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The City of Vadnais Heights
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Memorandum:

TO: Mayor Gunderson and City Council Members

FROM: Tim Sandvik, Assistant City Administrator

DATE: February 19, 2019

SUBJECT: VHG, Inc. – Refuse/Recycling Hauler Contract Update

Background

The current contract between the City of Vadnais Heights and VHG, Inc. (Refuse/Recycling haulers including Waste Management and Republic Services) is set to expire July 31, 2019. In the fall of 2018, staff met with representatives from VHG requesting initial proposals be presented to the City in January of 2019. Now having received initial language (specific to pricing and revenue sharing), staff would like to update the Council and proceed with negotiations, if deemed appropriate.

VHG provides refuse/recycling pick-up for all single family homes and residential properties having up to and including eight (8) dwelling units. The existing contract provides all residents within the aforementioned definition to receive the services at agreed upon rates. The cost of these services is observed through three (3) mechanisms.

- The contract sets prices based on level of refuse service. For example, in 2019 residents currently pay \$3.35 per household per month for disposal (30 gallon bin), \$6.60 for collection, and \$5.83 for recycling for a total of \$15.78 per household per month (plus tax). Annual increases are projected at approximately 5% for the first year, no increase in 2020, 2.2% in 2021, 2.3% in 2022, 2.3% in 2023 and 2.3% in 2024.
- Yard waste collection service is generally on a subscription basis whereby residents can sign up to subscribe for this additional service. The current contract price is \$48 per year charged on fixed basis throughout the year.
- Our current contract allows for one (1) bulky item pick-up per year at no charge. Residents may also opt in for additional services such as bulk item pick up (), furniture disposal, electronics disposal, bundles of brush, etc. at an additional one-time fee.
- VHG also utilizes a revenue sharing component for the processing of recyclables. Currently, VHG charges \$45 per ton processing and net revenue is then split 50/50 between VHG and the City of Vadnais Heights. Due to the increased cost of processing recyclables and the poor recycling market conditions, the City has not gained revenue since March 2018.

The City has received proposed pricing for an updated contract from VHG representatives. In discussions with Ramsey County Environmental Health Department and other cities, staff believe the proposed rate increases are reasonable and generally competitive with surrounding municipalities. Additionally, staff have received a proposed pricing model for revenue sharing which increases the processing fee to \$75. While this increase is significant, current language protects the City as there is no gained expenditure

through an established 'floor'. The proposed recycling price, while relatively high compared to most other cities, is proposed to remain the same as our current contract.

Staff would like to understand any concerns the Council may have with the existing contract and would like to proceed in negotiations with VHG to update contract language and work to complete a contract for consideration by the Council. It may be advantageous for the Council to designate a 'point person' if viewed appropriate.