

ITEM # 45a 10 ^{old}
DATE 04-08-2008 CAF

COUNCIL ACTION FORM

SUBJECT: SETTING THE DATE FOR PUBLIC HEARING TO ENTER INTO LOAN AGREEMENT WITH THE IOWA DEPARTMENT OF NATURAL RESOURCES TO FUND A NON-FERROUS METAL RECOVERY SYSTEM

BACKGROUND:

Resource Recovery annually processes in excess of 50,000 tons of municipal solid waste. After processing, the breakout of material is as follows: 64% Refuse-Derived Fuel (RDF) burned at the City's power plant; 5% ferrous metals transported to Minnesota for additional processing and reuse; and the remaining 31%, approximately 18,000 tons, of rejected material that is currently landfilled each year.

Resource Recovery staff has identified non-ferrous metals in the rejected waste stream as a target for further landfill waste diversions. On April 5, 2007, a test load of reject material was delivered to Davenport, Iowa, to determine the non-ferrous content by volume. A 40,000-lb. semi load netted 470 lbs (1.17%) of non-ferrous metal. This would equate to an annual diversion of 219 tons from the landfill. Mixed non-ferrous metals have a five-year average market value of \$0.50/lb. This could present a new annual revenue stream of \$219,000.

A turnkey Non-Ferrous Metal Recovery System is estimated to cost \$1,100,000. The Iowa Department of Natural Resources (IDNR) has extended a contract offer of a loan with 3% interest on 75%, or \$825,000, of the total project cost. The 25% local share of \$275,000 is available from Resource Recovery as identified in the 2008-2013 Capital Improvements Plan. Estimated return on this \$1,100,000 investment is approximately five years. Loan repayment to the IDNR extends over a six-year period, terminating July 15, 2014. The City expects to be able to repay the loan with revenues generated from the sale of the recovered non-ferrous materials. The loan agreement with the IDNR will not be a general obligation of the City but will be repayable only from revenues from the Resource Recovery Plant.

A public hearing is required to enter into the loan agreement with the IDNR.

ALTERNATIVES:

1. Approve a resolution setting April 22, 2008 as the date of public hearing for a loan agreement with the Iowa Department of Natural Resources to fund a non-ferrous metal recovery system.

2. Consider other dates for the public hearing.
3. Consider local funding of the entire cost of a \$1,100,000 Non-Ferrous Recovery System as part of the 2008-2013 Capital Improvements Plan.
4. Continue taking the non-ferrous material to the landfill.

MANAGER'S RECOMMENDED ACTION:

The loan contract with the IDNR provides very favorable terms compared to other funding alternatives. The Non-Ferrous Metal Recovery System is expected to provide positive environmental impacts and a financial benefit to the Resource Recovery Plant.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving a resolution setting April 22, 2008 as the date of public hearing for a loan agreement with the Iowa Department of Natural Resources to fund a non-ferrous metal recovery system.