

## MEMORANDUM

**TO:** Mayor and Aldermen of the City of Lincoln

**FROM:** Clay T. Johnson, City Administrator

**MEETING**

**DATE:** June 27, 2017

**RE:** Exclusive Franchise Municipal Solid Waste and Recycling Collection Proposals

**Background**

The expiration of the agreement with the Logan County Joint Solid Waste Agency (JSWA) has prompted a review of their contract language and considerations for a change in service. As we have learned, the JSWA has performed a valuable service to Logan County for two decades by accepting recycling in centralized locations and organizing collection dates for household waste and electronics. This service has come at a price for the City of Lincoln totaling \$65,268 - a charge based upon the population of the community. Discussions about the contract have yielded little compromise on items related to term, membership, and financial obligations of the communities. To explore potential options, a Request for Proposals (RFP) was developed to consider the exclusive franchising of waste and recycling hauling on a city-wide basis.

On May 26<sup>th</sup>, proposals were directly sent to major Central Illinois waste haulers for their review and response. Those companies were charged with preparing a proposal based upon the contents of the RFP by Wednesday, June 21<sup>st</sup> at 4:30PM. The City received strong interest from three companies – Area Disposal, Advanced Disposal, and Waste Management.

**Analysis/Discussion**

The three proposals received all supplied timely and appropriate information outside of the financial proposal including vehicle information, insurance, bid bond/cashier's check, company profile, and municipal references. Pursuant to the requirements of the RFP, each of the responding companies were to base their proposal on three different options which are outlined as follows:

***OPTION #1:*** *The Contractor shall collect refuse, garbage, rubbish, and recyclables from all dwellings as defined in this RFP at least once each week during the term of the Contract. Collection shall be Monday through Friday except during holiday weeks. The Contractor may make more frequent collections if it chooses to do so for its own convenience without additional compensation. One day of the week shall be designated for each household as collection day. All refuse, garbage, rubbish, and recyclables shall be collected on the designated collection day for each household.*

***OPTION #2:*** *Contractor shall collect refuse, garbage, and rubbish at least once each week as defined this RFP. Recyclables shall be collected from all dwellings at curbside (alley) every two (2) weeks.*

***OPTION #3:*** *Contractor shall collect refuse, garbage, and rubbish at least once each week as defined in this RFP utilizing existing streets and alleys for collecting refuse. The Contractor shall work with the City to identify a single collection point where residents may be able to deposit all recyclable materials as*

*outlined in Section 4(B) in this document. All collection bins and service will be provided at the Contractor's cost.*

The RFP requested that the entire city be collected within a single business day, but that the City would consider proposals that varied from the single-day collection, if it represented a cost savings for the resident. The City also allowed the contractor to provide information regarding savings if collection occurred on a different day of the week.

The base bid results are listed in the included bid tab for your review. Across the three options listed, Advanced Disposal and Area are clearly the two lowest cost providers. However, amongst the three options the apparent lowest cost bidder is mixed.

As you can see from the provided bid tab and graphical analysis, Advanced Disposal provides the lowest cost service for the duration of the contract for Option 1. For Option 2, Advanced is the lowest cost option *if* you consider taking the contract out for five years. Otherwise, Area Disposal is the lower cost option for a three year contract. Finally, for Option 3, Area Disposal is the lowest cost option.

Area Disposal offered a separate alternate bid. This alternate would provide 95 gallon totes to all customers (35 gallon available upon request) for refuse and recycling. Refuse would be collected weekly, while recycling would be collected every other week. Bulk items would need to be coordinated with Area during the first week of the month. The collection bins downtown would also stay in existence. However, collection would only be limited to what could be placed within the 95 gallon (or 35 gallon container). For this, there would be a required 5 year contract beginning at 14.71/month with a 2.5% annual escalator. Limiting the amount of weekly collection to what can be placed into the totes is a concern which I think should disqualify this bid. It also is not something the other disposal companies were asked to provide a price.

Excluding Waste Management from the conversation, Advanced Disposal and Area Disposal both have honored the other requirements listed within the RFP – various tote options (95, 65, 35 gallons), semi-annual city-wide cleanup, collection of city buildings/events, and 10% senior discount. Additional carts are even offered at the same rate regardless of size - \$2.50/tote. The biggest difference in the proposals is that for Advanced, collection can be completed in a single day; Area's collection occurs over four days.

With the two lowest proposals being essentially equal, the decision to move forward with an exclusive waste hauler is based on service and cost. Option 1 does not represent a savings to many residents as an average rate for waste-hauling alone is around \$16/month. In addition, for many families, completely filling a 95 gallon tote with recycling is fairly difficult, making weekly pickup unnecessary. Many municipalities opt to have bi-weekly or monthly recycling collection for this reason.

Options 2 and 3 represent the greatest cost savings for the homeowner. At their highest rates, including the option years, a homeowner would be paying \$16.74 per month, and it should be noted that this is for collection of refuse *and* recycling.

As stated earlier the level of service must also be considered. Option 3 is essentially the status quo in terms of collection – refuse collected at the home, recycling collected in a centralized location. In this option, a greater breadth of recyclables would be able to be collected. Option 2 is the greatest level of

service by providing home collection of refuse and recycling. Each has a rate lower than current individually priced hauling for refuse alone.

Should the Council move forward with this, there are a few items the Council to consider. First, is the institution of mandatory collection by ordinance. Establishing this policy will a) provide a consistent pool of active customers for the waste hauler and 2) will likely help code enforcement keep properties clean. Exemptions could be made in this ordinance for homeowners who may utilize their business' commercial collection for their residential waste.

Lastly, moving to this style of collection will come with some frustration initially. Days of collection may change, a change in companies or level of service may cause confusion, etc. If the Council moves forward with selecting a hauler, we will work closely with the company to disseminate information to the residents about the new service prior to the October 1<sup>st</sup> commencement date.

### **Fiscal Impact**

It is fairly evident that moving to a franchised waste hauler will represent a savings to each household within the City while increasing service. The move to a franchised waste hauler also creates a significant savings within the City's General Fund and reduces our own expenses for waste hauling. At a minimum, the franchising would save the General Fund \$65,268 plus the costs of service to City Hall, the Municipal Services Building, the Depot, and the future Police Station.

### **COW Recommendation**

**Moving to a franchise waste hauler makes financial sense for the City, and most importantly, its residents while increasing their level of service. The Council has multiple options to consider for that level of service. While Option 1 represents a higher level of service, it also provides little-to-no savings for the resident and may be overkill for a traditional family's recycling output. Options 2 and 3 present the best options for the resident – increased service and a lower cost.**

**If the Council prefers Option 2, then it will need to consider the duration of the contract to establish an awarded company. Option 3 may come with the least amount of transitional headache, but does not significantly change the current level of service albeit at the lowest monthly cost.**

**I would recommend placing this item on the Council's July 17<sup>th</sup> meeting agenda and to allow for feedback in the meantime.**

### **Council Recommendation**

**Under either Option 2 or 3 award the exclusive rights to municipal solid waste and recycling hauling to either Advanced Disposal or Area Disposal respective to their provided lower cost options.**