



## **Staff Report**

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### DISCUSSION AND DIRECTION REGARDING PROPOSALS FOR SOLID WASTE COLLECTION SERVICES.

Honorable Mayor and Council Members:

#### **Summary**

City Council has provided direction to staff to explore solid waste collection service options outside of the process being undertaken by the South Bayside Waste Management Authority (SBWMA). The Council directed staff to examine the option of conducting its own procurement process to select a service provider for the City, and approved the Request for Solid Waste Collection Services (RFP) that was prepared by City staff and the consultant, HDR/BVA. The RFP was released on July 25 2008, and the City conducted a mandatory pre-proposal conference with interested parties on August 7th. Proposals were due on September 19<sup>th</sup>, at which time the City received proposals from: 1) Allied Waste Services of San Mateo County (Allied), and 2) San Bruno Garbage Service and its parent corporation, Norcal Waste Systems, Inc. (Norcal).

This report briefly summarizes the results of the procurement process to date, and compares the customer rates associated with the Allied and Norcal proposals received to the two other options the City is considering (e.g., provide collection services in-house through the Public Works Department, or obtain a franchise service provider through the current SBWMA procurement process).

This report does not address the Shoreway Recycling facility capital projects costs. This issue will be addressed in a separate report scheduled for November 11<sup>th</sup>.

#### **Background**

The City Council has been disenchanted with the current franchise solid waste collection agreement that was developed through the SBWMA Joint Powers Board and has expressed concerns regarding the Request for Proposal (RFP) process that is currently on-going with SBWMA. As a result, Council has provided direction to staff to explore solid waste service options outside of the process being undertaken by SBWMA. The City Council has reviewed earlier this year the report prepared by HDR/Brown, Vence & Associates, *Analysis of City of Belmont Capacity to Provide Solid Waste Services*, which examined the option of bringing solid waste operations in-house, using City staff and facilities. Based on that study and the recommendations of staff and the consultants, Council directed staff to pursue the option of going out to bid directly for City collection services.

Consequently, HDR/BVA and City staff collaborated in developing an RFP tailored to meet the specific needs of the City and its residents and businesses. The scope of services in the City RFP is consistent with the scope of services in the SBWMA RFP. In the City's approach, however,

the rate setting process is very streamlined in comparison with the SBWMA approach, and the contractor's rate adjustments over the term of the contract will be based on specific changes to CPI/Fuel indexes and tipping fees adjustments at the Shoreway Recycling and Disposal Center (SRDC). The City will review and approve all rate requests by the hauler before they become effective.

City Council reviewed and approved the release of the RFP prepared by City staff and the consultant, and the RFP was released on July 25, 2008. City staff conducted a mandatory pre-proposal meeting in City offices on August 7<sup>th</sup> to outline the procurement process and answer questions. There were 12 attendees from the solid waste industry and one observer from the Town of Hillsborough at the meeting. The twelve individuals from the private sector represented six different companies. The purpose of the meeting was to present the City's goals and objectives for future collection services, briefly outline the procurement process and proposal requirements, and answer any questions the haulers might have. Further written questions about the RFP were submitted to the City on August 14, and the City provided the necessary clarifications by sending two RFP addenda to all the interested parties.

Proposals were due on September 19<sup>th</sup>, at which time the City received two proposals. The two firms that proposed are Allied Waste Services of San Mateo County (Allied), and San Bruno Garbage Service and its parent corporation; Norcal Waste Systems, Inc. (Norcal). The Allied and Norcal proposals were briefly reviewed by City staff and HDR/BVA in order to report the initial results to City Council. City staff was concerned about why only two proposals were submitted. HDR/BVA contacted the other attendees of the pre-proposal meeting to inquire why they did not submit a proposal. The overriding theme was that the other collectors could not find a Corp Yard to maintain and store their vehicles. Therefore, they recognized that they would be unable to provide a competitive proposal. At this point in time, no detailed evaluations have been authorized by City Council or initiated by City staff.

### **Discussion**

The Allied and Norcal proposals were both responsive to the City's solid waste collection service requirements, as reflected in the RFP submittal requirements. Both companies provided the information related to the qualifications, technical and financial components of their proposal, and submitted the required cost forms indicating the customer rates for their respective proposals.

### ***Allied Proposal***

The Allied proposal contained customer rates associated with the new collection services as anticipated in the RFP, which assumes that the hauler will use the SBWMA-owned Shoreway processing and disposal facilities. In addition, Allied proposed an alternative approach that they indicated would result in approximately 25% lower rates. The alternative would require a different approach that includes: 1) use non-SBWMA processing and disposal facilities, and 2) is contingent on the company's "ability to retain franchise agreements with additional cities in the service area." Allied submitted an additional set of rate forms to "illustrate the projected rates using this approach." We understand that the alternative approach would require the City to buy-out its outstanding bond obligation (about \$700,000), which was not directly addressed in the Allied proposal.

### ***Norcal Proposal***

The Norcal proposal contained proposed rates, based on use of the SBWMA Shoreway facilities for processing and disposal, as required of the RFP. Norcal did not submit alternative customer rates associated with a different scenario, but did offer to provide additional services if the City is interested in discussing them. These additional services would include:

- Drop-off community collection events
- On-call MFD bulky item collection
- Universal roll-out of MFD and commercial recycling collection
- On-call commercial bulky item collection
- “Recyclemyjunk”

### ***Comparison of costs and rates associated with City Options***

While a detailed analysis of the proposals has not yet been authorized by Council, an initial review was performed. In order to compare the current customer rates with projected rates associated with the Allied and Norcal proposals as well as the other options the City needs to consider, HDR/BVA developed estimated customer rates and costs associated with:

- City of Belmont in-house collection service
- Franchise collections through the SBWMA procurement process
- Franchise collections with the Allied proposed rates (base case and alternative)
- Franchise collections with the Norcal proposed rates

Care was taken to provide an “apples to apples” comparison of these options, based on the information currently available.

City in-house collection service estimated rates were adjusted from those previously reported to account for those additional cost items required in the RFP. The adjustments include providing commercial organics collections at no cost to the customer, and including additional annual costs associated with the following items:

- SBWMA estimated tip fees (\$75/ton for solid waste, \$85/ton for recycling and \$81/ton for organics)
- Ten percent City franchise fee (accounts for lost revenue)
- Annual Street Sweeping fee of \$451,000 (accounts for lost revenue)
- Annual Heavy Vehicle Impact fee of \$150,000 (accounts for lost revenue)
- Annual Solid Waste Administrative Fee of \$100,000 (accounts for lost revenue)

SBWMA estimated rates associated with the procurement process under way are based on information SBWMA provided to the member organizations. SBWMA indicated, in a model staff report it provided to the member agencies, that the fiscal impacts of the future collection system and Shoreway facility upgrades would be as follows:

*The estimated one-time collection rate impact associated with the new debt service is 5.18% on 2008 revenue. This rate impact should be viewed in the context of the total rate impact of implementing new franchised collection services for member agencies. Based on the Board recommendations to date for the facility operations contractor and the*

*collection services contractor, the estimated total collection rate impact (in 2008 dollars) for implementing future collection services are:*

*Shoreway Facility Improvements 5.18%*  
*Shoreway Operational Costs (new operator) 0% or a reduction*  
*Future Collection Services Contractor 9.96%*  
*15.14%*

HDR/BVA therefore adjusted current customer rates upward by 15.14% to project estimated customer rates that would apply if the City decides to remain in the SBWMA procurement process.

Using the above approach to estimate rate impacts associated with City in-house collections and collections provided through the procurement process, HDR/BVA developed the following customer rate comparisons.

**Rate Comparison by Service Level  
 (2008 rates in \$/month)**

Service Level *	Current Rates (2008)	City Provided Service	SBWMA Franchise Collection	Proposals to the City of Belmont		
				Allied Proposal (base)	Allied Proposal (alternative)	Norcal Proposal (base)
<b>Residential Refuse Service</b>						
20-gallon Cart	15.61	20.95	17.97	19.85	16.04	18.76
30-gallon Cart	23.17	31.09	26.68	31.76	25.66	27.84
60-gallon Cart	44.26	59.39	50.96	63.51	51.32	53.18
90-gallon Cart	62.30	83.60	71.73	95.27	76.99	74.86
<b>Commercial/MFD Refuse (sample service levels)</b>						
60-gallon Cart	41.25	55.38	47.50	93.96	67.46	49.57
1-CY Bin (1 x wk)	96.69	129.74	111.33	178.19	127.92	116.19
2-CY Bin (1 x wk)	193.38	259.48	222.66	356.38	255.85	232.37
3-CY Bin (1 x wk)	290.06	389.21	333.98	534.56	383.77	348.55

\* All refuse service rates have been adjusted to include recycling and organics collection service at no extra cost to customer, consistent with City RFP requirement.

HDR/BVA estimated the total monthly customer costs to illustrate the costs associated with each of the above options. This approach entailed using service rates associated with each customer service level, and applying those rates to the distribution of service levels the customers currently subscribe for. There is no way of predicting how customers may migrate to a different service level in the future, so the total monthly revenue requirements are estimates for comparison only. Based on this approach, and assuming no extraordinary change in current customer service

preferences, the total monthly revenue requirements for the different options under consideration would compare as follows:

**Total Customer Cost Comparison  
 (2008 costs in \$/month)**

	Current Costs (2008)	City Provided Service	SBWMA Franchise Collection	Proposals to the City of Belmont		
				Allied Proposal (base)	Allied Proposal (alternative)	Norcal Proposal (base)
Total \$/month	\$415,700	\$557,500	\$478,700	\$713,900	\$537,700	\$499,200
Total \$/year	\$4,988,600	\$6,690,500	\$5,743,900	\$8,566,700	\$6,452,700	\$5,990,800

As can be seen from this preliminary analysis, both Norcal and Allied (through their alternative proposal) can provide the services at a lower cost than utilizing City in-house staff and equipment.

***Direction from Council***

The following are questions to assist staff in developing the next steps of the solid waste collection services to the City of Belmont:

1. The option of bringing the solid waste collection services in-house is the most expensive option. Should staff eliminate this option from future discussions?
2. The cursory review of the proposals submitted by Allied and Norcal indicates the cost to the rate payer is higher than the SBWMA Model Franchise Agreement rate. Should City staff and the consultant undertake a more detailed analysis of the proposals submitted to the City of Belmont by Norcal and Allied Waste?
3. Any proposal not using the SBWMA’s Shoreway Facility will require the City to buy-out of the Shoreway Facility (\$700,000). Should City staff and the consultant undertake a more detailed analysis of the Alternative proposal from Allied Waste?
4. Should City staff and the consultant prepare a draft Agreement and negotiate with the two proposers and compare the two proposals to the SBWMA proposal?

**General Plan/Vision Statement**

No impact.

**Fiscal Impact**

There is no fiscal impact as the result of any direction provided by the Council at this time.

**Public Contact**

The Council agenda was posted.

**Recommendation**

It is recommended that Council discuss and provide direction on the solid waste collection options.

**Alternatives**

1. Take no action.
2. Refer back to staff for further information.
3. Deny approval.

**Attachments**

- A. none

Respectfully submitted,

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