



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Legislation Text

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WORKSHOP ITEM - *Joe Huss, Finance Director*

DISCUSS EXTENSION OF REFUSE COLLECTION AND HAULING CONTRACT WITH WALTERS, INC.

In August 2015 the City Council accepted the bid of Walters Recycling & Refuse for the City's organized waste hauling and recycling program and authorized staff to execute an agreement with Walters. The agreement commenced on January 1, 2016 and has a 5½-year initial term (to June 30, 2021) with a City option to extend the contract three years to June 30, 2024. The topic of contract extension was briefly discussed in late 2018, during the 2019 budget process, and Council felt it was best to defer a discussion and decision to extend until the new City Council was seated in 2019. As the City enters its 2020 budget and five-year strategic planning process, staff feels it is an appropriate time to discuss and establish a strategic plan regarding the City's organized hauling program.

From staff's perspective, extending the contract at this time makes sense for a variety of reasons, including:

- Volatile Market - The City has the opportunity to lock in refuse tipping fees in a period of high price volatility. During last year's budget process, Council was briefed on the volatility within both the refuse market and the recycling market.
 - Recycling - With the virtual collapse of the Chinese recycling market reducing the value of recyclable materials, the cost to recycle certain material has gone up considerably. Estimates are that the changes in recycling could increase Sanitation Fund costs by \$160,000 in 2019.
 - Refuse - At the same time, the closing of the Great River Energy plant brought a great cost-savings opportunity to Blaine as tipping fees decreased from \$77/ton to \$59.18/ton, bringing an estimated cost savings of \$340,000. By virtue of Walters' contract prices for tipping fees locked in through 2024, an extension of the City's contract with Walters will lock in those fees for the City as well.
 - The City's 5-year Sanitation Fund budget model is based on the changes in the recycling market as well as the advantageous pricing for disposing of solid waste. A re-bid of the contract risks losing this favorable pricing structure and makes likely the need for fee increases for Blaine residents beyond what is currently projected.
- Contract expectations - In staff's collective memory, the contract has always contained

an extension clause that is solely at the option of the City. The intent of this clause allows the City to ensure that, as long as its high expectations of excellent service delivery is being met, the City can negotiate a favorable price for the services provided and avoid not only the cost of the RFP process but also the risk of incurring higher service costs.

- Walters' Service Record - Overall, the partnership the City has developed with Walters has been very successful. Since taking over this contract, Walters' record of service has been excellent with very few complaints registered and no instances of unresolved issues.

It is staff's recommendation to exercise the extension clause at this time and extend the contract for three years to June 30, 2024.