

Summary:

In 2005 the City of Denver entered into a contract with Waste Management of Colorado to provide processing (sorting) and marketing services for the recyclable materials collected by the Denver Recycles residential single stream recycling program. The contract term was for 10 years and paid the city a revenue of \$33 per ton for 95% of the recyclable material that the City delivered to Waste Management. The contract also called for an additional share in revenue when the value of recyclable materials hit a certain level. From the beginning of the contract through present day the contract has been recognized nationwide as a very lucrative single stream recycling contract. From 2005 through year-end 2014 the City has been paid about \$10.6 million dollars for its recyclable commodities.

In 2012, three years before the end of the 10 year term, Waste Management asked to early renew the contract through 2020 (a contract approved 5 year renewal) and the City agreed. In 2014, the global recycling markets crashed resulting in many communities losing revenue and many recyclable processors, like Waste Management, have been forced to begin charging customers to sort recyclables. Waste Management approached the City of Denver this spring asking the City to consider some relief given extreme market conditions, and they had a strong desire not to default on the City's contract or request termination. Waste Management has been a good partner with the City and so we have negotiated a short term amendment that will provide some financial relief to Waste Management while ensuring the City maintains a significant portion of its revenue through 2020, and continues to guarantee the City some revenue for its recyclables during this time. The short term revenue reduction will last through October 2016 and is tied to the market index. The city generates about \$1M per year from the sale of recyclables through its current terms and conditions and is estimating a loss of about \$800,000 through October 2016, however, it is possible that the loss could be less than this if market conditions improve in the next year. In November 2016, the City and Waste Management will revert back to the original terms and conditions of the contact allowing for estimated revenues of about \$1M per year through 2020.

We believe this contract amendment is in the best interest of the City because it ensures a guaranteed revenue stream through 2020, it minimizes losses to the City, and it prevents the City from having to release an RFP for services during less than favorable market conditions. It also creates cooperation between the City and Waste Management who work in partnership for a number of contracted services including recycling, household hazardous waste and landfill waste disposal.