

ITEM #:	23
DATE:	06-23-26
DEPT:	PW

COUNCIL ACTION FORM

SUBJECT: RECYCLING PROCESSING SERVICES CONTRACT AWARD

BACKGROUND:

The City's new curbside recycling program begins on July 1, 2026. The program will service almost 14,000 households and is anticipated to collect 2,500 tons of recyclable materials each year. Materials including glass, cardboard, plastic, paper, and metal will be collected commingled and must be processed at a Material Recovery Facility (MRF) before being sold to recyclers.

The per-household, per-month fee for curbside recycling is \$7.75. This amount has been calculated to cover the costs of carts, collection and hauling, and administration (billing and customer service). In addition, the monthly fee covers the costs related to processing and disposal (this contract).

A partnership with a MRF will allow the City to maximize the diversion rate of recyclable materials and minimize landfill waste, ensuring all materials are sold into legitimate recycling markets, and minimizing transportation and overall service costs.

The City's Resource Recovery and Recycling Campus (R3C) is expected to become operational by July 2027. Before this date, material will be directly hauled to the MRF in collection trucks by the City's contracted recycling collection provider. After the R3C is operational, material will be delivered from collection trucks to the R3C. At the R3C, the staff will have the opportunity to observe the material and remove any obvious, large contamination before consolidating the materials into City-owned transfer trailers for hauling to the MRF.

City staff issued a Request For Proposals (RFP) on May 12, 2026, seeking a firm to provide recycling processing services. Services include receiving, processing, sorting, marketing, and selling recyclable materials to recyclers. Proposals were due June 2, 2026, and one proposal was received. An evaluation team reviewed the proposal based on: 1) Location and capabilities of facility, 2) Compliance with City's terms and conditions, 3) Support of City goals, 4) Experience and qualifications, and 5) Cost. One proposal was received, and the score is provided in the table below.

Firm	Evaluation Rank	Total Score
Schupan Recycling, Des Moines, IA	1	800

The evaluation team issued follow-up questions and received responses. After review, the team determined the proposal from Schupan Recycling, Des Moines, IA was acceptable. The facility that will serve as the MRF has served the region for 47 years. It was purchased by

Schupan, a Midwest-based recycling firm, in 2022. Schupan has demonstrated experience and qualifications, and the evaluation team believes they will provide the services necessary to support the City's recycling efforts. **The City has had previous positive working experience with Schupan in the past on an as-needed basis.**

The RFP requested two pricing options:

Option 1 includes a flat processing fee per ton of material.

Option 2 includes a flat processing fee with revenue sharing based on the average market value.

Revenue sharing is common in MRF contracting and would enable the City to capitalize on variable recycling commodity market pricing. Average market values are determined by auditing the City's material to determine its makeup (percent of cardboard, plastic, glass, etc.). Audit percentages are then combined with current market values for each commodity to calculate a blended value per ton. A percentage of the revenue gained by selling recyclable material would be shared with the City, and the actual amount would fluctuate based on current market values. Audits are performed annually or can be requested on an as-needed basis to verify the commingled recycling makeup.

Schupan's fee proposal is detailed below, including an example revenue sharing calculation using May 2026 pricing. Positive values indicate the City will receive that amount; negative (parenthesized) values indicate the City will pay that amount.

- Option 1: (\$50) per ton
- Option 2: (\$75) per ton with 40% revenue sharing

Pricing will remain firm throughout the initial two-year contract term beginning July 1, 2026, for either option.

Option 2 example revenue sharing calculation:

Line Item	Amount
Processing Fee	(\$75) per ton
Revenue Share: 40% of May 2026 value of \$85.76/ton	\$34.30 per ton (\$85.76 x 40%)
Net City fee per ton, May 2026 example	(\$40.70) per ton

City staff is recommending pricing Option 2. While the recycling commodity markets present some risk, staff believes Option 2 will be the lower cost option long-term. The City will have the opportunity to re-evaluate pricing structure after the initial two-year contract term. The estimated contract cost is approximately \$100,000 annually. The amount budgeted is \$141,550 annually.

The City will receive monthly reports indicating the current market rate for each commodity and the corresponding revenue-share available to the City. The reports also indicate the percent of material that is non-recyclable and considered waste material that is ultimately landfilled.

Schupan has shared the following information with the City regarding what happens with

recyclable materials that are processed in its facility and how they are reused:

- Mixed paper and cardboard are processed at various mills and made into new containerboard and corrugated packaging.
- Glass is crushed into cullet, then used to make new glass containers, fiberglass insulation, and aggregate in infrastructure projects.
- Plastics are baled and shipped to be molded into pellets which in turn are used in carpet manufacturing.
- Metals are sorted, baled, and shipped to various mills to be reused as sheet metal, cans, and new steel products.

ALTERNATIVES:

1. Award a two-year contract (with a non-appropriation clause) to Schupan Recycling of Des Moines, IA with Option 2 to pay for services based on revenue sharing.
2. Award a two-year contract (with a non-appropriation clause) to Schupan Recycling of Des Moines, IA with Option 1 to pay for services on a flat-fee basis.
3. Refer this item back to staff for further information.

CITY MANAGER'S RECOMMENDED ACTION:

The City must partner with a Material Recovery Facility (MRF) to process recyclable material collected in the City's curbside recycling program. Although there are two options to consider for pricing, staff believes that the Option 2 pricing reflects the best value for the City. The City has utilized the services of Schupan Recycling in the past to market commodities. This experience has been positive and Schupan Recycling is a responsive partner to the City's needs and will aid in reaching the City's recycling and waste diversion goals. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ATTACHMENT(S):

[City of Ames Contract 061526.pdf](#)