



Agenda Report

February 26, 2024

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (February 26, 2024)

FROM: Department of Public Works

SUBJECT: AUTHORIZATION TO INCREASE CONTRACT NO. 31537 WITH AMERICAN RECLAMATION, INC. BY \$1,673,568 AND ADD TWO ADDITIONAL ONE-YEAR OPTIONS TO PROVIDE MATERIAL RECOVERY PROCESSING

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061 (b)(3), the "common sense" provision that CEQA only applies to projects that may have an effect on the environment;
2. Authorize the City Manager to increase contract amount with American Reclamation, Inc. by \$141,024 for the second one-year option from March 4, 2024 to March 4, 2025;
3. Authorize the City Manager to add two additional one-year options from March 4, 2025 to March 4, 2027 in an amount of \$766,272 for each of the one-year options; and
4. 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(8), contracts for which the City's best interests are served.

BACKGROUND:

The Public Works Resource Recovery and Recycling Division actively manages integrated waste management services to over 27,000 households, including providing a variety of recycling opportunities. The Division operates a curbside recycling program that collects approximately 7,800 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 an initial three-year contract to American Reclamation, Inc. for \$975,774, with two additional one-year options of \$325,248 annually at the discretion of the City Manager. During the initial three-year contract term, the American Reclamation recycling facility suffered a catastrophic fire on November 1, 2019 that caused the facility to shut down their operations. During that time, the City recycled materials 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 resumed their sorting operations and material recovery processing. The City of Pasadena began processing its materials at this facility and observed a significant increase in recycling tonnage diversion. Since then, the average diversion tonnage has increased to an estimated 625 - 650 tons per month, which is 30% higher than the average tonnage per month processed at PHMRF.

On September 14, 2022, staff received notification that American Reclamation was 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 costs. Staff concurred with the proposed increase since the cost is comparable to other similar material processing facilities, factoring in time and travel costs such as was the case for PHMRF. Hence, on January 23, 2023, City Council authorized a contract increase to the two additional one-year options from \$325,248 to \$625,248 as a result of the 2022 increased rates.

Since then, staff has been informed that the current pricing of \$89.88 per ton will be increasing by 9.3% to \$98.24 per ton effective March 1, 2024. This is due to increased industry expenses associated with processing and sorting the material. At this time, staff recommends that the City continue working with American Reclamation since they provide efficient material processing, third-party residual processing, and their centralized location facilitates delivering multiple loads daily for the cost. Even with the proposed cost increase, American Reclamation's cost are competitive with other providers.

The City Manager would like to exercise the second one-year option to extend the contract from March 4, 2024 to March 4, 2025. However, since the authorized annual contract amount is proposed to increase by \$141,024, from \$625,248 to \$766,272, the proposed increase is included in the recommended action. The annual estimate of \$766,272 is based on a yearly tonnage of 7,800 at the new rate of \$98.24 per ton.

In addition, since the City was not able to utilize the initial contract until September 2021 due to the facility fire and closure, staff is requesting that two additional one-year options be added to the contract, cumulatively extending the contract from March 2024 to March 2027. The recommended annual contract amount of \$766,272 is based on an estimated monthly tonnage of 650 tons, or 7,800 tons annually at \$98.24 per ton.

Extending the contract by up to two additional years from March 2025 to March 2027 will provide staff with sufficient time to monitor industry trends and issue a comprehensive Request For Proposals in 2026 that will solicit proposals for not just recycling, but also mixed waste and organics processing at the same time due to the expected closure of Scholl Canyon Landfill in 2027.

The proposed contract changes are summarized below:

Contract No. 31537	Contract Term	Authorized Contract Amount	Proposed Contract Increase	Price Per Ton
Original 3 Year Contract	3/4/20 - 3/4/23	\$975,774	\$0	\$42.24
First Contract Amendment - First Year Extension Option	3/4/23 – 3/4/24	\$625,248	\$0	\$89.88 (as of Sept 2022)
Second Year Extension Option	3/4/24 – 3/4/25	\$625,248	\$141,024	\$98.24 (as of March 2024)
Proposed Two Additional One-Year Options (\$766,272 annually)	3/4/25 – 3/4/27	\$0	\$1,532,544 (\$766,272 per year)	\$98.24
Total			\$1,673,568	

COUNCIL POLICY CONSIDERATION:

This contract 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 actions proposed herein are exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15061 (b) (3), the “common sense” provision of CEQA which only applies to projects that have the potential for causing a significant effect on the environment. Amending the material processing contract will not result in any significant effect on the environment.

FISCAL IMPACT:

The total cost of this action will be \$1,673,568. 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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