

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

| | | | |
|----------------------|--|---|---------------------------------|
| AGENDA TITLE: | Discussion of the Solid Waste Request for Proposal | | |
| DEPARTMENT: | Public Works | | |
| PRESENTED BY: | Dan Repp, Utility and Operations Manager Uki Dele, Surface Water & Environmental Services Manager | | |
| ACTION: | <input type="checkbox"/> Ordinance | <input type="checkbox"/> Resolution | <input type="checkbox"/> Motion |
| | <input checked="" type="checkbox"/> Discussion | <input type="checkbox"/> Public Hearing | |

PROBLEM/ISSUE STATEMENT:

In 2008, the City contracted with CleanScapes, now known as Recology CleanScapes, to provide solid waste collection services for residents and businesses in Shoreline. As the City's two year extension to the existing Recology CleanScapes contract will expire on February 28, 2017, the City is now beginning to conduct a Request for Proposals (RFP) process for the next contract. The RFP is scheduled to be issued on October 1, 2015 in order to complete the RFP process and allow sufficient time to implement the new contract on March 1, 2017. Tonight, staff will provide Council with an overview of the proposed RFP's Base Contract as well as the service alternatives for which separate pricing will be requested.

RESOURCE/FINANCIAL IMPACT:

The cost for consultant services for the RFP procurement process is \$41,730, which was included in the 2015 budget that Council approved.

RECOMMENDATION

No action is required as this item is for discussion purposes only. However, staff is looking for direction from Council on the Base Contract options and alternatives for inclusion in the solid waste RFP.

Approved By: City Manager **DT** City Attorney **MK**

INTRODUCTION

On February 28, 2017, the City's two year extension on the current solid waste collection contract with Recology CleanScapes (RCS) will expire. In order to find a contractor with the best package of services at the lowest price, the City is conducting a competitive Request for Proposals (RFP) process. The RFP is scheduled to be issued on October 1, 2015 in order to complete the RFP process and allow sufficient time to implement the contract on March 1, 2017. Attachment A to this staff report provides the proposed RFP schedule for this contract. Tonight staff will present the recommended service options, which are proposed in the RFP and Contract, for Council discussion and guidance to staff.

BACKGROUND

Since incorporation, the City has operated the solid waste utility in Shoreline. This means that the City Council sets solid waste rates, service levels and service options. However, collection, customer service and billing services for the utility have been contracted out to private firms that provide these services in the region. Currently, these services are provided by RCS. On October 22, 2007, Council approved the selection of RCS for a seven year contract for residents and businesses in Shoreline. In 2008, RCS's contract was amended to clarify service levels, among other amendments.

More recently, at a Council dinner meeting on June 16, 2014, Council discussed options for the next solid waste contract, including a contract extension option for RCS. After reviewing these options, Council directed staff to proceed with a competitive process for a new solid waste contract. To allow the time needed to go through this competitive process, staff negotiated a two year extension with RCS of their current contract. As noted above, this extension will expire on February 28, 2017.

DISCUSSION

As staff puts together the RFP for release later this year, there are various options that can be included in the Base Contract, and in separate potential service Alternatives, which Council will be able to consider for inclusion in the final contract executed with the winner of the competitive process.

The draft Base Contract is an updated version of the City's current contract with RCS, and includes a number of new features, including those discussed below. All Solid Waste Collection Contractors (Contractors) will propose rates for the Base Contract, which allows the City to evaluate proposals on a consistent basis.

The City will also request separate rates for several service Alternatives, which Council will be able to consider for inclusion in the final contract executed with the winner of the competitive process. As a result, the City will be receiving two sets of rates, i.e. one rate for the cost of implementing the Base Contract, and a separate rate for only the cost of providing the additional Alternative service, if desired by the City.

Below are some of the major components of the draft Base Contract that staff is recommending to Council for inclusion in the RFP. Following the highlights of the Base Contract, selected Alternatives will be discussed.

Base Contract

1. Term of Contract

The two standard contracting options for solid waste collection are a seven year contract or a 10 year contract, with two potential two year extensions for both terms. The City's current contract is for seven years with two, two year extensions.

If regional solid waste collection rates go down, as they are currently, the City has the advantage of re-bidding the contract in seven years, rather than waiting 10 years for the contract to expire. With a 10 year contract, however, hauler rates may be lower in their proposals, since the cost of new trucks and containers will be amortized over a longer contract.

- Staff's recommendation is to keep the seven year term in the Base Contract, and as a Contract Alternative to ask Contractors to provide rate savings if the Contract term were to be 10 years.

2. Annual Rate Escalator

A rate adjustment process uses published indices to calculate an annual rate modification. In 2007, when the City conducted its previous solid waste RFP process, fuel, material, and labor costs were rapidly rising. A composite formula was used as the annual rate escalator, which included various weights for the Consumer Price Index (CPI), Diesel Fuel, and the Employment Compensation Costs. A simpler option is to base the rate escalator on the CPI, which is consistent with other City contracts and how the City provides Cost of Living Adjustments (COLA) for City staff (90% of CPI-U).

- Staff recommends that the Seattle-Tacoma-Bremerton CPI-U (100%) is used as the Annual Rate Escalator in the Base Contract, since it is easy to use, and it's available in time for the City's budget development process.

3. Truck Fleet

The typical life span of a solid waste collection truck is approximately 10 years. Today, the RCS trucks used in Shoreline are eight years old and meet the Environmental Protection Agency 2007 emission standards for diesel trucks. Solid waste Contractors who may submit a Proposal to the City's RFP may have similarly aged trucks and/or may need to expand their fleet to provide service in Shoreline. Given this situation, a new fleet of trucks will likely need to be purchased prior to or during the term of the new contract.

There are several benefits to the Shoreline community of using Compressed Natural Gas (CNG) trucks. They will help keep customer rates low, since CNG fuel costs less than biodiesel, and the trucks have lower maintenance costs. An added benefit is that the trucks will produce less greenhouse gas (GHG)

emissions than diesel or biodiesel trucks, which will help the City achieve its GHG targets.

- Staff recommends that the Base Contract include the cost for a new fleet of CNG trucks in order to keep rates low, to assist the City meet its climate targets, and to advance Council Goal 2, which states, "...it is important to include efforts that will enhance Shoreline's natural environment, ultimately having a positive impact on the Puget Sound region."

4. Annual Performance Review

In order to ensure that our customers receive a high quality of service on a consistent basis, staff is proposing that the City (partially through a contracted third party) conduct an annual performance review of the contractor's performance under this new contract. Potential contract areas to be reviewed and scored include truck signage and leaks; container condition; contamination levels in curbside recyclables and compostables; customer service center response; etc.

For example, if the contractor's annual performance score is less than 90%, the contractor could be required to develop and implement an Action Plan at the contractor's cost, and a contract compliance failure fee of 2% of the revenue (approximately \$100,000) would be paid to the City. The cost to hire a consultant to audit contamination levels in curbside recyclables and compostables would be included in the Administrative Fee paid to the City.

- Staff recommends including the annual performance review in the Base Contract to encourage a high level of Contractor compliance and service.

5. Proposal Evaluation Ratio

The evaluation ratio expresses the relationship of rates to the qualitative aspects of the Proposals as they are reviewed by the City for contract award. For example, a ratio of 70/30 means that 70% of the RFP scoring would be based on the cost of the Proposals and 30% of the scoring would be on the qualitative elements of the Proposals.

- Staff recommends an 80/20 ratio, which places 80% of the evaluation on the rates and 20% on the qualitative aspects. This is the same ratio that was used by the City in its 2007 collection contract procurement.

Alternatives to Base Contract

Each service in the list below will be priced separately from the cost of the Base Contract. Council will be able to consider if one or more of the Alternatives is to be included in the final contract executed with the winner of the competitive process.

1. Embedded Yard Debris/Food Scraps Service

In the City's current contract, Yard Debris/Food Scraps Service is provided only by subscription for an extra cost, and can continue, if Council chooses. The Alternative however would embed this service into existing service for all single-family residents at no additional charge. This service could be provided weekly or every-other-week; would increase recycling by removing the food scraps from the garbage (typically 30% of garbage); would support the City's Solid Waste

Interlocal Agreement with King County to increase recycling; and could help keep disposal rates lower over time, by extending the life of the landfill.

- Staff recommends this service for Shoreline’s residents, in order to promote resource conservation, increase recycling, and support the City’s Solid Waste ILA with King County.

2. Street Storm Debris Collection

Currently, City staff collects debris in City streets after a storm event, such as wind storm. If the Contractor’s staff collects the debris, however, rates might be lower.

- Staff recommends this service as an Alternative for Council to consider. It could promote the safety of residents and a healthy environment.

3. Mandatory Garbage Service

In Shoreline’s contract with RCS, residents and businesses have the choice to subscribe for garbage service or to dispose of it in some other way, e.g. to “self-haul” it to the Transfer Station. Both have a cost to residents. Self-haulers currently pay a flat fee of \$22 for 320 pounds of garbage in a car/sedan, or \$129.40 per ton in a truck. Residents pay \$17.74 per month for a 32-gallon cart with a total monthly weight of 240 pounds of garbage collected weekly.

It is estimated that subscribing to garbage service avoids an increase in GHGs by reducing the number of cars traveling to the Transfer Station and waiting in line to dispose of garbage. Self-haulers living a few blocks from the Transfer Station may also avoid some GHG emissions compared to a diesel garbage truck, however, their flat rate fee at the Transfer Station would still be higher than if they subscribed to garbage service.

Typically, mandatory service, i.e. the requirement that all residents pay for garbage service from the Contractor, spreads the rates among more households, reducing overall rates per household. It may also reduce the number of complaints from neighbors living near self-haulers; helps maintain property values; and promotes public and environmental health.

- Staff recommends asking Contractors to provide a general description of their approach to this service and provide the price/savings of mandatory collection as a Contract Alternative. This strategy allows Council to consider it before the Contract is awarded.

COUNCIL GOAL ADDRESSED

City Council Goal 2 for 2015-2017 is to “Improve Shoreline’s utility, transportation, and environmental infrastructure.” In the draft Base Contract if a new fleet of Compressed Natural Gas trucks for solid waste collection are included, this truck fleet would assist the City in meeting its climate targets and advance Council Goal 2.

RESOURCE/FINANCIAL IMPACT

The cost for consultant services for the RFP procurement process is \$41,730, which was included in the 2015 budget that Council approved.

RECOMMENDATION

No action is required as this item is for discussion purposes only. However, staff is looking for direction from Council on the Base Contract options and alternatives for inclusion in the solid waste RFP.

ATTACHMENTS

Attachment A: Request for Proposal Process Schedule
Attachment B: Solid Waste Contract Recommendations

Attachment A

Request for Proposals Process Schedule

| <u>Event</u> | <u>Time Frame</u> |
|---|-------------------------------------|
| Solid Waste RFP Discussion with the City Council | June 1, 2015 |
| Draft RFP issued for Industry Review and Comment Period | July 6, 2015 |
| Industry Comments Due | 4:30 p.m., August 20, 2015 |
| Publish Notice of Proposal Documents | October 1, 2015 |
| Issue Proposal Documents | October 1, 2015 |
| Deadline for Proponent Questions | 4:30 PM, November 3, 2015 |
| Proposals Due | 4:30 p.m., December 21, 2015 |
| Proposal Evaluation, Interviews, Selection | January 2016 |
| Notice of Finalist to Selected Proponent | February 2016 |
| Finalization of Contract | February/March 2016 |
| Recommendation to City Council | March 2016 |
| City Executes Contract | April 2016 |
| Contractor Delivers Transition/Implementation Plan | June 2016 |
| Container Delivery | February 2017 |
| Start of Collection Services | March 1, 2017 |

Solid Waste Contract Recommendations

| <u>Base Contract Component</u> | <u>Recommendation</u> | <u>Community Benefit</u> |
|--------------------------------|------------------------------------|---|
| 1. Term of Contract | 7-years with two 2-year extensions | If regional rates go down, City could re-bid in 7 years to get lower rates |
| 2. Annual Rate Escalator | CPI | Easy to use and available for City budget development process |
| 3. Truck Fleet | 2016 Compressed Natural Gas | To keep rates lower when oil prices increase, and to assist the City in meeting its climate targets |
| 4. Annual Performance Review | Include in the base contract | Promotes accountability and quality service. Approximate cost \$30K for curbside evaluation and penalty 2% of revenue (~\$100K) |
| 5. Proposal Evaluation Ratio | 80/20 | Evaluation ratio emphasizes rates (80%) compared to qualitative aspects (20%) of the proposals |

| <u>Alternatives to Base Contract</u> | <u>Recommendation</u> | <u>Community & City Benefit</u> |
|--------------------------------------|--|---|
| 1. Embedded Yard Debris Collection | Consider re: rates & ILA recycling goals | Continues low rates of service by extending the life of the landfill; and increases recycling and resource conservation |
| 2. Street Storm Debris Collection | City right-of-way | Promotes community safety and recycling |
| 3. Mandatory Garbage Service | Consider re: rates, recycling, public and environmental health | Could achieve the lowest rates; increases recycling; reduces residential complaints; and promotes public and environmental health |