



Planning for Post 2021 Solid Waste and Recycling Collection Franchise

City Council
July 31, 2018



Background

February Study Issue

- Solid waste collection agreement ends July 2021
- Charter limits franchises to 30 years
- Limit will be reached when agreement ends

June Study Session - Post 2021 Options

1. Place Charter amendment on ballot to modify franchise term limits
2. Conduct competitive process
3. Conduct single source process

City Council agreeable to Option 2 or 3. No advantage to pursue Option 1

Analysis

- A new franchise can be awarded to BCWS or a new contractor.
- City can pursue a
 - ◆ competitive,
 - ◆ single source,
 - ◆ or a competitive process following an unsuccessful single source process.
- Assessing BCWS performance will help inform Council's decision.
- Establishing communication guidelines ensures transparent, fair process

Communication Guidelines (Attachment 1)

Purpose: To ensure transparency and fairness.

Prospective Franchisee(s) agree in writing to:

- Direct all questions and communications to designated City representative;
- Refrain from conducting outreach regarding process;
- Refrain from meeting individually with Mayor or any individual Councilmember during the process.

Communication Guidelines (Attachment 1)

Mayor and Council members shall:

- Notify City Manager of any potential conflicts of interest.
- Include another Councilmember and a member of City staff (designated by City Manager) in any non-public meetings with proposers
- Guidelines effective through public release of staff report to Council regarding award of a franchise.
- Guidelines addresses allegations of violations

Performance Assessment Topics (Attachment 2)

1. Management Systems

- Review key issues related to recent generational transition in management.
- Review management and supervisory staffing, roles and responsibilities.

2. Collection Operations

- Review difficulties in hiring drivers, related issues.
- Review number, type of routes.
- Review equipment-related and safety issues.

Performance Assessment Topics (Attachment 2)

3. Collection Quality

- Review quality of collection, observing placement of, and condition of carts and bins.
- Review company procedures for container repair, replacement.

4. Customer Service

- Review procedures for resolving complaints/requests, and for addressing City work orders.
- Review customer service training.
- Assess Customer Satisfaction

Performance Assessment Topics (Attachment 2)

5. Financial Data Tracking and Reporting

Review practices for ensuring accuracy of financial information reported to City.

6. Environmental Management

Review compliance with key regulatory, permitting requirements.

Alternatives and Staff Recommendation

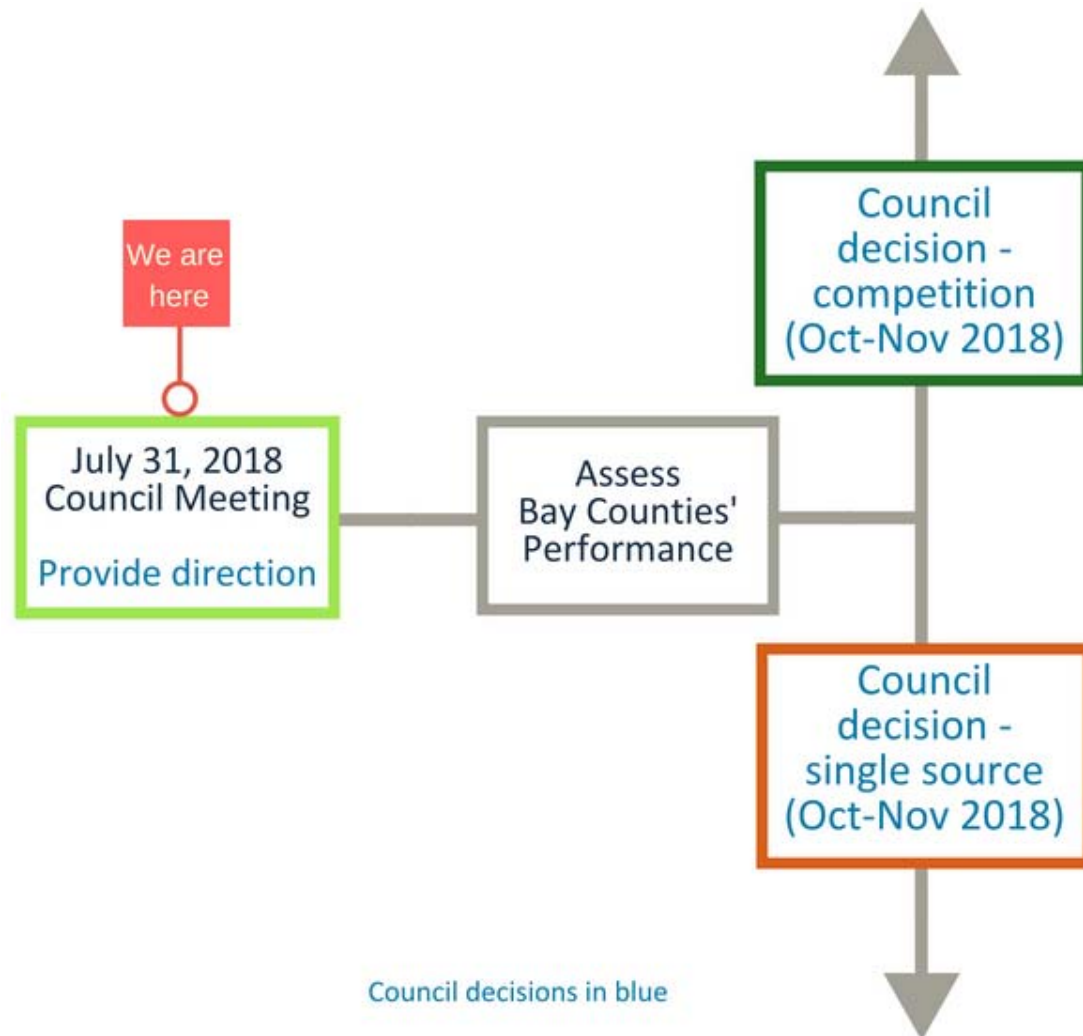
Alternatives

1. Find tonight's action to be CEQA exempt
2. Adopt communications guidelines
3. Direct staff to assess the performance of the current franchisee
4. Direct staff to return following the assessment to request direction on whether to conduct single source or competitive process

Staff Recommendation

1. Alternatives 1, 2, 3 and 4

Competitive or Single Source – Initial Steps



EXTRA SLIDES



Competitive Process - Pros and Cons

Advantages	Disadvantages
<ul style="list-style-type: none">• Provides the best financial “deal” the market can offer• May result in lower initial customer rates/market-based rates as compared to single-source negotiations• Process and timeframe more-easily managed• Likely provides wider range of program/service options• May require less time than a single-source process• Provides high level of transparency	<ul style="list-style-type: none">• Best financial deal may not equal best overall value• Likely higher procurement cost than for a single-source approach• Requires more time to develop RFP• Higher risk of service disruption if a new service provider• Increases transportation impacts if new contractor’s facility is more distant• Higher risk of legal challenge

Single Source Process - Pros and Cons

Advantages	Disadvantages
<ul style="list-style-type: none">• Maintains or improves current relatively-competitive rates• May require less time than a competitive process• Likely lower cost to conduct single-source process• Allows for shift to a competitive process if City goals are not met• Minimal transition risk• Less risk of legal challenge	<ul style="list-style-type: none">• In absence of competitive pressure does not ensure market-based deal• Less likely to provide full range of service options available in the marketplace• Can be more challenging to control negotiation process• May create perception of lack of transparency

Recent Contracting in Santa Clara County

City	Service	Single Source or Competitive
Sunnyvale (2014)	SMaRT operator	Competitive - 3 proposals
Cupertino (2010, 2015, 2017)	Collection and processing	Single source
Los Altos (2010)	Collection and processing	Competitive - 3 proposals
Milpitas (2017)	Collection, processing and disposal	Competitive - 6 collection, 3 disposal proposals
Mountain View (2013, 2016)	Collection	Single source; amended 2016 to add food scraps collection
Palo Alto (2008, 2015)	Collection and processing	Competitive - 2 proposals Single source extension in 2015
San Jose (ongoing)	Residential collection and processing	Single source - negotiations with 4 current contractors
San Jose (2011)	Commercial collection and processing	Competitive - 6 collection, 3 organics processing proposals
West Valley cities (2014)	Collection and processing	Single source extension

Study Issue – Summary Findings

5. City cannot *extend* the current franchise term with BCWS without modifying the Charter, but can award a *new* franchise with a *new* agreement.
6. The City likely has adequate time for a competitive, a single source, or a competitive process following an unsuccessful single source process.
7. A new, short “bridge” agreement with BCWS of 1 to 3 years may be needed, depending on approach.
8. Neither a competitive or single source is inherently superior; Council should select whichever best meets City goals.
9. A strong process reduces the risk of successful challenge to award.

Study Issue – Summary Findings

1. State law delegates broad authority in contracting for solid waste-related services.
2. City solid waste contracting practices are consistent with best practices.
3. We have no knowledge of ballot measures to amend California city charters with the specific intent of modifying franchise terms.
4. A ballot measure could possibly be placed on November ballot; November 2020 more feasible.

Competitive or Single Source - Pros and Cons:

Recent Processes (1 of 2)

City	Summary of Results			
	Service	Single Source or Competitive	Extent of Changes	Compensation Change/Rate Impact
Sunnyvale (2014)	SMaRT operator	Competitive - 3 proposals	Minor	Minimal
Cupertino (2010, 2015, 2017)	Collection and processing	Single source	2010 - Extensive 2015 – Moderate 2017 – Minor	Information unavailable
Los Altos (2010)	Collection and processing	Competitive - 3 proposals	Moderate	Information unavailable
Milpitas (2017)	Collection, processing and disposal	Competitive - 6 collection, 3 disposal proposals	Extensive	3.3% increase in rates ¹
Mountain View (2013, 2016)	Collection	Single source; amended 2016 to add food scraps collection	2013 – Significant 2016 - Moderate	2013- 2% increase in compensation 2016 – 2.5% increase in compensation

Competitive or Single Source - Pros and Cons:

Recent Processes (2 of 2)

City	Summary of Results			
	Service	Single Source or Competitive	Extent of Changes	Compensation Change/Rate Impact
Palo Alto (2008, 2015)	Collection and processing	Competitive - 2 proposals ² Single source extension in 2015	Significant	2008 - 11% increase in compensation
San Jose (ongoing) ³	Residential collection and processing	Single source - negotiations with 4 current contractors	TBD	TBD
San Jose (2011)	Commercial collection and processing	Competitive - 6 collection, 3 organics processing proposals	Extensive	Unknown rate impact; previous rates unregulated
West Valley cities ⁴ (2014)	Collection and processing	Single source extension	Significant	23% increase in rates

Franchise Term Limit Practices

Ballot Measure Milestone Schedules

November 2018 Ballot	November 2020 Ballot
July 17, 2018 – Preferred date for Council to place charter amendment on ballot	July 14, 2020 – Preferred date for Council to place charter amendment on ballot
July 31 – Alternative date for Council to place charter amendment on ballot	July 28 – Alternative date for Council to place charter amendment on ballot
August 10 – Last day to file resolution calling for an election with County Registrar of Voters	August 7 – Last day to file resolution calling for an election with County Registrar of Voters
November 6 – Election	November 3 – Election
Requires new one year “bridge” agreement to 2022; proceed based on results	Requires new three year “bridge” agreement to 2024

Collection Contractors Active in Santa Clara County (Slide 1 of 2)

Bay Counties Waste Systems (BCWS)

- One of eight privately-held, affiliated companies with varied shared ownership with franchises in Santa Clara, Alameda, San Mateo counties; dba Alameda County Industries (ACI)
- Sunnyvale - BCWS
- Direct affiliates: Pleasanton Garbage Service (Pleasanton), South San Francisco Scavenger Company (Brisbane, Millbrae, South San Francisco)
- Indirect affiliates, Santa Clara County: Garden City Sanitation (San Jose); Milpitas Sanitation (Milpitas); Mission Trail Waste Systems (Los Altos, Santa Clara); Peninsula Sanitary Service, Inc. (Stanford)

California Waste Solutions (CWS)

- Privately-held
- Holds franchises in San Jose and Oakland

GreenWaste Recovery (GWR)

- Privately-held
- Coastal central California
- Holds franchises in Santa Clara, Monterey, San Mateo, Santa Cruz counties

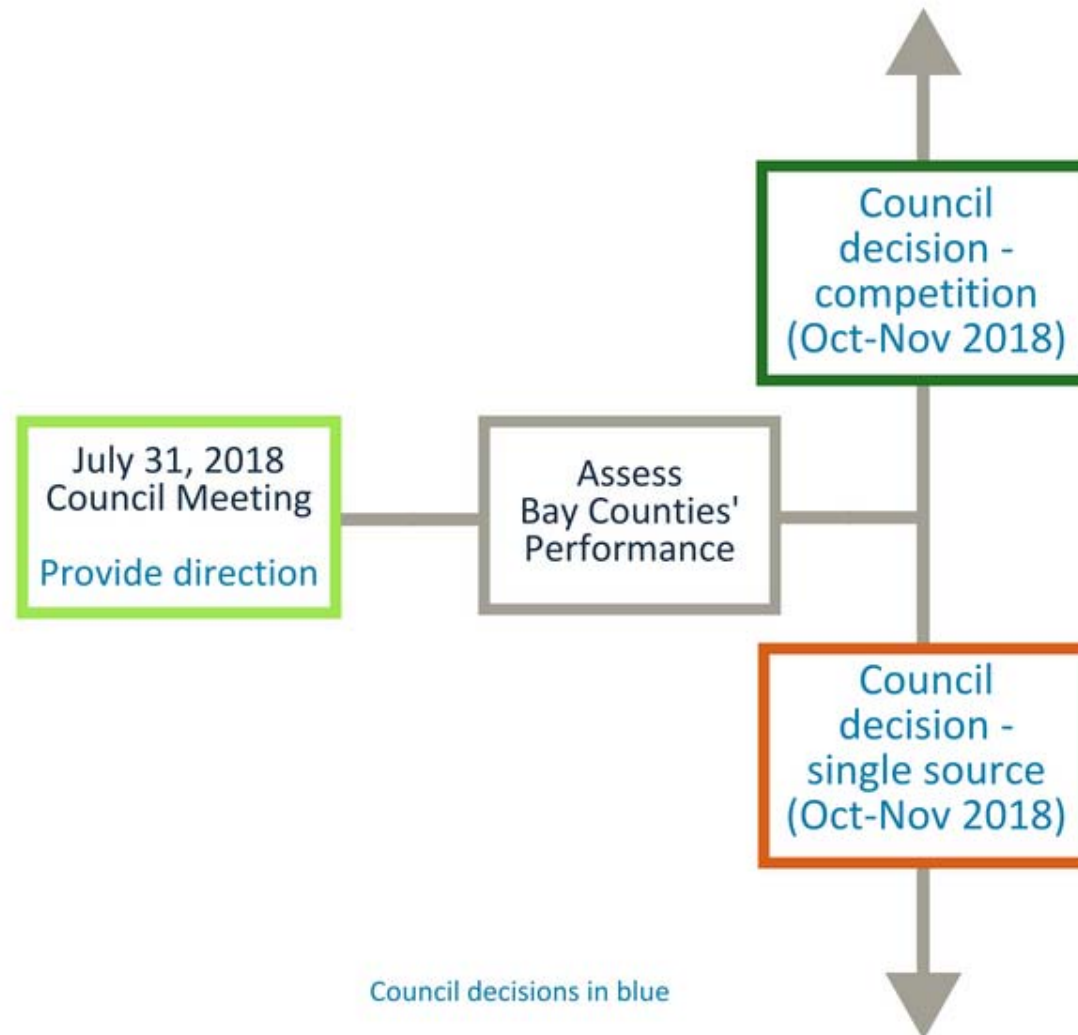
Green Team

- DBA of Waste Connections, Inc.
- Publicly-held, HQs in Houston; Ontario, Canada
- National and Canadian
- Holds franchises in Santa Clara County

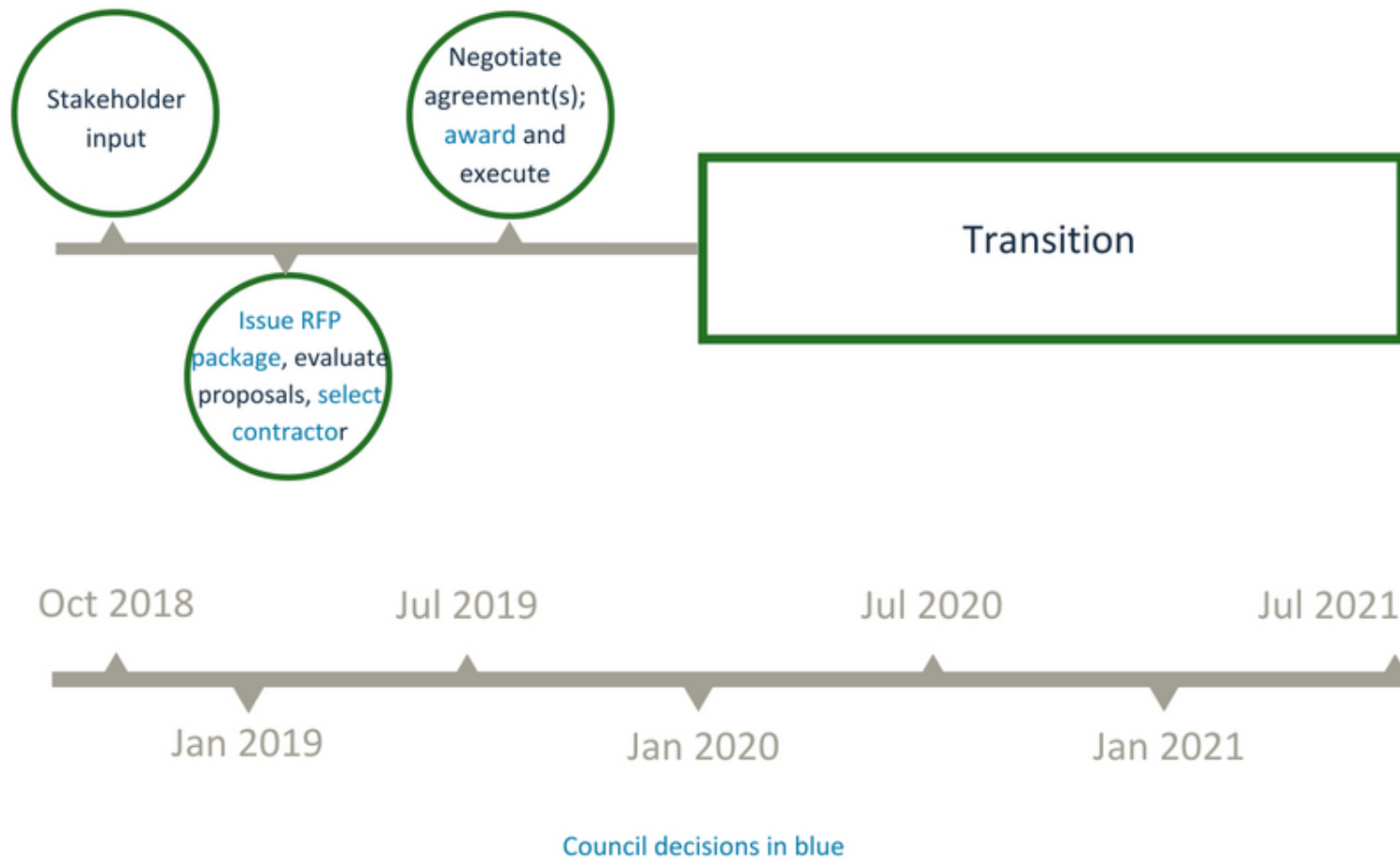
Collection Contractors Active in Santa Clara County (Slide 2 of 2)

Recology	<ul style="list-style-type: none">• Privately-held, HQ in San Francisco• West Coast presence• Holds franchises in Santa Clara, San Benito, San Francisco, San Mateo counties
Republic Services	<ul style="list-style-type: none">• Publicly-held, HQ in Phoenix• National• Holds franchise in San Jose, and franchises throughout California
Waste Management (WM)	<ul style="list-style-type: none">• Publicly-held, HQ in Houston• Multinational• Holds franchises in Alameda and Contra Costa counties; competed to provide collection services for Milpitas
West Valley Collection and Recycling (WVC&R)	<ul style="list-style-type: none">• Created to compete to provide services to the four West Valley cities• Owned 51% by Waste Connections (dba Green Team) and 49% by GreenWaste Recovery

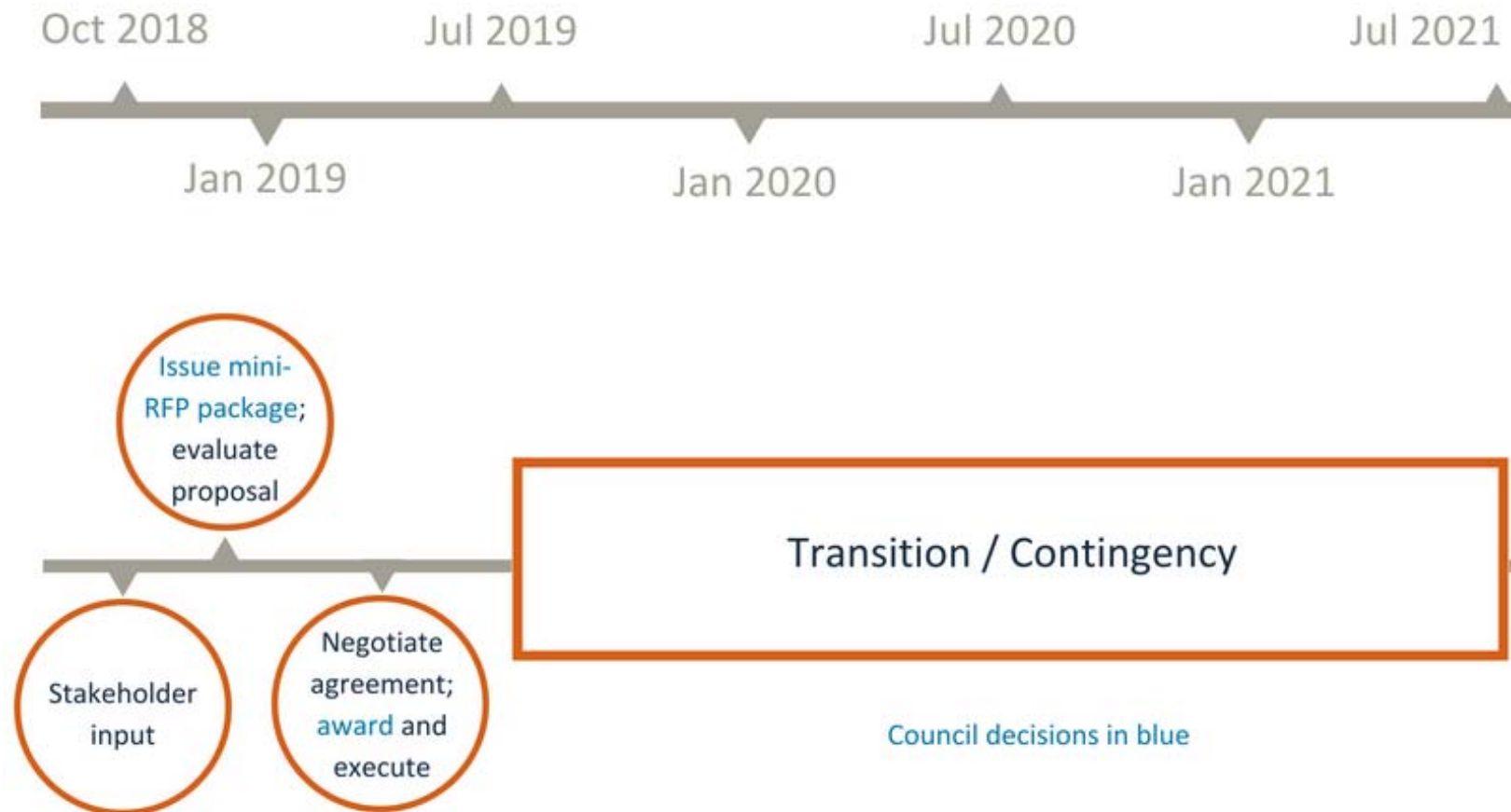
Competitive or Single Source – Initial Steps



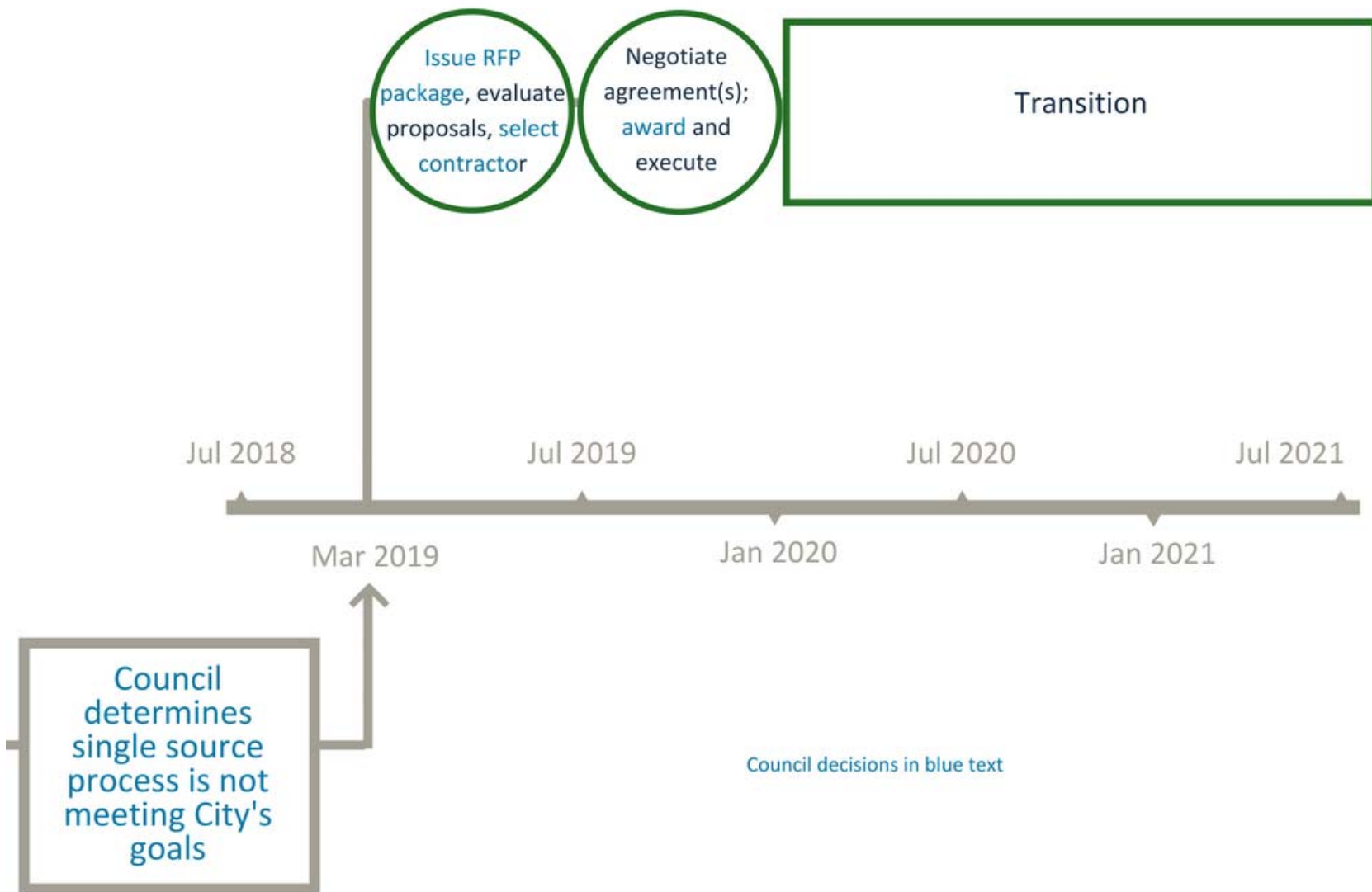
Competitive Process – Timing/Key Activities



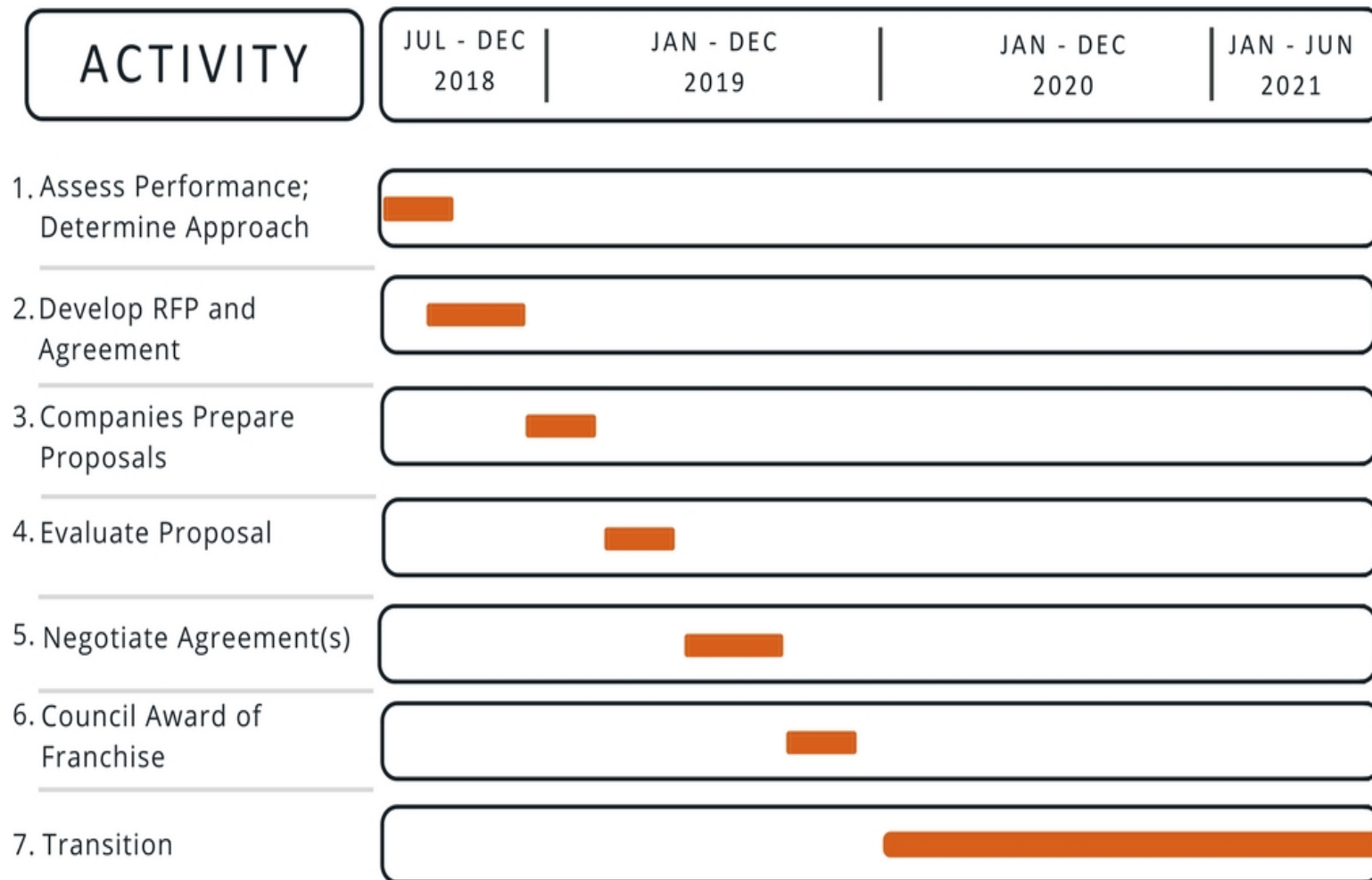
Single Source Process – Timing/Key Activities



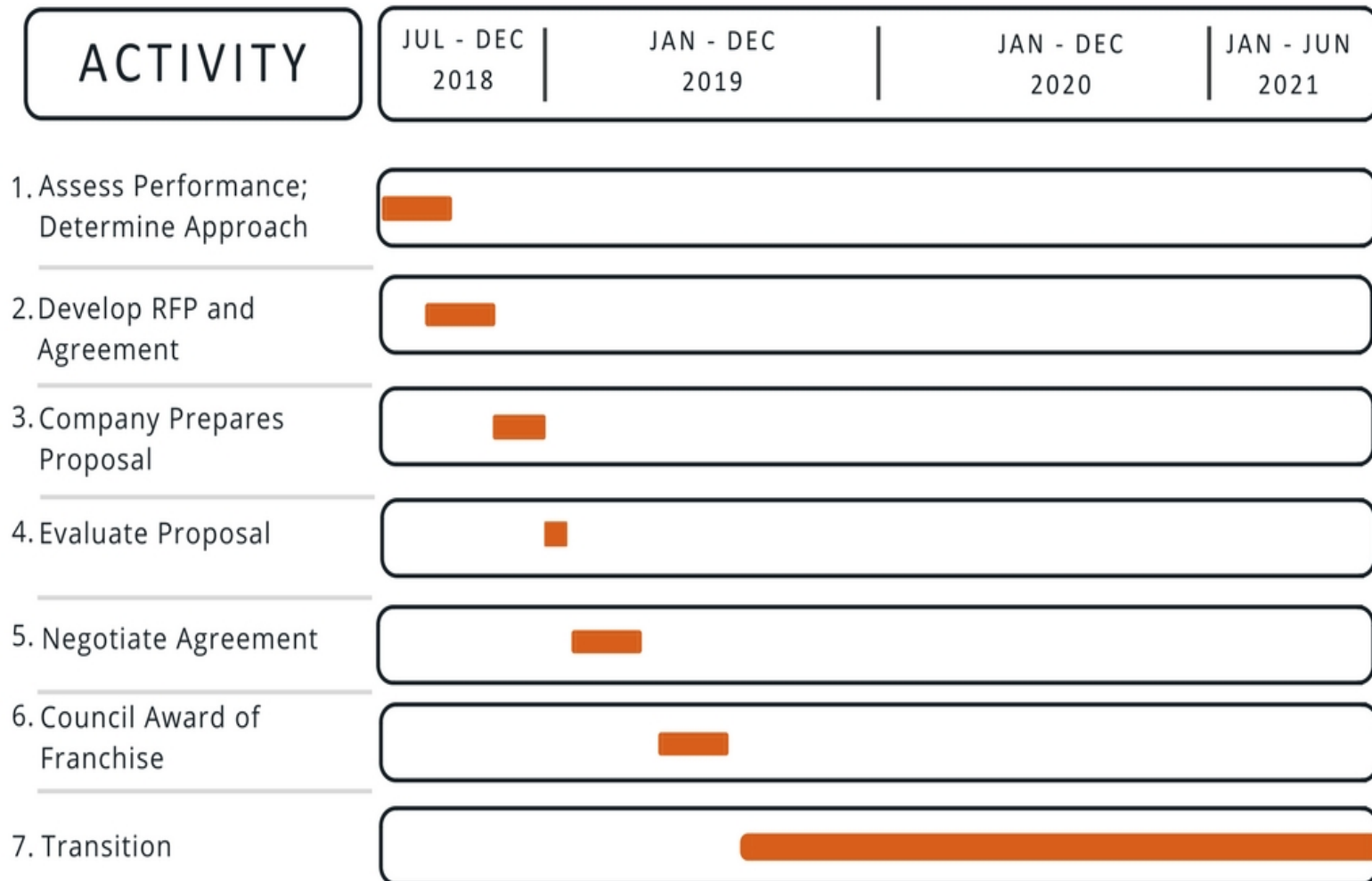
Single Source Process Converted to a Competitive Process



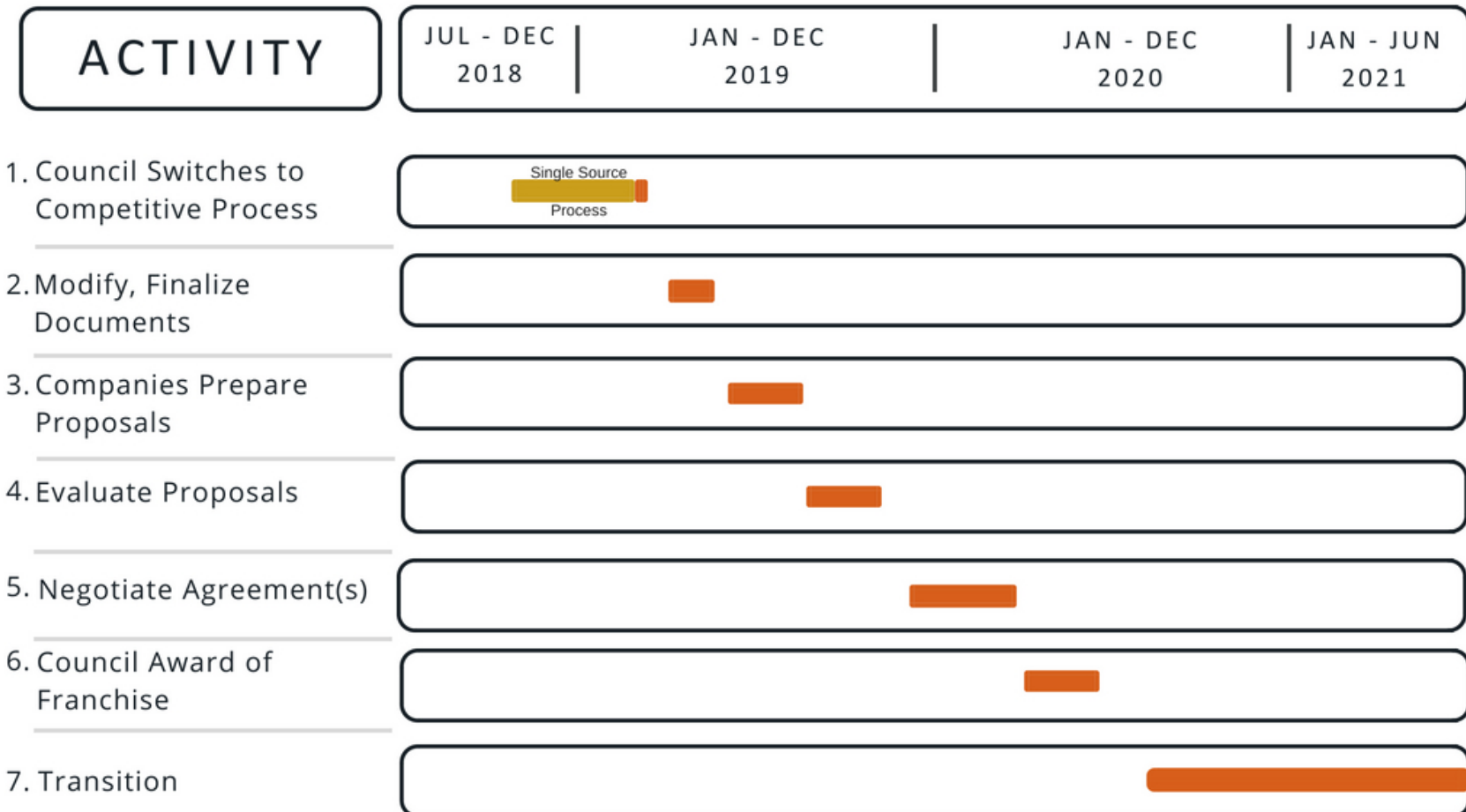
Competitive Process Schedule



Single Source Process Schedule



Single Source Converted to Competitive Schedule



Single Family Residential Rate Comparisons

Monthly Utility Bill Comparisons Single Family Residential Fiscal Year 2018/19	
City	Solid Waste*
Palo Alto (Proposed)	103.30
San Jose (Proposed)	71.14
Mountain View (Proposed)	67.80
Cupertino	51.53
Santa Clara (Proposed)	47.45
Sunnyvale (Proposed)	46.88
Milpitas	41.19
Fremont (Proposed)	38.12
Average of all Cities	58.43
Average excluding Sunnyvale	60.08
Average excluding Sunnyvale and two highest cities	49.22

* Based on two cans, 64- or 65-gallon garbage service

Commercial Rate Comparisons

Monthly Utility Rate Comparisons Commercial Solid Waste Rates Fiscal Year 2018/19	
City	Rate*
Palo Alto	504.40
Sunnyvale (Proposed Rates)	424.53
Mountain View (Proposed)	352.50
Milpitas	263.93
Cupertino	250.51
Santa Clara (Proposed)	247.26
Fremont (Proposed)	226.39
San Jose ^a (Proposed)	196.38
Average of all Cities	\$308.24
Average excluding Sunnyvale	\$291.62
Average excluding Sunnyvale & two highest cities	\$236.89

* Comparison based on 3-cubic yard bin picked up one time per week