

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Briefing on proposed Contract Service Package and procurement process for the 2014 Comprehensive Garbage, Recyclables, and Organic Waste Collection Contract (2014 Contract).

STAFF CONTACT

Nav Ota, Director, 452-2041

Lucy Liu, Assistant Director, 452-4445

Susan Fife-Ferris, Manager, Communications & Environmental Outreach, 452-5216

Utilities Department

POLICY ISSUE

- Should all customers, including multifamily and commercial customers, have access to a base level of service for organics recycling?
- Should Bellevue change the single-family rate structure from the current cost-of-service model to a linear model in order to encourage recycling and waste diversion?

DIRECTION NEEDED FROM COUNCIL

- Action
- Discussion
- Information

Staff are seeking Council direction on key policy issues and proposed new services for the 2014 Comprehensive Garbage, Recyclables, and Organic Waste Collection Contract.

BACKGROUND/ANALYSIS

The 2004 Comprehensive Garbage, Recyclables, Yard Debris and Organic Waste Collection Contract (2004 Contract) will expire on June 28, 2014. The process to develop and implement a new solid waste collection contract takes approximately two years to research, develop, and approve a scope of work, conduct a competitive procurement process, and then implement contracted services. On March 4, 2013, staff provided Council with foundational information on the proposed service package. Tonight staff will highlight the proposed new services and evaluation process and present key policy issues for Council direction.

WHY A COMPETITIVE PROCESS

Consistent with the City's purchasing policies and City Code, a competitive request for proposal (RFP) process is used to select a solid waste collection contractor.

A comparison of recent procurement processes in nearby cities showed rate increases for five jurisdictions that negotiated with their existing solid waste service provider and a decrease in rates for the four cities that conducted a competitive process.

Bellevue's solid waste collection rates are in the mid-range for single-family residents and in the lower range for commercial customers, compared to neighboring cities. The goal of the competitive RFP process is to find the best value for Bellevue ratepayers.

OUTREACH

The proposed 2014 Contract service package is informed by stakeholder feedback, including input from customers, solid waste collection vendors, and the Environmental Services Commission. Outreach to and input from stakeholders include:

- Direct requests during events or while providing technical assistance for waste reduction and recycling.
- Customer calls, including requests for information, assistance, compliments, or complaints.
- Annual customer satisfaction surveys.
- Presentations to the Building Owners and Management Association, Bellevue Chamber of Commerce, and Bellevue Downtown Association.
- Customer surveys targeting feedback for development of the 2014 Contract service package.
- Stakeholder input based on review of the 2004 Contract.
- Stakeholder input based on review of the draft 2014 Contract.

Following are the key themes from feedback received from customers:

Residential

- More recycling education.
- Expand curbside recycling options (e.g., batteries and fluorescent lights).
- Convenient locations to recycle household batteries.
- Option to recycle food waste for multifamily customers.
- Bi-weekly yard waste/recycling collection.
- Lower rates.
- More options for garbage tote sizes.

Commercial

- Keep rates low.
- Service reliability is important.
- More recycling education.
- More food waste recycling.
- Concern about space, noise, and smell related to food waste recycling.
- Concern about quality of organics.
- Is seven days a week customer service needed?
- Concern about cross-subsidizing.

CONTRACT HIGHLIGHTS

The proposed 2014 Contract builds on the successful services offered under the 2004 Contract and adds enhancements and new services desired by our customers.

Current Contract

The City's current contract (initiated in 2004) provides for:

1. Single-family garbage, recycling, organics, small appliances, small electronics, and

clean clothing and linens collection for a bundled fee based on the size of their garbage container.

2. On-call bulky waste collection for an additional fee.
3. Multifamily and commercial garbage and recycling collection for a bundled fee based on the size of their garbage container.
4. Multifamily and commercial landscape debris collection for an additional fee.

Collection Vehicles

Consistent with industry practice, the 2004 Contract required all new solid waste collection vehicles at commencement and specified that all collection vehicles regularly used during the term of the Contract be less than 10 years old and have fewer than 200,000 miles.

Collection vehicles generally have a seven- to ten-year useful life. As vehicles age beyond their useful life, they generally become less reliable and more susceptible to leaks of oils and liquid waste. Consistent with best management and industry practices, staff's initial recommendation was to require new vehicles in year one of the 2014 Contract and in year seven in the event the City exercises a seven-year extension.

After considering suggestions from solid waste collection vendors to require Federal emission standards in lieu of new vehicles, staff proposes to use a combination of Federal emission standards and a maximum vehicle age of 10 years, for all collection vehicles, to ensure vehicle reliability and condition quality. Specifically, upon contract commencement, regularly used collection vehicles will be required to meet or exceed 2014 Federal emissions standards and be maintained to prevent leakage. This is consistent with best management practices and helps the City meet the National Pollutant Discharge Elimination System (NPDES) permit requirement to reduce vehicle pollution and prevent illicit discharges. Back-up vehicles will be required to meet 2007 Federal emission standards.

Should the contract be extended for seven years in 2021 at the City's option, regularly used collection vehicles will be required to meet or exceed 2021 Federal emissions standards. Back-up vehicles will be required to meet 2014 Federal emission standards.

Building on Success – Service Enhancements

The following key service enhancements are proposed for the 2014 Contract:

1. Quarterly single-family bulky waste collection for a fee. This service is currently available on an on-call basis for a higher fee.
2. Expanded customer service and billing.
 - a. Expand customer service via phone from five to seven days a week.
 - b. Include online account management and billing.
3. Single-family residential Saturday collection for Friday service misses so customers don't need to wait until Monday for missed garbage to be picked up.
4. Additional recyclables where feasible (such as fluorescent lights).
5. On-call curbside collection of small appliances, electronics, and textiles for multifamily. This service is currently available to single-family residents.

Except for item #1, quarterly single-family bulky waste collection, the remaining items may add some costs to the vendor. However, the added costs are anticipated to be relatively small. Staff proposes to obtain separate pricing for these items through the request for proposal process to determine the cost implications from offering these service enhancement options.

New Services

Commercial and Multifamily Organics Recycling - The 2004 Contract does not provide a mechanism to recycle organics for commercial business or multifamily complex customers. The proposed 2014 Contract provides commercial and multifamily customers with a basic level of organics recycling. Organics are the largest remaining recycling opportunity and comprise approximately 30% of commercial garbage in King County. Organics recycling is currently offered to single-family residents only as a basic service.

The goal is to provide a basic level of service to commercial and multifamily customers who are not large organics producers. The proposed service level is not intended to meet the needs of large organics producers, such as grocers and restaurants. Customers that are large organics producers generally contract with private service providers to recycle these materials. Staff considered a number of size options, ranging from a 96-gallon cart to a 12 cubic yard container, and recommends the base service level to be set at 96 gallons. This provides a cost effective solution for customers who would otherwise find it cost prohibitive to recycle organics, while being mindful of the concerns regarding space and cross subsidizing (described below).

Benefits - Providing all commercial and multifamily customers with a basic level of organics collection service will:

- Extend the life of Cedar Hills Regional Landfill.
- Result in a base level of service to customers.
- Provide a cost effective option for small businesses that may not be able to downsize their garbage container enough to offset the cost of organics recycling under the current system.
- Create a more effective and efficient system with greater economies of scale obtained from increased route density.
- Lower overall disposal costs because recycling organics as compost is less expensive (at approximately \$35 per ton) than disposing of the material as garbage (at more than \$120 per ton).

Concerns - The key concerns received regarding organics recycling include:

- Noise – noise levels may be unchanged because the same amount of material is being collected so this may not necessarily result in more trips.
- Space – space constraints will need to be managed particularly in the downtown core, which is current practice. Effects may be mitigated if garbage containers are downsized thereby creating additional space for organics containers.
- Smells – same material and volume exists, but will be placed in a different cart and handled differently.
- Cross-subsidizing – concern that businesses who will not use this service may subsidize those that do. In actuality, all commercial and multifamily customers should enjoy lower garbage costs because some customers will recycle organics and this lowers vendor costs for disposal.

Unlimited Commercial Recycling – Businesses in Bellevue can currently recycle up to 150% of their garbage container volume for no additional fee. The draft 2014 Contract proposes unlimited recycling for no additional fee, which aligns with service levels currently available to single-family and multifamily residents.

Benefits – Providing commercial customers with unlimited recycling will result in a higher level of service, bringing them in line with residential customers; increase the opportunity for materials to be diverted from the landfill; and eliminate the disincentive that occurs when businesses downsize their garbage and then exceed the 150% threshold, thereby triggering additional

costs. It is a cost effective option for small businesses, and it encourages increasing recycling and downsizing garbage service.

Concerns – None identified.

In-City Customer Service – The proposed 2014 Contract requires the Contractor to provide enhanced in-City customer service opportunities, including one or more locations that accept customer payments, with access to customer account information for account management. The contractor is also required to provide waste reduction and recycling education and technical assistance, as well as recycling opportunities for difficult-to-recycle items.

Benefits – Providing in-City customer service opportunities ensures a high level of customer service.

Concerns – Requiring enhanced in-City customer service will likely increase vendor costs.

Key Policy Issues

Single-family Rate Structure Modification – The 2004 Contract contains a cost-of-service rate structure, which is based on the costs of collection and disposal. The proposed 2014 Contract proposes a linear rate structure for single-family residential service in which each gallon of garbage container capacity is priced the same. The result is that customers with a 32-gallon cart pay half the rate of customers with a 64-gallon cart, and one-third the rate of customers with a 96-gallon cart. Currently, 69% of residents are at or below the 32-gallon service level, 22% are at the 64 gallon level, and 9% are at the 96 gallon level.

Linear rate structures encourage waste reduction and recycling, and they are standard practice in the area. Additional small container sizes are being proposed in order to encourage downsizing by larger container users, which is expected to occur based on experience in neighboring jurisdictions. The rate impact of the proposed structure change to the individual customer is dependent on the size of their garbage container and the ability to downsize it.

At Issue –

- Should the Single-family rate structure be modified from a cost-of-service rate structure to a linear (i.e., cost per gallon) rate structure?

Recommendation: Yes.

Commercial and Multifamily Organics Recycling – The draft 2014 Contract proposes to include a base level of organics recycling into the garbage rates. The base level of service originally proposed was 4 cubic yards, but could be a smaller amount, such as a 96 gallon cart. This still achieves the goal of providing an option to smaller businesses to recycle their organic waste.

At Issue –

- Should organics recycling offered to commercial and multifamily customers be included in the 2014 Contract?
- Should commercial and multifamily organics recycling be charged a separate fee or in the base garbage rate?
- If embedded, at what level should the service base be: 96 gallons, 2 cubic yards, or 4 cubic yards?

Recommendations:

- Provide organics recycling to commercial and multifamily customers in the 2014 Contract.
- Include commercial and multifamily organics recycling in the base garbage rate.
- Embed a base service level of 96 gallons.

Local Program Funding

The 2004 Contract includes funding from the Contractor to pay for City solid waste staff and contract and grant management. It also includes funds that support local programs that provide waste reduction education and technical assistance to residents, businesses, and schools. The Contractor also pays for an annual compliance audit and customer satisfaction survey to monitor their operations and compliance with the contract terms.

Despite program cuts in the 2013 budget, the current level of funding is not adequate to support remaining programs in 2014. The Solid Waste Fund has been operating with an annual deficit of approximately \$100,000 per year. Continuing at this rate would result in operating reserves falling below target by 2017. The draft 2014 Contract proposes to increase the contract fees. The increase is necessary to keep revenues in line with expenses of Council-approved solid waste programs and services. See Attachment A for additional information on the services and programs funded by contract fees. In addition, staff proposes to simplify the formula for local program funding into a single percentage, with a minimum fee amount.

Performance Incentives

The proposed 2014 Contract contains performance incentives to the vendor, funded by rates. If the Contractor meets or exceeds specific performance targets, they will keep the incentive. If not, they will pay all or a portion of the incentive to the City commensurate with their failure to perform according to specific standards established in the contract. A performance incentive is proposed for commercial and multifamily recycling. A second incentive is proposed for performance results attained on the annual performance audit and customer satisfaction survey.

- Commercial/Multifamily Recycling Performance Incentive - \$250,000 max
 - \$250,000 if the annual recycling plus organics rate exceeds 57% of garbage
 - \$125,000 if the annual recycling plus organics rate is between 51% – 57% of garbage
 - \$0 if annual recycling plus organics rate is less than or equal to 50% of garbage.
- Performance Bonus - \$65,000 max
 - \$20,000 if in compliance with all reviewed provisions in the annual audit
 - \$15,000 if no performance fees are assessed by the City in previous 12 months
 - \$15,000 if customer satisfaction on annual single family survey exceeds 95%
 - \$15,000 if customer satisfaction on annual multifamily/commercial survey exceeds 95%.

In addition, the draft 2014 Contract includes performance fees that apply in the event the vendor fails to perform specific duties. These fees range from \$50 per incident (e.g., for failure to provide proper container stickers) to \$50,000 for failure to achieve a customer satisfaction rating of 80% on the customer service performance survey.

EVALUATION PROCESS

Evaluation Approach

Require pricing on the base package of services, with separate pricing for the following enhancements and new services described above:

Enhancements

- a. Expand customer service and billing – via phone and online.
- b. Single-family residential Saturday collection for Friday service misses.
- c. Add additional recyclables where feasible.
- d. On-call curbside collection of small appliances, electronics, and textiles for multifamily.

New Services

- a. Commercial and multifamily organics recycling.
- b. Unlimited commercial recycling.
- c. In-City customer service.

Scoring Methodology – In determining how to score the proposals, it is important to look for the optimal balance between cost and the value added by other qualitative items that benefit the community. In order to communicate the importance of price to the proponents, while allowing for the consideration of qualitative aspects that bring added value, staff proposes the following scoring methodology:

- 90 points – Cost of the total service package
- 10 points – Qualitative (value-added benefits), such as creative ideas and innovations in areas such as operations, management, customer service, approach, stewardship, value to the communities, etc.

NEXT STEPS

Staff will include direction received from Council into the final RFP for issuance, which is planned for April.

ALTERNATIVES

1. Provide staff with direction on the key policy issues identified, and direct staff to incorporate Council direction into the final RFP.
2. Provide staff with alternative direction.

RECOMMENDATION(S)

N/A

ATTACHMENTS

A – Local Solid Waste Program Funding

AVAILABLE IN COUNCIL OFFICE FOR REVIEW

N/A

Attachment A

Local Solid Waste Program Funding
2014 Budget

Services & Programs	FTE	Contract Funds	Grant Funds	Total Funds
Contract Management	1.10	\$ 252,926	\$ -	\$ 252,926
Program/Grant Management	1.73	325,696		325,696
General Single-family, Multifamily & Commercial Recycling Outreach		45,000		45,000
Special Recycling Collection Events		20,000	47,000	67,000
Schools Outreach, Education & Technical Assistance		35,000	48,500	83,500
Oil/Household Hazardous Waste Program			47,000	47,000
Natural Yard Care			79,000	79,000
Targeted Commercial Outreach & Technical Assistance			39,000	39,000
Targeted Multifamily Outreach & Education			46,500	46,500
Targeted Single-family Outreach & Education			52,250	52,250
	2.83	\$ 678,622	\$ 359,250	\$ 1,037,872
One Time Fees Not Included Above				
Contract Development		\$ 50,000		
New Contract Program Implementation Outreach & Education		\$ 45,000		