

It's Not About the Money

In the bidding war over the city's new recycling contract, cost doesn't carry much weight

By Maria Rubenstein

If you're like me, you probably don't do much thinking about recycling other than schlepping it out to the curb. But the question of who's going to pick it up at the curb is getting a fair amount of attention at City Hall these days.


The city's current contract with Browning Ferris Industries (BFI) expires in April, which has sparked a bidding war between BFI and two other companies vying for the privilege of preparing all that glass, metal, newspaper, and plastic for recycling. The financial stakes are high—both for the companies and for the city: The three-year contract is worth as much as \$2.7 million for the winner, who will return more than \$4.5 million to the city's coffers. All of which begs the question: Why wouldn't the city choose the bid that will deliver the most money to its pecanous bottom line?

To really understand the question, though, you need to understand how the city's recycling effort works: Minneapolis collects the recyclables every two weeks and pays a recycling company to prepare them for recycling. The recycling company then sells the recycled material and returns a portion of the sales proceeds to the city. In the case of BFI, that amount would be \$4.53 million per year, compared with competitors Recycle

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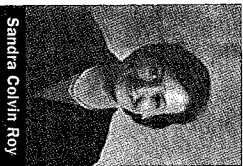
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America Alliance (RAA), a subsidiary of Waste Management (\$4.52 million), and Eureka Recycling, a St. Paul-based nonprofit that has handled that city's recycling business for nearly 18 years (\$4.64 million).

At a February 3 meeting of the City Council's Transportation and Public Works Committee, R.W. Beck, a consulting firm that evaluated the bids for the city, recommended that city officials negotiate first with RAA, then with Eureka, and finally with BFI.



Sandra Colvin Roy

The committee rejected the recommendation and directed city staff to invite the three companies to return with their best proposals. "I didn't feel it was fair for staff to negotiate with one proposer at a time," says committee chair Sandra Colvin Roy (12th Ward). "That gives that proposer an unfair advantage—they can go back to change their numbers but the others can't."

Colvin Roy says she also was concerned about "some mistakes in numbers

by BFI and Waste Management which they wanted to correct."

But R.W. Beck senior director Bob Cragg says the financial numbers are only part of the story. "The decision should be based on all the factors," he says. "Where the bids represent a difference of only 2.4 to 2.6 percent, then other factors become even more critical."

Susan Young, the director of the city's solid waste and recycling department, agrees. The money returned to the city "is one of the issues, but not the only one."

One of the "other factors" involves the recycling facilities. Cragg says that BFI's and Eureka's facilities (both of which are under construction) have only one entrance/exit, which can create traffic issues as the trucks maneuver their way in and out. WM's facility, by comparison, has a separate entrance and exit.

A second factor is "organizational experience," which R.W. Beck noted as "significant" for WM and BFI, but "limited" for Eureka. Originally organized under the auspices of the Neighborhood Energy Consortium when that organization won the contract for St. Paul's recycling program in 1986, Eureka did not become a separate entity until November 2001.


Yet a third factor is "financial risks." "Based on what was submitted to us," says Cragg, "there was a question about Eureka getting a bond of adequate size to cover the size of the contract."

Eureka CEO Susan Hubbard says that shouldn't be an issue. "We do have a performance bond," she says. "We have a bond for \$1 million, so the city would get paid if they take a loss." Hubbard also maintains that it's "unfair" to compare Eureka's financial situation with that of BFI and RAA. "Comparing us to WM or BFI is like comparing your local coffee shop to Starbucks," she argues.

If financial stability were an issue, Hubbard notes, the city of St. Paul wouldn't have extended the company's contract until 2013, a point confirmed by Rick Person, St. Paul's program administrator for solid waste and recycling. "The length of this contract is unusual—very seldom are [contracts] for so long," Person says. He credits Eureka's

"past performance as one of the reasons for the unusually long contract." When asked if he had concerns about Eureka's finances, Person said, "Not at all."

Despite the controversy, Colvin Roy says that this current round of bidding will have "very little effect" on your recycling bill. But Brenda Platt, co-director of the Washington, D.C.-based Institute for Local Self-Reliance, argues that the council's decision could influence the trend toward waste

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 Study: "Waste Imperialism"
 www.ilsr.org/recycling/

management consolidation that she's studied over the past 30 years. "Once consolidation of waste management occurs and competition declines, there's no question about whether costs will go up," Platt says. "If the disposal costs go up, then that expense will be passed along to the taxpayer—either in the form of higher taxes or cuts in other areas."

The Transportation and Public Works Committee will take up the matter again at its February 17 meeting. **MO**