

LRB RESEARCH AND ANALYSIS

April 20, 2008

ITEM 18, FILE # 081747

PUBLIC SAFETY COMMITTEE

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Introduction

File # 081747 amends Resolution File 030527, adopted October 14, 2003, which approved a contract and lease between DPW and Miller Compressing Company for the processing, transporting, and recycling of all vehicles scheduled for recycling by the City of Milwaukee.

Background

This resolution authorizes the Department of Public Works to amend a lease agreement with Miller Compressing Company for a portion of the City Tow Lot for the preparation of vehicles for recycling. The lease amendment is expanded to include 7,800 sq. ft. of undeveloped land to be used as an employee parking lot for Miller Compressing Company employees. Lease payments will be increased in direct proportion to the area utilized.

This resolution also authorizes the Department of Public Works to amend a contract with Miller Compressing Company for the processing, transporting and recycling of all vehicles scheduled for recycling by the City of Milwaukee. The contract amendment adds two price incentives to the existing contract:

1. The base price (per vehicle price paid to the city) is increased by \$12, from \$4 to \$16 for each vehicle delivered through October 13, 2013 and from \$6 to \$18 for the balance of the term of this agreement. This is a non-variable price increase.
2. The price per vehicle is increased or reduced by \$1.50 for each \$50 change from the agreed auto scrap value of \$250/ton. This is a variable 1-2% increase or decrease based on the quarterly auto scrap price.

Disposal related transportation and processing costs remain fixed throughout the contract term.

Discussion

The City of Milwaukee has recycled approximately 40,000 vehicles with revenue exceeding \$5,000,000 from vehicle disposal. As a direct result of the 2004 contract, the City has saved a total of \$871,000 (\$174,000 annually) in transportation and related costs. In addition, lease payments combined with the contractual price increased total revenue by \$579,000 (\$48,000 annually).

The potential fiscal impact of this resolution is calculated using an average 6,000 vehicles per year. Annual market increases are calculated using 1% for market trends and 2% for processing costs. The \$12 base price increase is projected to increase annual revenue by \$72,000 for a total of \$1,080,000 for the total 15 years of the contract. The \$1.50 per \$50 scrap market fluctuation is projected to increase annual revenue by \$6,000 for a total of \$90,000 for the contract term. The processing cost freeze is projected to increase annual revenue by \$1,740 for a total of \$26,100 for the contract term. In addition, the City will receive an additional \$650.99 per year to from the additional leased land, for an additional \$9,764.85 for the term of the lease.

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Legislative Reference Bureau, April 20, 2009