



Sunnyvale



Solid Waste Franchise Award: Bay County
Waste Services

Report To Council

February 23, 2021



Agenda Topics

1. Background and Recap
2. Specialty Proposal Scope
3. Cost Details
4. Staff Recommendation
5. Council Questions

SB 1383 - Implementation Timeline

2020

50% reduction in organics disposal

2022

Regulations Take Effect

2024

Local enforcement actions commence

2025

75% reduction in organics disposal

2025

20% recovery of edible food

Background

- ◆ The current franchise agreement with Bay Counties Waste Services (Specialty) will expire on June 30, 2021
- ◆ July 31, 2018 - Council directed staff to review Specialty's performance
- ◆ December 18, 2018 - Council voted to enter into sole source negotiations with Specialty
- ◆ February 4, 2020 – Council approved issuance of a sole source RFP package

Background

- ◆ May 15, 2020 - Specialty submitted its proposal
- ◆ May 2020 to February 2021 - Contract negotiations
- ◆ November 10, 2020 - Study Session to Council
- ◆ Dec 2020 -Feb 2021- One-on-one meetings with Mayor and Council.

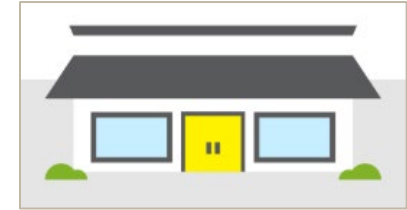
Continuing Base Services



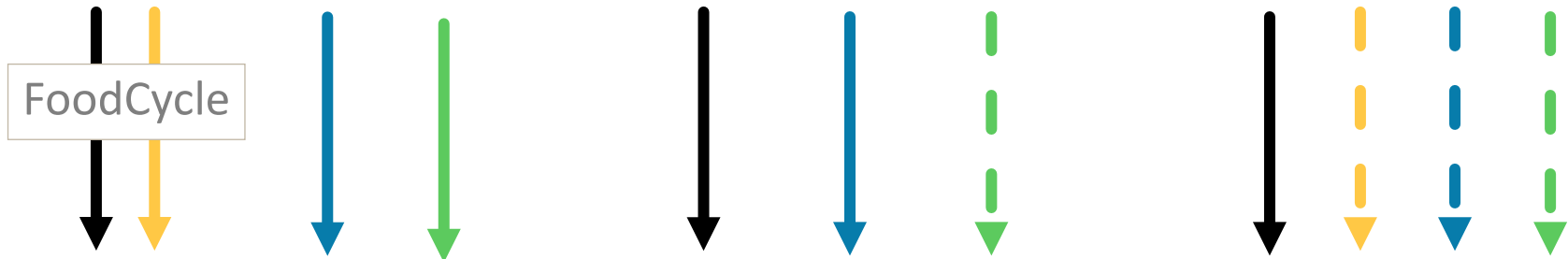
Single-family



Multi-family



Commercial



Materials

Garbage —————

Food Scraps —————

Recyclables —————

Yard Trimmings —————

Service Type

Subscription Service – solid line

Optional Service – dashed line

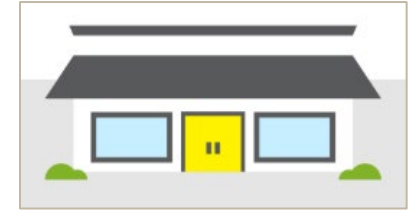
SB 1383 Service Additions



Single-family

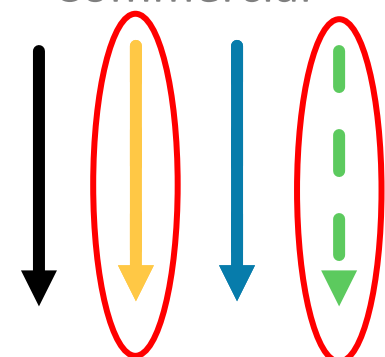
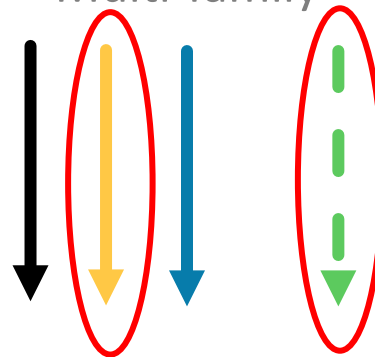
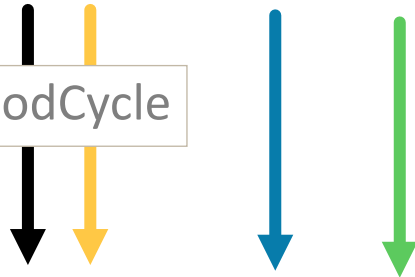


Multi-family



Commercial

FoodCycle



Materials

Garbage —————

Food Scraps —————

Recyclables —————

Yard Trimmings —————

Service Type

Required Service – solid line

Optional Service – dashed line

Enhanced Services

Enhanced Service

Option



Multi-family bulky item collection

Postpone pilot to Year 4



Downtown service

Subscribe only if needed



Expanded use of technology

Yes to RouteSmart
Defer SoftPak



Fuel station upgrade

Recommend



Enhanced Services (continued..)

- CNG Fueling station Upgrade – Add slow Fill
- Fuel – Transition to RNG as Sources become Available
- Transition from RNG to EV (future)



Photo: Specialty website (sswr.com)

Key Cost Drivers

- ◆ Compensation model is cost plus
- ◆ Replacing existing trucks and carts/containers
- ◆ Labor cost increases per new labor contract
- ◆ Capital and labor to add new routes and spare trucks for SB 1383 services
- ◆ Profit margin

Specialty Cost Saving Offers

- Freeze on executive compensation
- Freeze on facility rent charges
- New credit card vendor reduces cost
- Owner contribution towards food recovery
- No profit on interest charges
- Estimated combined annual value = \$80,000



**Lower rate
impact**

Negotiated Cost Savings

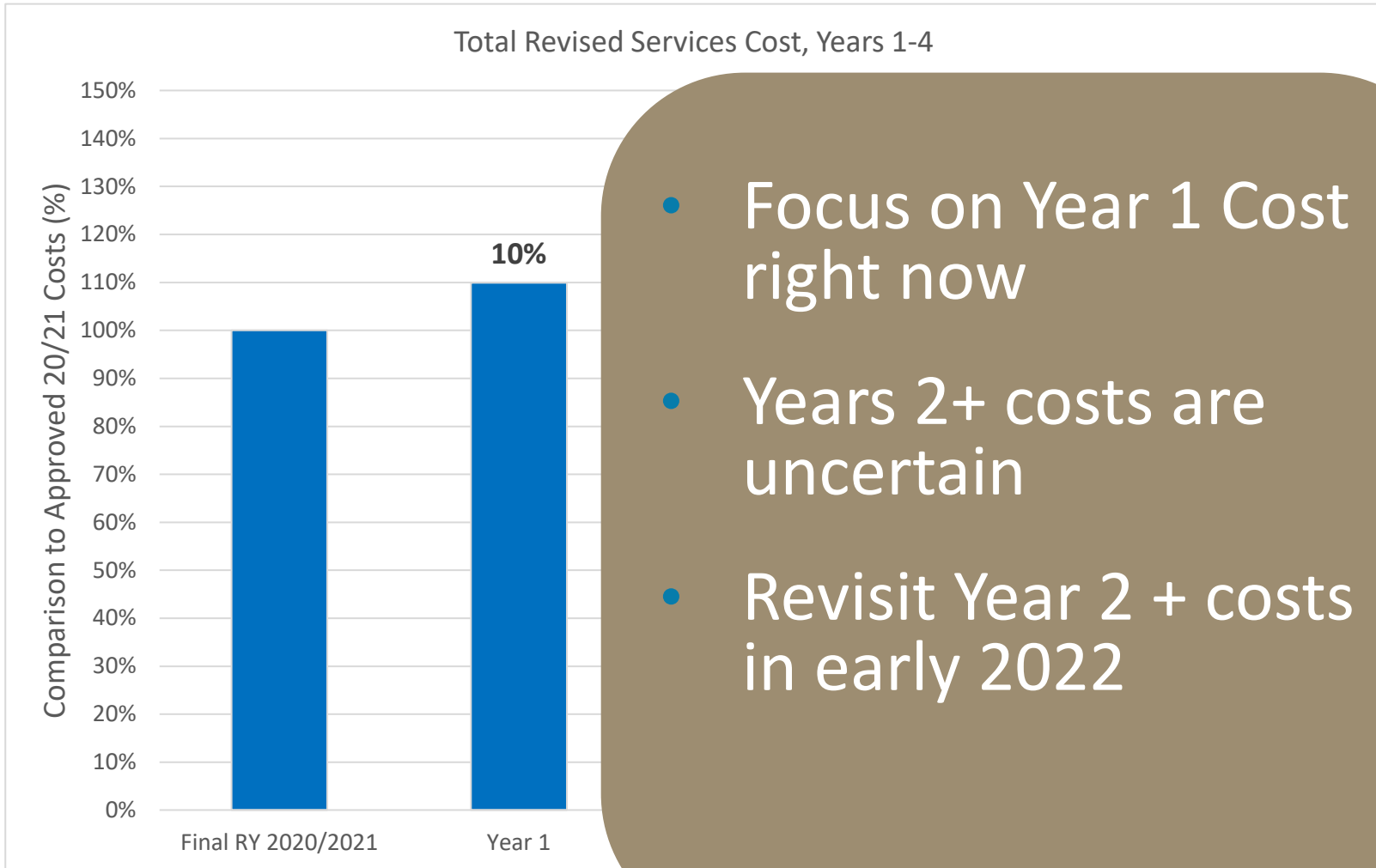
- Longer amortization of truck and cart life
- Staggered Replacements of equipment
- Profit Margin Reduced
 - ♦ by 0.5% (10 yrs) and
 - ♦ 0.75% (15 yrs)
- Reduction in Proposed Routes



**Lower rate
impact**

Routes	Year 1	Year 2	Year 3	Total
Initial	5	3	1	9
Latest	2	3	4	9

Latest Cost Proposal



- Focus on Year 1 Cost right now
- Years 2+ costs are uncertain
- Revisit Year 2 + costs in early 2022

Alternatives

- Option A: 10-year term
 - Year 1 cost = \$25,360,069 [current cost \$23 M]
 - Reduced profit Margin (from 8.5% to 8.0%)
- Option B: 15-year term
 - Year 1 cost = \$25,298,253
 - Longer time to amortize capital
 - Reduced profit Margin (from 8.5% to 7.75%)
 - Final 5 years contingent upon satisfactory performance

Cost Impacts 15-Year Term

All Services Combined - Final Draft

15 YR Cost Summary

Item	Final RY 2020/2021	Year 1	% Inc	Projected Year 2	% Inc	Projected Year 3	% Inc	Projected Year 4	% Inc
Base Services	\$ 18,886,731	\$ 20,134,748	6.6%	\$ 20,954,004	4.1%	\$ 21,699,342	3.6%	\$ 23,172,288	6.8%
SB 1383 Services	-	419,024		1,152,069	174.9%	2,046,078	77.6%	2,450,215	19.8%
SB 1383 Support	-	441,548		451,986	2.4%	412,241	-8.8%	423,484	2.7%
<u>Enhanced Services</u>									
Multi family Bulky Item*	-	-		-		-		-	
Downtown*	-	-		-		-		-	
Fuel Station Upgrade	-	233,071		226,162	-3.0%	219,263	-3.1%	212,372	-3.1%
Technology	-	98,325		113,975	15.9%	184,623	62.0%	109,273	-40.8%
Total	\$ 18,886,731	\$ 21,326,716	12.9%	\$ 22,898,197	7.4%	\$ 24,561,546	7.3%	\$ 26,367,632	7.4%
Operating Ratio**	\$ 1,754,505	\$ 1,763,009	0.5%	\$ 1,887,527	7.1%	\$ 2,010,641	6.5%	\$ 2,148,933	6.9%
Franchise Fee***	\$ 2,162,044	\$ 2,208,528	2.2%	\$ 2,279,864	3.2%	\$ 2,353,503	3.2%	\$ 2,429,521	3.2%
Total Contractor Payment	\$ 22,998,754	\$ 25,298,253	10.0%	\$ 27,065,587	7.0%	\$ 28,925,690	6.9%	\$ 30,946,086	7.0%

Rate Impacts

- Immediate Focus on FY 21/22 Compensation Only
- Rate impact: ~5%
- Overall Rate will be affected by other pending Agreements
 - Organics processing
 - SMaRT Station operator
- Commercial customers currently pay an additional charge for organics service
- Staff to return to Council with rate recommendations

Staff Recommendation

- Introduce the Ordinance in Attachment 1 Awarding an Exclusive Franchise to Bay Counties Waste Services, Inc. for Collection of Solid Waste, Recyclables, and Organic Materials,
- Authorize the Mayor to execute the Draft Franchise Agreement in substantially the form in Attachment 2 including “Option B” of Section 2.1 to provide for a term of fifteen years from July 1, 2021, to June 30, 2036, (assuming satisfactory performance), and
- Find that these Actions are Exempt from CEQA Pursuant to CEQA Guidelines Sections 15301 and 15308



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Questions