

CITY OF CAMBRIDGE
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PERSONNEL DEPARTMENT
MICHAEL P. GARDNER
Director

MEMORANDUM

TO: Robert W. Healy
City Manager

FROM: Michael P. Gardner
Personnel Director

DATE: July 18, 2002

RE: Council Order #9, dated June 17, 2002 RE Report on KTI Recycling's
Exemption from the Living Wage Ordinance

In the fall of 2000, The Recycling Unit in the Public Works Department advised us of the opportunity to extend the contract with KTI Recycling for the disposal of our recycling materials, such as newsprint, plastics, glass and metal.

Because KTI did not pay all its workers \$10.25 / hour or more, and were not willing to do so, we discussed alternatives. The only other feasible facility to accept our recycling materials was located in Brockton. It was determined that it would not be practical or economical to require our materials to be transported to that site, given the increased time cost and air pollution resulting from such long round trips (estimated at between 95,000—119,000 extra road miles a year. In addition, the operator of that facility BFI informally indicated that they would most likely not bid the Cambridge work if they were to be subject to the Living Wage, which they also did not pay.

KTI therefore seemed to be the only likely vendor available to us. KTI indicated they would not bid on our contract if they were subject to the \$10.25 Living Wage.

With no other options available we recommended that in order to extend the contract a waiver from the Living Wage should be sought.

KTI made its presentation to the Living Wage Advisory Committee on December 14, 2000. KTI indicated that it was not financially viable for them to pay workers at the Cambridge Living Wage rate. They indicated that they had long term contracts with over 50 communities and that the Cambridge materials were approximately 7% of their volume. They indicated there was no way to segregate the Cambridge work and set up a two-tier wage structure for employees working with Cambridge originating recyclables. They pointed out

that they had received a waiver from Somerville, on Somerville's much lower (\$8.56/hour) Living Wage requirement. KTI pointed out that they provide health insurance benefits to their employees, and that line workers and managers all receive the same plan. KTI was praised by members of the Living Wage Advisory Committee for their record of hiring disabled workers.

As the minutes of the meeting (attached) indicate, three different motions were made concerning the Advisory Committee's recommendation for a waiver. The first was to grant a waiver through July 14, 2002. Apparently no vote was taken on that motion. A second motion was made to grant a waiver through July 14, 2001. That motion was passed. The minutes reflect a third motion, to grant the waiver, but with no indication of a limitation on the ending date of the contract. That motion was also passed.

After receipt of this set of recommendations from the Living Wage Advisory Committee, the City set about renegotiating an extension of the contract with KTI. The City determined that it was in its long term best interest to negotiate a four year extension of the agreement, because that provided the best price, most advantageous to the City and its taxpayers, and because it improved stability in what can be a very volatile market, which can leave us vulnerable, particularly when there is, in essence, in the region, one sole source outlet for our recyclables.

The criteria that the Living Wage Advisory Committee and the City used in considering the waiver include

- Whether there would be inordinate expense to the City
- Whether there would be a significant loss of services
- Whether the contracted work can or cannot be segregated from the other work of the Covered Employer.

The City considered these issues both with respect to extending the contract and the length of the extension. Although considered by the Advisory Committee, the City did not consider using the length of the contract as an economic tool to force KTI to change its pay practices. This is not a criterion authorized by the Ordinance.

In addition to the Minutes of the Dec. 14, 2000 Living Wage Advisory Committee meeting, also find attached materials the Committee had before it at the time, including the letter from KTI advising us that they would not contract with the City if the contract was subject to the Living Wage and the letter from the Acting Commissioner of Public Works indicating the reasons why a contract was in the best interest of the City.

CITY OF CAMBRIDGE
LIVING WAGE ADVISORY COMMITTEE

MINUTES OF MEETING
DECEMBER 14, 2000
CAMBRIDGE CITY HALL
SULLIVAN CHAMBER

Present: Gerald Bergman, Sarah Klipfel, Merri Ansara, Christopher Mackin,
David Borrus, David Slaney, Jenny Ruducha, Gail Enman and Dan O'Neill

Attending: Michael Gardner, Jan Aceti, Judy Somberg, Esquire and Greg Appleton, Residential Sales
Manager, KTI Recycling of New England

The following items were discussed:

1. Sarah Klipfel, serving as chair of the meeting reviewed the past history of the committee and the action of the committee regarding the "Request for a Chapter 30B Waiver of the Living Wage Ordinance submitted by LAZ Parking Ltd." Included in the review were the minutes of the meeting held on 9/14/00, the memo to City Manager Bob Healey on 9/15/00 and his response of 12/20/00.
2. David Slaney distributed a "DRAFT" memorandum expressing a concern "about the way the City Manager is implementing (or failing to implement) the Living Wage Ordinance." Discussion of the memorandum was added to the agenda for additional discussion later in the agenda.
3. KTI RECYCLING - Requesting a waiver of the application of the Living Wage Ordinance to a current contract for recyclables processing services. KTI operates a recycling facility under a contract with the City of Cambridge which they assumed in November of 1997. KTI is unable to meet the requirements of the Living Wage Ordinance based on the fact they maintain long-term fixed rate contracts with approximately 50 communities. Application of the Living Wage Ordinance would have severe financial implications to the company if they were forced to comply. Operating costs for KTI would increase significantly. Employees of KTI do not work in Cambridge, they all work in the recycling facility in Boston.

Discussion was held on: the benefits program available to employees of KTI, the ability of KTI to segregate Cambridge recyclables from that of other communities, the amount of recyclables generated by the residents of Cambridge (7% of trash), the financial relationship existing between Cambridge and KTI on the recycling of paper, newsprint, etc.

Judy Somberg commented on the possibility of granting a temporary waiver from the provisions of the Living Wage Ordinance through June 30, 2002. This waiver would allow Cambridge, Somerville and Boston to negotiate with KTI on the issue. Somerville has granted a waiver until 2002.

Discussion was held on the future impact facing KTI as they work to determine a living wage for their employees.

MOTION: The following motion was made by David Borrus. "That a short term waiver from the provisions of the Living Wage Ordinance is granted to KTI until 7/14/2002." This date was determined to be the end of the existing contract with Cambridge.

Discussion continued on the subject.

MOTION: The following motion was made by David Borrus, seconded by Christopher Mackin: "That a waiver from the provisions of the Living Wage Ordinance is granted to KTI if the ending of the current Cambridge contract is changed to 7/14/2001." The motion was VOTED by a unanimous vote.

MOTION: The following motion was made by David Borrus, seconded by David Slaney: That the Living Wage Advisory Committee recommends "that a waiver from the provisions of the Living Wage Ordinance be granted to KTI." Unanimous with 1 member requesting to be recorded as absent.

Positive comments were made on the hiring of handicapped workers by KTI.

4. LIVING WAGE ADVISORY COMMITTEE - Discussion was held on the following:

- Review of the Living Wage Ordinance
- Role of the Living Wage Advisory Committee
- The memorandum prepared by David Slaney
- Purpose of the Committee

5. The next meeting of the committee will be on March 14 or 15 at Cambridge City Hall, 6:00 PM.

Respectfully submitted'

Daniel M. O'Neill
Committee Member



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Tuesday, November 21, 2000

City of Cambridge
Department of Recycling
147 Hampshire Street
Cambridge, MA 02139
Attn: Jan Aceti, Dir. of Recycling

RE: "Living Wage Ordinance" effects

Dear Jan,

Due to the effect of the City of Cambridge's "Living Wage Ordinance", KTI Recycling of N.E. and FCR Auburn Facility would NOT be unable to participate in this current contract renewal or future bids.

Even if the City of Cambridge wishes to compensate KTI for the effects of this ordinance during the contract period, KTI would still NOT be able to participate. At the term of the contract, KTI's revenue would not support this payroll increase.

KTI's payroll policy is that this is proprietary information, which is not publicly shared. However, KTI is willing to put forth the following information to the city; the range of hourly rate is \$6.50 → \$16.00 per hour. Our minimum rate will increase as of January 2001.

We presently employ a staff of 160⁺ employees. Any payroll increase in order to be fair would affect the entire KTI staff. Your "Living Wage Ordinance" would minimally increase our annual payroll by 1.2⁺ million per year.

Issues to be considered:

1. KTI has existing long-term fixed rate contracts with numerous communities.

2. KTI is proud of including the mentally and physically challenged individuals as part of our labor force.

3. KTI would not be able to continue to offer affordable/competitive rates with this increase.

KTI RECYCLING OF NEW ENGLAND, INC.

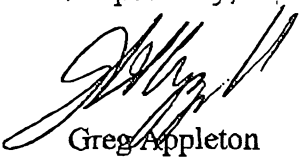
Service vs Supply Contract

KTI questions whether our contract with the City of Cambridge is a Service or Supply type contract. We do not provide the community with equipment or personnel for performing the receipt of Cambridge's recycling material. The city contracts with a service company (Solid Waste/Recycling Hauler) to provide this service.

KTI simply pays for or is paid to accept recyclable materials at a contracted guaranteed rate, which is delivery to our facility.

Our question is - should KTI be considered a Service or Supply vendor? We believe that we would be a Supply vendor. We currently do have Supply Agreements with some of our customers.

Respectfully,



Greg Appleton
Residential Sales Manager



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 7, 2000

Andrea Spears
Purchasing Agent
795 Massachusetts Avenue
Cambridge, MA 02139

Dear Andrea:

I am requesting a waiver of the application of the Living Wage Ordinance, pursuant to Section 2.121.040 (d), to a contract renewal for recyclables processing services. The City currently contracts for recyclables processing services with KTI Recycling of New England, a division of Casella Waste Systems that is located at 24 Bunker Hill Industrial Park, Charlestown. The City's contract with KTI provides the City with an option to renew the contract for one additional four year period.

KTI provides recyclables processing services under contract to approximately fifty Boston area municipalities and numerous private companies. The volume of recyclables supplied by Cambridge is 7% of the total municipally-generated-volume handled by KTI on a daily basis. The recyclables processing services provided to Cambridge cannot be segregated from the processing services that KTI provides to other municipalities and private companies. KTI's facility in Charlestown employs 160 people, with hourly wages ranging from \$6.50 to \$16.00 per hour. Any wage increase would need to be applied to the entire staff in order to maintain pay equity. In total, KTI estimates that raising wages in order to comply with the City's Living Wage Ordinance would increase their costs by at least \$1.2 million per year. Because KTI is bound by fixed price contracts with other customers, the additional cost would be borne by Cambridge.

Furthermore, KTI could not include part of the Cambridge Living Wage increase in bids for new contracts and still remain competitive with other facilities that are not paying workers \$10.25 per hour. Indeed, KTI has indicated that it would be unable to participate in a contract renewal with Cambridge if required to comply with the Living Wage Ordinance. Their statement to that effect is attached.

Because of KTI's proximity to Cambridge, favorable pricing, and ability to process and market a wide variety of materials, renewing our contract with KTI for recyclables processing services is highly advantageous to the City.

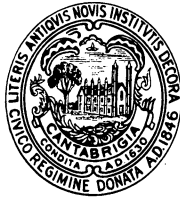
Requiring KTI to comply with the City's Living Wage Ordinance would result in a significant loss of services, because the contracted work cannot be segregated from the work that KTI does for other customers. For that reason, I would ask you to respond favorably to this waiver request for recyclables processing services.

Sincerely,

Richard C Rossi
Acting Commissioner

2000 Things 2-Do in 2000





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CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

July 29, 2002

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item Number 02-64, regarding a report on KTI Recycling's exemption from the Living Wage Ordinance, received from Michael Gardner, Personnel Director.

Very truly yours,

Robert W. Healy

City Manager

RWH/dls

S-223

Consent Agenda #23

Awaiting Report Item
Number 02-64, regarding a
report on KTI Recycling's
exemption from the Living
Wage Ordinance

In City Council July 29, 2002

PLACED ON FILE.