

City of Mesquite, Texas

Legislation Text

File #: 21-5282, **Version:** 2

Authorize the City Manager to finalize and execute Supplemental Agreement No. 2 to RFP No. 2017-020, Annual Contract for Recyclables Processing and Marketing, with FOMENTO DE CONSTRUCCIONES Y CONTRATAS, INC, dba FCC, SA.

On February 20, 2017, the City Council awarded a contract for recyclables processing and marketing to FOMENTO DE CONSTRUCCIONES Y CONTRATAS, INC, dba FCC, SA. (FCC Environmental). Supplemental Agreement No. 1 was approved by the City Council on November 18, 2019.

The contract is for the sorting, processing and marketing of recyclable material collected by the City's solid waste crews and at the City Convenience Center. The sorting and processing of the recyclable material occurs at a state-of-the-art municipal recycling facility (MRF) owned by FCC Environmental at the McCommas Bluff Landfill site in south Dallas. The FCC Environmental recycling facility is only 15 miles from the City, resulting in significant transportation cost savings through reduced overtime, drive time and wear and tear on City equipment. The term of the contract was for one year with four additional one-year renewal options.

Since the contract's approval in early 2017, commodity prices for recyclable materials have collapsed, primarily due to China greatly restricting the importation of these materials and tariffs and counter-tariffs that have been imposed between the United States and numerous other nations.

Financial Implications

The City's current vendor, FCC Environmental, informed staff they would not renew the existing contract without a substantial rate increase. The requested rate increase is \$60.00 per ton.

The original agreement with FCC included a \$79.65/ton processing fee with a zero floor/no charge to the City of Mesquite and a 60/40 revenue share before this action. This option netted the City an average annual revenue of \$36,000.00. With the collapse of international recycling markets, material processors have increased processing fees and eliminated "zero floor contracts" to cover their losses. In November 2019, FCC submitted a request for an increased processing fee of \$20.00 per ton. Staff negotiated with FCC to reduce the price to match the current landfill tipping fee of \$16.78 per ton, which was established by Supplemental Agreement No. 1 and approved by the City Council on November 18, 2019, commencing on December 1, 2019 through February 20, 2021. The last four complete years averaged 2,150 tons.

The new fee of \$60.00 per ton would require an additional \$95,706.00 for an estimated annual cost of \$133,461.60. Staff will look for savings during the fiscal year to help offset this impact and will make any other adjustments necessary to cover these costs with the amended budget process. Staff negotiated the contract amendment with FCC Environmental and believes this amendment is the best that can be obtained under current market conditions. A new Request for Proposals (RFP) would likely result in a much larger financial and operational impact than the terms negotiated with this amendment.

Recommended/Desired Action

Staff recommends approval of Supplemental Agreement No. 2.

Attachment(s)

FCC Renewal Letter

Drafter

Charles Goodson

Head of Department

Curt J. Cassidy, P.E., CFM