

City of Piedmont  
COUNCIL AGENDA REPORT

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DATE: July 17, 2017

TO: Mayor and Council

FROM: Paul Benoit, City Administrator

SUBJECT: Consideration of Next Steps Regarding Responses to the Request for Proposals for Residential and Commercial Garbage, Recyclable Material and Organic Waste Collection Services

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RECOMMENDATION:

Accept the proposal submitted by Republic Services, Inc. (“Republic”) and proceed with contract negotiations.

BACKGROUND:

On July 6, 2008, the City of Piedmont (“City”) entered into a 10-year contract with Richmond Sanitary Service (a subsidiary of Republic Services, Inc.) for the exclusive collection of solid waste, recyclables, organics, and construction and demolition debris.

In May 2016, at the direction of the City Council, staff initiated negotiations for an extension of the current contract for up to ten years. Negotiations were unsuccessful and, on July 19, 2016, the City Council awarded a professional services agreement to R3 Consulting Group, Inc. (hereinafter, referred to as R3) to assist with solid waste franchise solicitation, evaluation, and contract negotiation assistance. On December 16, 2016, the City began a community-wide survey which was closed on February 16, 2017. The survey was promoted through the City's waste contract email notification list, the local newspapers, through the Piedmont Unified School District email server, the Piedmont Recreation Department email server, and on the City website. The survey received over 700 responses in total.

On January 17, 2017, R3 provided an update to the City Council on the draft procurement plan and invited City Council input on key services to be requested in the Request for Proposals (RFP). Council provided direction to staff to:

- Continue to provide for both backyard and curbside collection services, with rates in keeping with the cost of providing services, and meeting specific standards for safety and performance in collection vehicles;
- Investigate the use of biodiesel in collection vehicles; and
- Ask proposers to indicate whether a 15-year term rather than a 10-year term would result in cost savings.

Concerns were also raised on cart and bin storage on-site related to city code.

On January 20 and February 2, 2017, R3 conducted community meetings to help inform community members of the procurement process and to solicit feedback on future needs and services in the new franchise agreement. The meetings were publicized via press release, the City's waste contract email notification list, through the Piedmont Unified School District email server, the Piedmont Recreation Department email server, and on the City website. Staff also notified the community via announcement at the City Council and Planning Commission meetings.

During the first meeting, community members expressed concerns about the effectiveness of recycling and organics processing, pollution related to idling trucks, aesthetics related to curbside services, costs related to the provision of backyard services including unlimited organics collection, the inclusion of ivy as an accepted material in organics collection (which is provided for in the current agreement), concerns related to the provision of backyard services for disabled residents (including anyone with an inability to bring their containers to the curb for collection), and interest in both retaining backyard service and continuing to provide for curbside services. During the second meeting, similar topics were again discussed in addition to potential new service needs (i.e., household hazardous waste collection events or pickup for an additional fee), and materials diversion from landfill and associated costs.

On March 14, 2017, a Draft Request for Proposals and all attachments were released for public comment with a note that changes could still be made as the document was still under review by the City Attorney and City staff. Sixteen residents responded during the public comment period. On March 29, 2017, a FAQ section was added to the City website providing answers to frequently asked questions regarding the RFP documents and process.

On April 3, 2017, the City Council considered and approved a final draft of the RFP that included amendments to address comments received during the public review of the document. The RFP was subsequently released on April 10, 2017.

Four potential proposers attended the mandatory pre-proposal conference on April 24, 2017. They were Republic Services, Waste Management, California Waste Solutions and Mt. Diablo Resource Recovery. Two of these potential proposers submitted questions to the City, which were answered in two separate addenda remitted by email to all four potential proposers on May 24, 2017 and May 31, 2017. Based on the level of interest expressed during and after the pre-proposal meeting, City staff expected bids from at least three companies on the submission deadline of June 12, 2017. However, Republic was the only proposer to submit a proposal. An evaluation panel comprised of the Directors of Public Works and Planning, community members John Chiang and Patty Siskind, Mayor Jeff Wieler and R3 met on June 15, 2017 and June 27, 2017 to discuss the response and options for moving forward for the purpose of making a recommendation to the City Council.

#### DISCUSSION:

Although they were expected to submit proposals, two potential proposers declined to bid, but did provide the reasons they did not propose. Waste Management provided a letter, attached as

Exhibit A (page 5), indicating that “the collection service requirements regarding backyard service would place an extraordinary amount of injury risk to our employees.” The other expected proposer indicated verbally to R3 that they currently do not have a solution for disposal that would allow them to be competitive on cost for the full scope of services.

Republic’s proposal includes the primary services requested in the RFP with some proposed exceptions and modifications. Technical evaluation of the proposal revealed the following key considerations:

- Proposed rates represent a significant increase from current rates;
- Backyard service would be available to all residents for an additional flat fee beyond the curbside rates, irrespective of the cart storage location within the backyard; and
- Backyard service would be available to disabled residents at curbside rates.

The evaluation panel considered the two primary options for moving forward with the procurement process, either: 1) canceling this RFP and issuing another RFP(s) with parameters that would encourage submittals from additional proposers, or 2) accepting Republic’s proposal and proceeding with contract negotiations. Possible parameters to encourage greater responses by means of a new RFP, and considerations related to these parameters, are:

- A modified backyard service requirement that would reduce or eliminate the provision of backyard services. The high proportion of Piedmont residents currently receiving backyard service and input from the community indicating a high degree of support for backyard service suggest that this option would not be preferred.
- Splitting a new solicitation into two RFPs separating the collection component of services from the disposal component of services. Considering the efficiencies achieved by having one provider of all the requested services, it is unlikely that this approach would result in lower rates.

In order to provide a point of comparison for the rates proposed by Republic, R3 analyzed the rates proposed in 2007 by Waste Management and California Waste Solutions for the 2008-2018 Solid Waste Services Agreement and escalated those initially proposed rates to the present time using standard annual rate adjustments. The rates in Republic’s current proposal fall within the range of the escalated 2007 competitor rates, as shown in Table 1 using the common 35-gallon garbage container service level as an example. It is important to note that the currently proposed rates are from Republic’s proposal submitted on June 12, 2017, do not reflect final negotiated rates, and should only be used to provide a general indication of the magnitude of the difference between current and proposed rates.

**Table 1: Comparison of Proposed Republic Rates vs. Escalated 2008 Competitor Rates**

35-Gallon Garbage Container (Monthly Rates)	2008-2009		2017-2018 Republic Current Rates WM and CWS Estimated*		2018-2019 Republic Proposed Rates WM and CWS Estimated*	
	Curbside	Backyard	Curbside	Backyard	Curbside	Backyard
Republic	\$44.53	\$49.52	\$55.11	\$61.08	\$88.65	\$131.43
Waste Management	\$62.62	\$72.42	\$77.50	\$89.33	\$79.55	\$91.64
California Waste Solutions	\$108.99	\$158.89	\$134.89	\$195.98	\$138.45	\$201.06

\*Estimated assuming the same level of annual adjustments as Republic through 2017-2018 and assuming an adjustment for 2018-2019 based on the average of previous annual adjustments

The fact that Republic's proposal results from a competitive solicitation process with multiple potential proposers also indicates that the proposed rates are likely in the range of what the market is able and willing to accept for providing the requested services.

Canceling this RFP and issuing a subsequent RFP(s) would result in significant additional administrative costs related to the procurement process; may cause a delay in the procurement so that it is not completed in time for collection services to begin by the targeted date of July 1, 2018, which would necessitate securing a temporary extension of the current franchise agreement and the associated administrative costs; and would be unlikely to result in a lower cost of service.

After reviewing the proposal and for the aforementioned reasons, the evaluation panel unanimously recommends accepting Republic's proposal and proceeding with negotiations.

NEXT STEPS:

Assuming City Council direction is to follow the recommendation of the evaluation panel and proceed with contract negotiations with Republic, City staff and R3 would expect to present the final negotiated franchise agreement for City Council approval on November 20, 2017. New services would be expected to begin July 1, 2018.

Prepared by Kevin Jackson, Director of Planning and Garth Schultz, Principal R3 Consulting Group

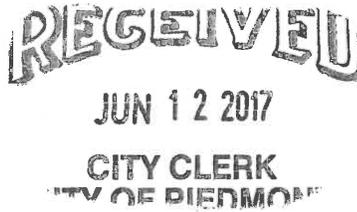
EXHIBITS:

Exhibit A      Page 5      Letter from Waste Management regarding declining to bid

Exhibit A



WASTE MANAGEMENT  
Northern California –Nevada  
100 Vassar Street  
Reno, NV 89502



June 12, 2017

Kevin Jackson  
Director of Planning  
City of Piedmont  
120 Vista Avenue  
Piedmont, CA 94611

Re: City of Piedmont Request for Proposals for Residential and Commercial Garbage,  
Recyclable Material and Organic Waste Services

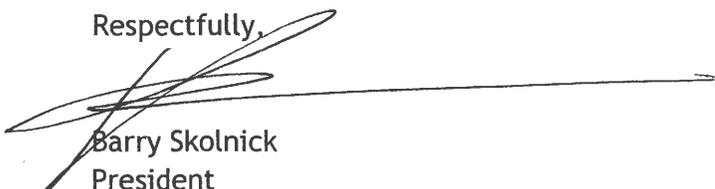
Dear Mr. Jackson,

On behalf of Waste Management of Alameda County, Inc. (WMA), I regret to inform the City of Piedmont of our decision not to respond to the City's Request for Proposal (RFP) for Collection Services. We have evaluated the City's RFP while considering the requirements of the City and our ability to deliver services safely.

Unfortunately, as the RFP and draft collection agreement are currently written, the collection service requirements regarding backyard service would place an extraordinary amount of injury risk to our employees. Employee pulls and strains occur as service is conducted in a region that has difficult topography in addition to the need for heavy materials to be transported manually. High injury rates create significant personal and financial risk, generating a need for significant rate increases to potentially mitigate this risk.

Consequently, WMA recommends that the City should reconsider its service requirement and move to an automated collection model that will reduce injury to employees and significantly reduce personal and financial risk. If the City decides to modify its backyard service requirement and allows for automated collection services, WMA will be happy to re-assess our interest.

Respectfully,



Barry Skolnick  
President  
Waste Management of Alameda County, Inc.

cc: Joe Cadelago, Public Sector Manager  
Alex Oseguera, Vice President & General Manager