without any impacts to the City's General Fund.

Respectfully submitted,



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