

Seventh Amendment to Curbside Recyclable Materials Processing Contract

City Council
Item - 331

October 16, 2018



BACKGROUND – CONTRACT

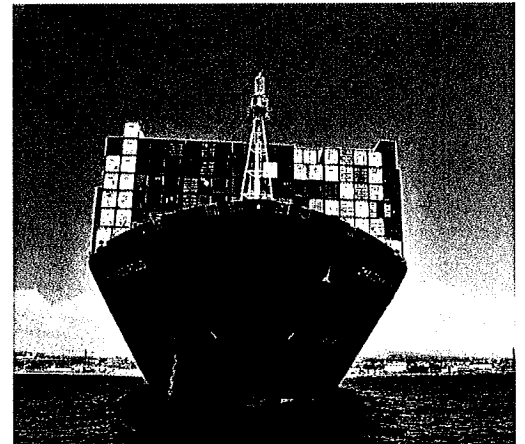
- Curbside recyclable materials processing and marketing contract
 - Contract with IMS Recycling Services and Allan Company
 - Revenue generating contract:
 - Payment terms, combination of guaranteed revenue and profit sharing
 - City does not make payments to Contractor
 - Current contract term ends on June 30, 2019





BACKGROUND - CHINA'S NATIONAL SWORD POLICY

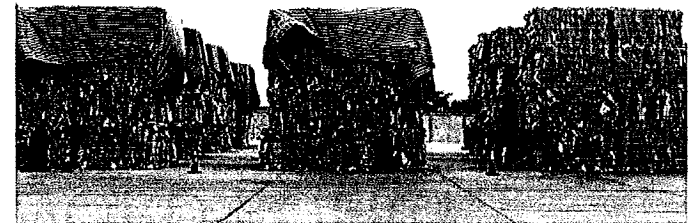
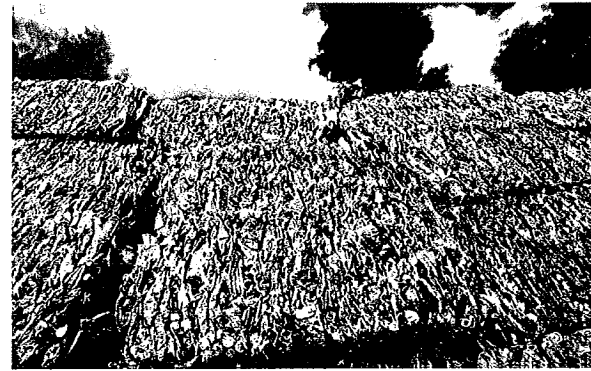
- China - Largest international consumer of recyclable materials
 - 1/3 of California's recyclables exported to foreign markets
 - 62% is sent to China
 - \$5.2 billion in 2017
- Effective March 1, 2018
 - Banned 24 commodities, including mixed paper, plastics and metals
 - Imposed 0.5% contamination allowances
 - Decreased import volume
 - Increased load inspections





IMPACT TO CONTRACTORS

- Increased costs:
 - Hire more workers
 - Slow down sorting lines
 - Stockpile materials
- Decreased demand / less markets
- Decreased material prices
- Increased inspections and higher risk of rejection





CONTRACT OPENER

- Contract provisions:
 - Obligates City to meet and confer with Contractor in good faith
 - Discuss adjustments to the compensation and payment schedule
 - Include events like China's National Sword Policy

FISCAL IMPACT

- Effective May 1, 2018, this amendment changes the financial terms as follows:
 - Suspend guaranteed floor price and \$6/ton guaranteed revenue sharing provision
 - Modify the revenue sharing provision in such a way that any revenue for the City will cover the costs for recycling and transporting residual plastics
- Financial impacts to the City:
 - Forecasting \$0.00 revenue due to market uncertainties
 - There is potential for some revenue

REQUESTED ACTION

- Approval to execute the seventh amendment to the City's Curbside Recyclable Materials Processing & Marketing Contract to modify the Compensation and Payment Schedule of the agreement with IMS Recycling Services and Allan Company in order to adjust for significant financial impact from China's National Sword Policy.





**Environmental
Services Department**

THANK YOU

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