

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: June 6, 2011
Reviewed by: BP

SUBJECT: Waste Management of Alameda County Franchise Negotiations

REPORT BY: Nicole Almaguer, Environmental Specialist

STAFF RECOMMENDATION

That the Council provide direction to staff on whether to continue franchise negotiations with Waste Management of Alameda County or initiate a competitive bid process for a new franchise agreement for collection and disposal of waste and recycled materials.

BACKGROUND

On October 4, 2010, Council authorized staff to request the available franchise extension, and begin negotiations to develop a new franchise agreement with Waste Management of Alameda County (WMAC). Staff accordingly requested the extension of the current franchise agreement with WMAC, effective May 1, 2011 to April 30, 2012. Additionally, staff identified additional collection services and programs of interest as identified at the October 4, 2010 City Council meeting, and requested a proposal from WMAC to determine opportunities for a new franchise agreement.

DISCUSSION

The proposal received by WMAC includes a base rate increase of 45%. The rate would cover the existing services provided by WMAC, and also include new alternative fuel vehicles, residential curbside collection of cell phones, compact fluorescent bulbs, and household batteries, public education, two compost give-away events, and free roll-off hauls for City cleanups. Additionally, the proposal includes optional services of funding for a sustainability coordinator staff position, solar trash compactors/recycling containers for the commercial area, and collection of compact fluorescent bulbs/household batteries for multi-family units. Each of the optional services would result in a rate increase above the base rate increase of 45%. The proposal is included as an attachment to this staff report.

Staff has met with WMAC on three occasions over the last several months to discuss the proposal, identify opportunities to reduce the amount of the rate increase, and ensure increased opportunities for waste diversion. Throughout the negotiation process WMAC has offered a number of additional collection services at no extra cost.

Alameda County, through StopWaste.org, has set new goals for diverting waste from landfills. Under this initiative, by 2020, less than 10% of all materials going into landfills should be readily recyclable or compostable.

In 2008, StopWaste.org did a comprehensive study of the trash for every community in the County. The results indicated that 17.5% of Albany's trash could be diverted through traditional recycling programs (6.9% Cardboard & Paper; 4.3% Plastics; 1.7% Recyclable Glass; 4.6% Metal Containers). A further 43% of Albany's trash can be diverted through the Organics system (25.5% Food; 15.5% Compostable paper; 1.9% Leaves & Grass).

Waste Management of Alameda County is expanding its infrastructure to increase diversion from landfills for communities throughout Alameda County, including Albany.

Over the next 6 years, look for large-scale, new infrastructure and programs focused on diverting more and maintaining these valuable resources for our communities.

Phase 1. Improve glass recovery system in the current single stream processing facility (*Improved quality of recycling for Albany's ~350 tons per year of glass*)

Phase 2. Increase diversion from the self-haul customers with a new processing facility in the public drop off area (*Albany's new recovery from this process: ~120 tons per year*)

Phase 3. Improve the garden center for ease of use by the public (*Increased customer service for the residents & schools of Albany*)

Phase 4. Improved Greenwaste tipping floor which improves the management of curbside green + food in an environmentally-responsible way (*Improved management of Albany's 2,000 tons of curbside organic materials*)

Phase 5. New organics sorting system, designed to process organics-rich loads and recover both recyclables as well as food & food-soiled paper, while creating 30 more jobs (*Will directly impact the nearly 1,500 tons per year of recoverable materials in Albany's trash*)

Phase 6. Improved single stream sorting system, increasing processing to 80 tons per hour, creating 10 more jobs (*increasing capacity for residential and commercial recycling, focusing on the nearly 600 tons per year of recyclables from Albany*)

Phase 7. Improved Construction & Demolition/Dry sorting system, improved processing for 100% of all the trash brought to Davis Street increasing headcount by 10 sorters (*Reducing Albany's trash by nearly 800 tons per year*)

Phase 8. Anaerobic digestion and composting process to convert recovered organics first to energy then generate high-quality compost (*Keeping rates in check, despite rising energy prices, by taking WM Facilities off the grid with 100% renewable energy*)

We will also increase processing of organics through the WM EarthCare suite of products.

WM EarthCare provides closed-loop solutions for organic farmers, landscapers and gardeners with 100% recycled mulch and compost. We recover wood from construction & demolition projects in at the Davis Street Construction & Demolition Materials Recovery Facility and turn it into mulch. Compost from Albany residents' curbside green + food collection is turned into compost and other soil amendments at our composting facility in Novato.

These projects represent over \$50 million in capital, committed to Alameda County residents and businesses to improve our communities and decrease the amount of materials going into landfills. We will work in partnership with you, our customers, to provide you with the highest quality, safest and most environmentally friendly services available today.

Davis Street Facts

- ❑ 53 Acres of Closed landfill
- ❑ ~3,500 tons/day inbound
- ❑ Supports a variety of hauling district contracts
- ❑ Material Sources: Alameda & Contra Costa Counties
- ❑ WM-owned facility
- ❑ 286 employees; Longshoremens, Teamsters & Machinists
- ❑ 3 MRFs: Dry/C&D, Single Stream & Public “MSW”

Davis Street (2011)



Organics
(Resi □ Com)

Wood Processing
(Mulch □ Biomass)

Dry MRF
(C□D, Dry □ MSW□)

Public Area MRF
(Self Haul □ MSW□)

Transfer Pit (Resi □ Com
□ MSW□ □ Residue)

Single Stream MRF
(Resi □ Com)

Davis Street

How we Manage Inbound/Outbound Materials

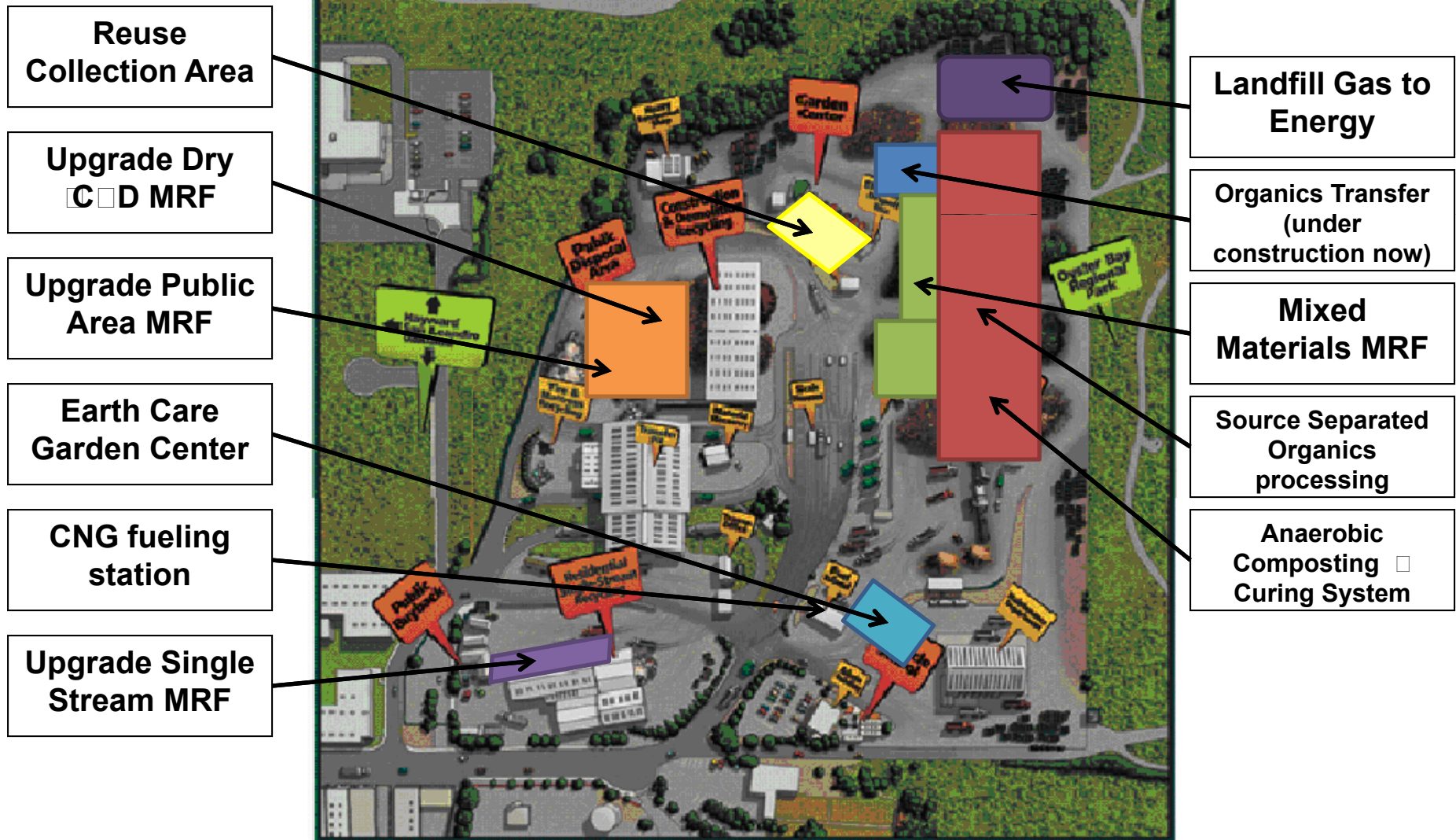
Material	Tons/Day	Diversion %	Residue
C&D/Dry	400	50%	200
Single Stream	400	90%	40
Curbside Organics	500	100%	0
Commercial Organics	60	30%	42
Curbside MSW	1800	0%	1800
Self Haul "MSW"	180	45%	99
Total	3340		2181

35% Diversion

Influences: Legislative & Economic

- Diversion Goals
 - Cities & Alameda County
- Construction & Demolition recycling mandates
- Commercial Recycling mandates (CA & Alameda County)
- Organics-focus on foodscraps & food-soiled paper
- Waste Characterization Study data
 - ~\$70mil worth of commodities buried from Alameda County Cities each year

Davis Street Master Plan



Davis Street

How we Manage Inbound/Outbound Materials

Material	Tons/Day	Diversion %	Residue
C&D/Dry	700	65%	245
Single Stream	700	90%	70
Curbside Organics	500	100%	0
Commercial Organics	150	90%	15
Curbside MSW	1110	75%	277
Self Haul "MSW"	180	55%	81
Total	3340		688

79% Diversion

Summary

The Master Plan allows DSTS & WM to

- Divert more material
- Create more jobs
- Capture more of that \$70mil
- Take DSTS off the PG&E grid

Summary

What we need to make this successful

- Agreements that incentivize diversion
- Your input & advice
- Please come visit
 - rjewell@wm.com
 - 510-563-4214

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Davis Street Master Plan

Reuse
Collection Area

Upgrade Dry
C/D MRF

Upgrade Public
Area MRF

Earth Care
Garden Center

CNG fueling
station

Upgrade Single
Stream MRF



Landfill Gas to
Energy

Organics Transfer
(under
construction now)

Mixed
Materials MRF

Source Separated
Organics
processing

Anaerobic
Composting &
Curing System

Davis Street

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May 10, 2011

Nicole Almaguer,
Environmental Specialist
City of Albany
1000 San Pablo Ave
Albany, California 94706

Dear Ms Almaguer,

As we continue to explore opportunities to enhance our ongoing partnership with the City of Albany, we would like to share a few observations that we believe provide value beyond dollars

January 2004 marked the beginning of an exciting, productive and sustainable, environmental journey between the City of Albany and Waste Management of Alameda County (WMAC) We initiated noteworthy comprehensive recycling and organics programs, deployed innovative collection processes and developed a quick responsive program for issues and concerns resulting in a 70% diversion rate, one of the highest in Alameda County

In response to Alameda County's push to improve diversion and to develop sustainability alternatives, Waste Management of Alameda County (WMAC) continues to research and invest in new technology to assist our partner cities to attain their next diversion or climate action plan milestone

Utilizing a three tiered approach, the City of Albany in partnership with WMAC has access to the only Alameda County based solid waste collection, transfer, processing and disposal company to offer a comprehensive resource recovery and recycling infrastructure capable of meeting the needs of the City of Albany Targeted public education, deployment of collection best practices, and enhanced processing procedures and equipment will send less tons to the landfill and will increase participation and diversion among the commercial and multi-family sectors

Earlier this year our Davis Street Transfer Station (DSTS) received final permit approval from the City of San Leandro on our Master Plan Improvements These improvements will allow DSTS to develop a Food Waste/ Organics Recycling Facility, construct an Alternative Fuel (CNG) fueling station, provide an in-county composting operation, and expand our Single Stream line, C&D material recovery facility and self-haul disposal area, to extract additional material from the waste stream

Additional considerations for negotiating a new contract with WMAC

1) Service Continuation / Quality

Continuation with WMAC will avoid some of the service disruptions that often occur when contracts transition from one hauler to another Today, Albany residents enjoy premium quality service provided by WMAC The quality of service would not likely increase significantly if a new hauler is selected

2) Motivated Incumbent

The sole source negotiation process will enable the City to modify current terms and conditions of the Franchise Agreement that satisfy the City's Climate Action Plan initiatives. The City will be able to negotiate better pricing terms directly with WMAC than any that are achieved through a competitive bid process.

3) Staff and Consultant Cost Savings

Staff will be able to save time and money by direct sole source negotiations with WMAC and have a complete revised Franchise Agreement in about three months. A competitive process takes longer than renegotiating an existing contract. This translates into additional consultant and staff time and cost.

4) Possible Lack of Bidders

A hauling only contract may not attract many bidders due to lack of earning potential. In addition, bidders may not want to risk the cost of preparing a proposal if they perceive that WMAC has a significant advantage given its long history in servicing Albany.

All the above add up to a zero waste solution through closed loop, cradle to cradle initiatives for the City of Albany and a giant step toward reaching your Climate Action Plan goals.

Waste Management of Alameda County would like to thank the City of Albany for the opportunity to submit this proposal and looks forward to your reply. This proposal, once finalized, is contingent upon Waste Management Corporate approval.

Sincerely,



David Tucker
Director of Community and Public Relations

cc Judy Lieberman, Assistant City Administrator
Robert Angell, Director of Municipal Contract Compliance

City of Albany
Scope of Optional Services and Rate Structure
Revised 5/20/2011



	% Increase			Commercial		
	Resi	Commercial	Roll Off	Resi 35g Cart	1yd trash	R/O 14 yd box
2010 Rates	0.00%	0.00%	0.00%	\$ 24.77	\$ 98.73	\$ 369.39
2011 Base Proposal (Year 1 Phase In)						
Collection franchise (10 years)						
Processing & Landfill franchise (20 years)						
Existing solid waste management service						
Existing Carts & Containers, with current replacement as needed						
New Alternative Fuel Vehicles	40.00%	40.00%	40.00%	\$ 34.68	\$ 138.22	\$ 517.15
2012 Base (Year 2 Phase In; does not include RRI)	2.50%	2.50%	2.50%	\$ 35.54	\$ 141.68	\$ 530.07
2013 Base (Year 3 Phase In; does not include RRI)	2.50%	2.50%	2.50%	\$ 36.43	\$ 145.22	\$ 543.33
2011 Proposed Based Upon Council Direction						
City-Wide Battery Collection						
\$5k annual allowance for MFD and small business (by request or mail)	0.45%	0.45%	0.45%	\$ 0.11	\$ 0.44	\$ 1.66
City-Wide Battery Collection						
SFD curbside cart service (unlimited)	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Curbside Cell Phone Recycling						
SFD curbside cart service (unlimited)	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
City-Wide CFL Collection for MFD (4+ units)						
\$5k annual allowance for MFD and small business (by request or mail)	0.45%	0.45%	0.45%	\$ 0.11	\$ 0.44	\$ 1.66
City-Wide CFL Collection						
SFD CFL recycling program	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Free Roll Off Hauls						
Special City clean up roll off hauls - 15 hauls per year	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Public Education						
\$10K first year allowance, \$5K per year allowance thereafter	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Compost Give-Away Events						
Two events, total of 40 cubic yards of compost	0.00%	0.00%	0.00%	\$ -	\$ -	\$ -
Big Belly Solar Compactor for Commercial District						
15 Big Belly Solar Compactor containers	0.70%	0.70%	0.70%	\$ 0.17	\$ 0.69	\$ 2.59
Sustainability Coordinator						
One Full Time Sustainability Coordinator	6.50%	6.50%	6.50%	\$ 1.61	\$ 6.42	\$ 24.01
% increase if all options selected	8.10%	8.10%	8.10%	\$ 2.01	\$ 8.00	\$ 29.92
Total % Increase (Year 1 rates with all options)	48.10%	48.10%	48.10%	\$ 36.68	\$ 146.22	\$ 547.07

City of Albany
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2011 Base Proposal (Year 1 Phase In)						
Collection franchise (10 years)						
Landfill franchise (20 years)						
Existing solid waste management service						
Existing Carts & Containers, with current replacement as needed						
New Alternative Fuel Vehicles	10.00%	10.00%	10.00%	\$ 27.25	\$ 108.60	\$ 406.33
2012 Base (Year 2 Phase In; does not include RRI)	15.00%	15.00%	15.00%	\$ 31.33	\$ 124.89	\$ 467.28
2013 Base (Year 3 Phase In; does not include RRI)	20.00%	20.00%	20.00%	\$ 37.60	\$ 149.87	\$ 560.73
2011 Proposed Based Upon Council Direction						
City-Wide Battery Collection						
\$5k annual allowance for MFD and small business (by request or mail)	0.45%	0.45%	0.45%	\$ 0.11	\$ 0.44	\$ 1.66
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Total % Increase (Year 1 rates with all options)	18.10%	18.10%	18.10%	\$ 29.25	\$ 116.60	\$ 436.25

Comparison of Recent Franchise Agreements

Municipality	Method	Collector	New Term	Residential	Commercial	Comments
Emeryville	Negotiated	Waste Management	10 Years	45.00%	46.50%	Expanded Services, Financial Incentives, FF decrease (-10.5%)
Citrus Heights	Negotiated	Allied Waste Services	2 Existing Years + 5 New Years	0% in Yrs 1-2, -5% in Yrs 3-4, 3% in Yrs 5-7	N/A	New sharps program and Household battery program. Rates at the end of Yr 7 will be lower than current rates.
Castro Valley CSD	Competitive Procurement	Waste Management	10 Years	46% in Yr 1, 9% in Yrs 2-3	68% in Yr 1, 9% in Yrs 2-3	Expanded Residential and Commercial Programs
Benicia	Negotiated	Allied Waste Services	10 Years	5% for 32 Gal Carts, 10% for 64 & 96 Gal Carts	5%	Expanded Services, and Financial Incentives
Piedmont	Competitive Procurement	Allied Waste Services	10 Years	19%	19%	3 Cart Program, 75% Diversion Requirements
Livermore	Competitive Procurement	Livermore Sanitation	10 years	19%	19%	Expanded Services, FF increase
San Mateo	Competitive Procurement	Recology	10 Years	23.30%	To be based on Facility Costs	New 3 Cart Services
Atherton				38.90%		
Hillsborough				32.60%		
Menlo Park				9.40%		
Redwood City				18.00%		

WMAC has indicated that the current franchise agreement is not cost effective, and that they have been operating at a deficit for several years. The proposed rate increase is intended to cover operating costs including those associated with labor rates and provide a profit of 15% based on gross revenues. WMAC has indicated that the 15% profit is necessary and non-negotiable.

The proposal also requests the standard CPI used for annual rate increases be replaced with a modified refuse rate index (RRI). A standard RRI (non-modified) is a method in which four specific indices, as well as CPI are used to create a blended index that more closely resembles the trend in solid waste industry companies' expenses. The indices are all published by the United States Department of Labor, Bureau of Labor Statistics, the same federal agency that publishes the CPI. Changes in these indices are calculated in the exact same fashion as the CPI. The RRI method applies different weighting to these indices, based on the relative proportion of the company's operating expenses, corresponding to a certain index.

Per WMAC, a modified RRI allows for a more accurate adjustment factor. WMAC has modified the standard RRI by using the labor increases associated with their particular union agreement in place of the labor rate index, and have indicated that this item is also non-negotiable. Current estimates by WMAC indicate that the RRI could fluctuate from approximately 3.38% and 3.55%, over the next five years with between 2.55% and 2.84% of the total increase being related to the use of the WMAC labor rates.

ANALYSIS

Based on the recent discussions with WMAC, staff has reached a point where the proposal provided by WMAC is as complete as it can be prior to entering final negotiations. A decision now needs to be made as to whether the City would like to continue with the negotiations or pursue a competitive bid process for a new franchise agreement. The following identifies some of the considerations associated with continuing the negotiation process as compared to initiating a competitive bid process.

Continuing negotiations

- No disruption in service or mass replacement of containers
- Existing staff familiarized with City
- Opportunity to realize additional staff support and immediate improvements to diversion programs
- Continued use of the Davis Street transfer facility which has completed site improvements to increase capabilities for material recovery and diversion
- Immediate increase in franchise revenue

Initiating a competitive bid process

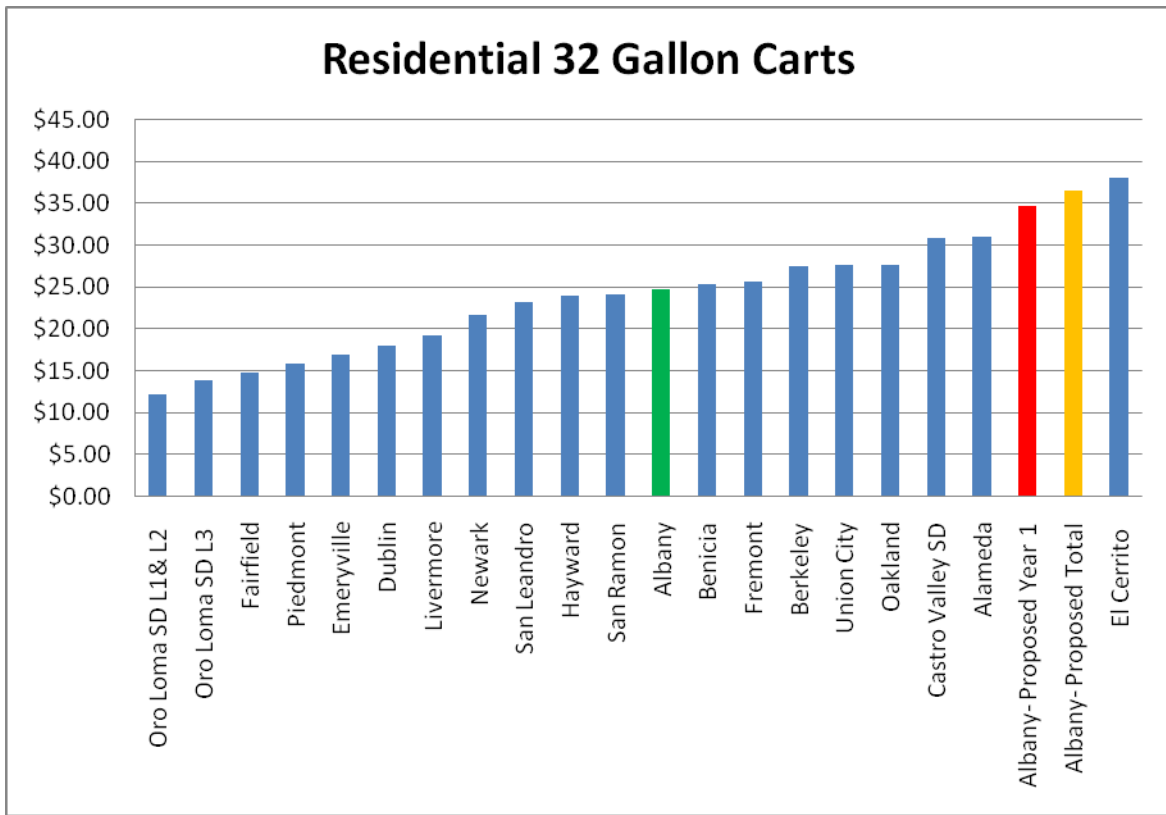
- Enables competition and provides opportunity for increased diversion programs
- Does not exclude WMAC from the competitive process
- Potential for a rate increase similar to that currently proposed by WMAC, but uncertain until process is initiated

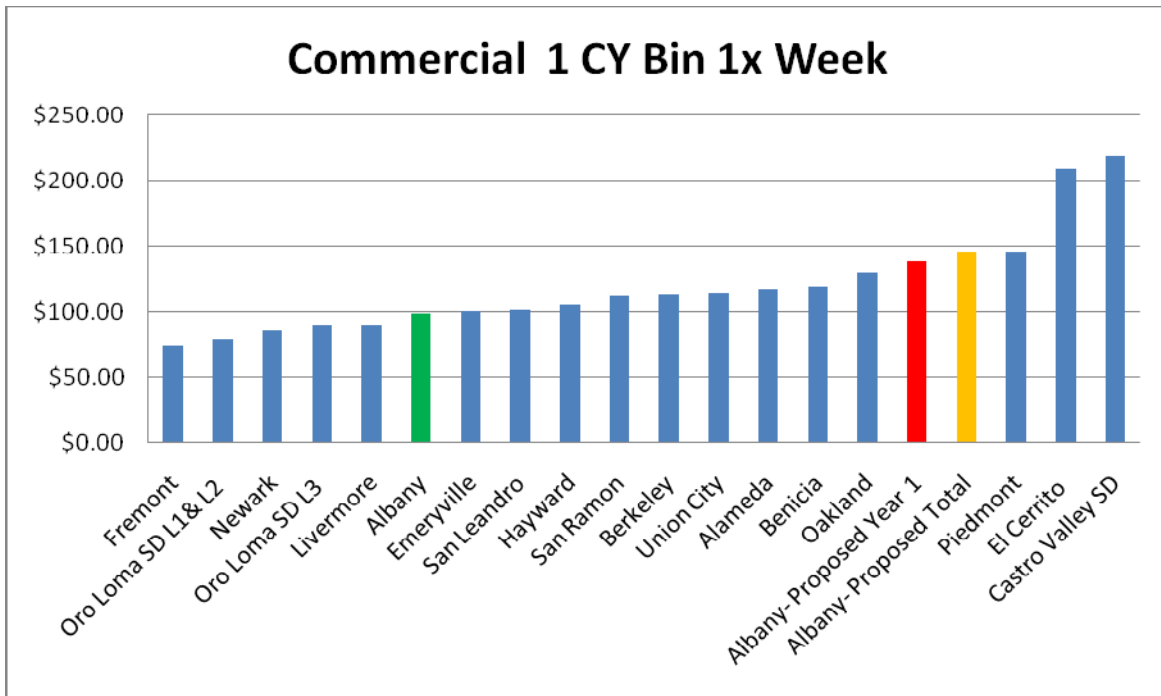
- Other service providers may be located out of county
- Process could take a minimum of 8 months, involving both a consultant and staff

Rates

One of the primary items to consider is the impact on existing rates. Currently, Albany’s rates for residential and commercial are average when compared regionally. WMAC’s proposed 45% increase would put Albany’s rates as one of the highest in the region as identified in the two tables below (Residential 32 Gallon Carts, Commercial 1CY Bin 1x/week).

It is uncertain what the potential rate increase would be if the City were to initiate a competitive bid process. Based on recent analysis, it seems that some jurisdictions have indeed seen a rate increase similar to that proposed by WMAC, while others have seen a neutral or decreased rate. A summary of this analysis is included as attachment to this report. It should be noted that each franchise agreement is quite specific to the composition of that particular jurisdiction and at times difficult to compare in too much detail.





Franchise Innovation

There are several factors to consider in terms of what the City would like to see included in the ideal franchise. To date the City has served as a leader in the “greening” movement. Specifically, incorporation of a diversion percentage or maximum disposal limit could help facilitate the goals identified within the City’s Climate Action Plan to establish a zero waste strategy. Additionally, increasing the amount of materials collected curbside and addition of new technical assistance programs are key to increased diversion. Currently, Stopwaste.org is leading a Franchise Task Force to identify the components needed to develop an exemplary franchise agreement. The outcome of this process is expected in October 2011, and may be able to be included within development of a new franchise agreement.

SUSTAINABILITY IMPACT

Improving the City's capabilities to increase the amount of materials diverted from the landfill and striving towards a zero waste community is identified as a goal within the City's Climate Action Plan. Ensuring that the City's new franchise enables the community to increase the amount of materials that can be properly reused or recycled will help facilitate increased sustainability.

FINANCIAL IMPACT

Should the City continue negotiations with WMAC, the rate increase would result in an increase in the amount of franchise revenue received, approximately \$190,000.

Inclusion of the optional services would result in an additional increase in rates as follows:

- Multi-family household battery collection: +0.45%
- Multi-family compact fluorescent bulb collection +0.45%
- Solar trash compactor/recycling container +0.70%
- Sustainability coordinator +6.50% (this could also be reduced to a part-time position to minimize the overall rate increase percentage).

Should the City initiate a competitive bid process, there will be a cost of approximately \$45,000 – 65,000 for technical consultant services to help facilitate the negotiation process. This cost is typically reimbursed to the City by the successful contractor and absorbed within the franchise rates. A significant amount of staff time, likely a minimum of 320 hours, would also be required for this process.

Attachments

1. Correspondence from WMAC including Scope of Optional Services and Rate Structure
2. Correspondence from WMAC regarding Davis Street Transfer Station Facility
3. Comparison of recent franchise agreements