



Staff Report

PRESENTATION ON SOUTH BAY WASTE MANAGEMENT AUTHORITY (SBWMA) COMMITTEE RECOMMENDATIONS FOR THE FUTURE SOLID WASTE, RECYCLING AND ORGANICS COLLECTION PROGRAMS AND THE FUTURE FRANCHISE AGREEMENT

Honorable Mayor and Council Members:

Summary

This provides information regarding important issues and choices for future solid waste, recycling, and organics collection programs and the future franchise agreement.

Background

The City's franchise agreement for solid waste, recyclable materials, and organic materials collection services expires December 31, 2010 as does the South Bayside Waste Management Authority's (SBWMA's) operating agreement for the Shoreway Recycling and Disposal Center (Shoreway facility). The SBWMA initiated a five and one-half year Contractor Selection Process that will result in new contracts for collection services, operations of the Shoreway facility, and off-site composting services effective January 1, 2011. The process may also result in a contract for off-site recyclable materials processing services (to provide interim, back-up, or long-term processing capacity).

In February 2006, The SBWMA formed a Programs and Facilities Committee (PAF) and Process and Contracts Committee (PAC) (collectively, Committees) that included representatives of the member agencies. Public Works Director Ray Davis participated in the PAF committee and City Engineer Kathleen Phalen participated in the PAC committee. The Committees were asked to review numerous program, service, procurement process, and contracting issues and formulate recommendations for the SBWMA Board consideration. The SBWMA's Board reviewed the Committees' recommendations at their August 2006 Board meeting and will approve or modify them in October 2006.

An overview of the SBWMA's contractor selection process was provided to the City Council on April 11, 2006. At that time, Council requested an opportunity to review the recommendations from both Committees before the Board votes on such recommendations so that the Council may

be able to direct the City's representative on how to vote on these recommendations.

Staff presents this report to provide an overview of the Committees' recommendations. Staff will return to Council at your September 26th meeting to seek the Council's feedback on the recommendations. Council's input will be valuable to the City's SBWMA Board representative, who will participate in formation of the SBWMA's Board recommendations.

Discussion

Value of Participating in the SBWMA's Contractor Selection Process

Currently the 12 SBWMA member agencies (including Belmont) have franchise agreements with Allied Waste Services and work cooperatively through the SBWMA to manage Allied's performance, implement program changes, and negotiate contract amendments. All member agencies are obligated to deliver their solid waste, recyclables, and organic materials to the Shoreway facility that is operated by Allied through an agreement with the SBWMA. The SBWMA's Contractor Selection Process anticipates that one collection company will be selected to serve all 12 member agencies, although each member agency will enter into a separate franchise agreement with the selected collection company. The benefits of participating in the SBWMA-wide Contractor Selection Process include:

- Maintaining the economies of scale achieved by having one company provide all collection services in the SBWMA service area;
- Combining resources to manage the collection contracts;
- Relying on the SBWMA to manage the Contractor Selection Process rather than hiring City staff to do so.

Schedule for Contractor Selection Process

The planning phase (Phase 1) of the Contractor Selection Process will be completed by the end of this year. As part of this phase, the PAF and PAC committee recommendations have been presented to the SBWMA Board for consideration at their August 24th Board meeting and the Board will form its recommendations in October. Following the Board's adoption, the Board's recommendations will be presented to each of the member agencies in November, and December of this year. If member agencies are supportive of the SBWMA Board's plans, they will be asked to pass a resolution acknowledging their commitment to participate in the Contractor Selection Process and approve a code of conduct.

Phase 2, which involves the preparation of the request for proposals (RFP) for collection and Shoreway facility operations and draft agreements for the services, will result in issuance of an RFP in August 2007. Proposals will be received in late 2007 and evaluated in early 2008. Contractor selection and negotiations are to be completed by July 1, 2009. This schedule provides the selected contractor(s) 18 months to implement services that will commence January 1, 2011.

Throughout this five and one-half year process, a minimum of seven member agency milestone events have been planned that will keep the City Council updated on the process and seek input

and approval.

Important Program Choices

The Executive Summary of PAF and PAC recommendations present the proposed scope of the future collection and operations agreements. Because of the size of the entire summary, it can be found on the RethinkWaste.com website under Members/SBWMA Board Meetings/ August 25, 2006 (Packet #5).

This section summarizes the key changes to the existing collection program that the Board will consider in August and September. A very rough estimate of the percentage increase or decrease in rates is reflected in [brackets] alongside each program choice.

Residential

- Weekly collection (rather than the current bi-weekly collection) of recyclables and yard waste. [+1.64% to +3.28%]
- Single-stream recyclables collection services (all recyclables placed in one container rather than the current dual-stream collection in which recyclables are separated by the customer by type of material). In a survey of Belmont customers in May 2006, 54% of the respondents indicated that they would recycle more if they were provided a wheeled cart and single stream collection. [+1.08% to +2.15%]
- Curbside collection as standard service with backyard service for an extra fee to benefit from collection efficiencies of semi-automated and/or automated collection vehicles.
 - Currently a progressive rate charged to residents
 - Curbside service may raise parking control issues.

Semi-automated collection involves one driver operating a vehicle who then exits the vehicle at each stop and sets the refuse container in a position that enables the vehicle to lift and empty the container. Automated collection allows the driver to lift and empty the container with a mechanical arm without having to exit the vehicle. Both methods are less expensive than the current arrangement which relies on two employees per refuse collection vehicle (as these methods require only one operator). [-1.47% to +0.87%]

- Three new, contractor-provided wheeled carts for solid waste, recyclable materials, and yard waste rather than customer-provided containers (new for solid waste and recycling; unchanged for yard waste). [costs included above]
 - Standard recycling cart size of 90 gallons (smaller carts available upon request).
 - Standard yard waste cart size of 90 gallons (smaller carts available upon request).
 - Solid waste cart sizes of 20, 30, 60, and 90 gallons.
- Expansion of current on-call bulky collections to include collection of electronic waste (e.g., computers, televisions), and for a fee hazardous waste and Universal Waste (e.g., household batteries, fluorescent lamps, mercury-containing devices). [negligible increased costs]
- Possible food waste collection implementation at a later date. [+0.9%]
- Drop-off community-wide e-waste and clean-up event. [0% to 0.03%]

Multi-Family and Commercial

- Area-wide recyclables collection service for all multi-family complexes and businesses (e.g., all customers would receive a recycling container unless the customer expressly requests that their premises be excluded from the program). The current system requires customers to request recycling service. [+1.17% to +1.82%]
- Single-stream recyclables collection services (rather than current dual-stream). [+0.21%]
- Free recycling service by including recycling costs in the rate for solid waste collection service (same as current arrangements). [costs included in area-wide recyclables collection]
- Food waste and yard waste collection service if the customer requests the service and pays an additional fee (same as current arrangements). [no cost impact]

City Service – The City will continue to receive collection services at City facilities and at various public right-of-way locations at no charge; costs to be covered through rates (same as current arrangements). [no increased costs]

Public Education – Customers to receive contractor-provided public education information regarding collection programs and operations matters, and SBWMA-provided public education information and newsletters with a broad message focusing on waste prevention, reuse, recycling, environmental purchasing preferences, hazardous waste, electronic waste, and universal waste management (expansion of current arrangements). [0 to +0.15%]

Important Shoreway Facility Considerations

The SBWMA Board will consider the PAF recommendations to improve the Shoreway facility by: (1) installing single-stream processing equipment in the recycling building, which may require expansion of the recycling building (costs included above with single stream); and (2) expanding the transfer station to accommodate more diversion materials [+0.34% to +0.41%].

Important Process and Contract Considerations

The Executive Summary of Recommendations by PAF and PAC Committees (refer to RethinkWaste.com website under Members/SBWMA Board Meetings/ August 25, 2006 (Packet #5)) includes recommendations for the Contractor Selection Process and future contract arrangements and contract terms. The following summarizes key process and contract considerations that the Board will consider in October.

1. City Commitment to the Process – If the Council agrees with Board recommendations for future programs, contract terms, and strategy for soliciting proposals and selecting contractors, the Council will be asked by the Board to adopt a resolution in late 2006 acknowledging its support and intention to participate in the Contractor Selection Process. Therefore, it is important for the Council to provide input now, before the SBWMA Board forms its recommendations. A proposed resolution will be provided for your review on September 26th. No action on this resolution is being recommended at this time.

2. Elected Official Code of Conduct – A paramount objective of the SBWMA is to conduct the Contractor Selection Process with integrity and transparency. To support this objective, it is likely that the Board will concur with the PAC committee's recommendation that the SBWMA Board members, member agency elected officials, and proposers sign a code of conduct. The proposed member agency code of conduct will provide guidance regarding disclosure of: (1) conflicts of interest; (2) contributions; and, (3) non-public meetings with potential proposers.
3. Labor Considerations – The subject of prevailing wage, worker retention, and labor peace have been discussed by PAC and the Board will need to develop a policy related to these matters. PAC is currently advising that the collection and Shoreway operations contractors provide their employees with “competitive wages and benefits” and provide employment preference to the current contractor's employees. This recommendation was made to provide a balanced approach for labor relations without requiring prevailing wages or hiring of all current contractors' employees.

The PAC and the Board have also had several meetings with representatives from Teamster Local 350 (the union that represents Allied's drivers) and the San Mateo County Central Labor Council. While the PAC and the labor representatives share roughly similar goals, there is a divergence of opinion as to how to specify these goals in the RFP. The PAC is recommending less restrictive language in an effort to balance the needs of the workers with those of the residents and businesses who will benefit by more contractors submitting proposals.

4. Performance Standards – The performance standards included in the existing franchise agreement related to missed pick-ups, long call hold times at the customer service center, etc. have not incentivized Allied to provide the quality of service Belmont staff and customers expect. The SBWMA Board will consider a two-phased performance management method for the collection and facility operation contracts to provide both positive and negative incentives related to diversion, quality of collection and operations services, and responsiveness to customers. In the first phase, contractors would be rewarded for superior performance. In the second phase, the contractor's substandard performance would be penalized and contract management tools would be used to more closely monitor, and thereby enhance, the contractor's performance.

If the City is not satisfied with the performance management method and/or performance standards proposed by the SBWMA, the City can modify or replace them (provided an agreement will be reached with the selected waste hauler) with their own standards because the City will enter into a separate franchise agreement with the selected collection contractor. [incentives: 0% to +0.75%]

5. Contract Term – The SBWMA Board will consider contracting with the collection contractor for an initial term of seven years with the right to extend for a maximum of 20 years.

6. SBWMA Ownership of Collection Equipment and Operating Rolling Stock – The SBWMA will research ownership and financing of vehicles, containers, and on-site rolling stock needed for operation of the Shoreway facility. If legally feasible and financially advantageous, the SBWMA shall offer, as an option to proposers, that the SBWMA will own and finance the equipment and lease it to the contractor(s). This may result in more competition as doing so would reduce the capital investment that needs to be raised by the firm that is to be awarded the collection contract. [-5.30% to -0.51%]
7. Contractor's Compensation – Currently, the collection and facility operations contractor's compensation is determined through a detailed annual review process, which is complex and time-consuming. The SBWMA Board will consider a simplified compensation method that involves conducting a detailed review every three years (or more frequently if requested by the SBWMA or member agencies) with an index adjustment process in the interim years plus consideration of actual costs for a few categories that are outside the contractor's control (e.g., per-gallon fuel costs, workers' compensation premium rates, and insurance premiums). Any difference between the actual costs and the projected costs will be included in the contractor's compensation in the following year as a credit (if actuals are less than projected) or payment (if actuals are greater than projected). The contractor's profit would continue to be calculated using an operating ratio.

Under the proposed compensation-setting methodology, the contractor's compensation will be established in advance of the each contract year. After the close of the contract year in addition to the foregoing adjustments for expenses, the actual revenues the contractor received will be compared to the revenues that the contractor was promised. If the contractor received too much revenue, the rate payers will receive a credit in the following year. Alternatively, if the contractor received less than what was promised, this amount will be paid to the contractor in the following year.

8. Rates for Collection Services – The current method of setting collection rates will remain the same. The City will retain the authority to establish rates for individual classes of customers based on the collector's revenue requirement as provided for in the franchise agreement.
9. Rates for Shoreway Facility – The current method of determining the Shoreway facility gate fees (tipping fees) will remain the same. Annually, the SBWMA will review and adjust (as appropriate) fees for the Shoreway facility.
10. Alternative Fuel – The SBWMA will research alternative fuel options for vehicles and shall encourage or require use of alternative fuel vehicles for some or all of the vehicles and equipment. The requirement of alternative fuel vehicles could be cost neutral or could result in increased costs of vehicle purchase and operations. [0% to 2.7%]

General Plan/Vision Statement

No impact

Fiscal Impact

No Fiscal Impact

Public Contact

Public Contact consists of posting the City Council agenda.

Recommendation

It is recommended that Council receive this report and presentation. City staff will return to Council on September 26th for discussion and direction on the choices for future solid waste, recycling, and organics collection programs and the future franchise agreement.

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