

Piedmont Solid Waste Procurement Public FAQs

What is this procurement process for?

This procurement process is for residential and commercial garbage, recyclable material and organic waste collection services for the City of Piedmont ("City"). The current franchise agreement for these services with Richmond Sanitary Service, Incorporated, a subsidiary of Republic Services, Inc. ("Republic"), terminates on June 30, 2018.

What is the history of this procurement process?

In May 2016, at the direction of the City Council, City staff initiated negotiations for an extension of the current franchise agreement 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. ("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, the Piedmont Unified School District email server, the Piedmont Recreation Department email server, and 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, the Piedmont Unified School District email server, the Piedmont Recreation Department email server, and 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, 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, 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, former 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.

On July 17, 2017, the City Council followed the unanimous recommendation of the evaluation panel and directed City staff to accept Republic's proposal and proceed with negotiations.

On November 27, 2017, the City Council convened a special meeting at which the Council and members of the public received a briefing from City staff and R3 on the terms of the Solid Waste Collection Service Agreement ("Agreement") between the City and Republic. The proposed Agreement was the result of extensive negotiations with Republic, and presented to the City Council in consideration for adoption.

On December 4, 2017, the City Council held the 1st Reading of Ordinance 737 N.S., Approving a Solid Waste Collection Service Agreement between the City of Piedmont and Richmond Sanitary Service, Inc. (dba Republic Services). Services under the new Agreement will begin July 1, 2018.

Why was there only one bidder?

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 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.

Were options considered to encourage submittals from additional bidders?

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.

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.

What were the results of the City's negotiations with Republic?

Overall, solid waste services will remain largely the same. On-premises ("backyard") service will be made available to physically disabled residents at curbside rates. Compact fluorescent lamps (CFLs) will now be accepted for recycling, if put in a plastic bag and placed on top of the blue recycling cart for pickup. There will be a small reduction in large item services. Republic will provide new collection vehicles and continue to use existing carts; \$75,000 will be designated annually for outreach and education. Each year rates will be adjusted at CPI with a 2.5% floor and 4% cap.

The following is a summary of additional key negotiation results:

- 2.4% reduction in overall rate revenues
- Detailed Rate Review eliminated
- Reduced fees to City
- Rather than raised to 6.5% as provided in the RFP, the franchise fee remains at current 5.5%
- Protection of current service levels

The City and R3 also worked with Republic Services to address the variation of rates across service levels to maintain an appropriate balance between reflecting cost of service and incentivizing diversion.

Are there going to be changes to the services provided?

Key Agreement changes that would have the largest impact on single family residential customers include:

- Rate increase for both Curbside and On-Premises (i.e. “Backyard”) Service
- On-Premises Service will be available to qualifying physically disabled residents at Curbside Service rates
- Compact fluorescent lamps (“CFLs”) accepted when properly prepared for special handling (NOT accepted inside any carts or bins)
- Single Family Large Item Collection Service reduced from 4 collections per year at 5 cubic yards per collection to 2 collections per year at 6 cubic yards per collection. Large Item Collection will be available to multi-family dwellings (currently it is not).

How do Piedmont’s rates compare to other similar jurisdictions?

In 2016, the City’s consultant providing solid waste procurement assistance, R3 Consulting Group, Inc. (“R3”), conducted a rate survey and analysis to provide a comparison between rates in Piedmont and rates in similar jurisdictions (see Table 1, below). R3 surveyed six jurisdictions with conditions as similar as possible to those found in Piedmont: small, affluent communities, with varied terrain, narrow streets, backyard service collection options, and very few commercial/industrial subscribers. These jurisdictions were selected as near-comparisons to the City in terms of key characteristics, but even so, these are not true “comps” in the sense that many of Piedmont’s defining characteristics are not present in these other communities.

Table 1: Survey of Similar Jurisdictions (2016)

Jurisdiction	Residential Rates						
	Effective Date	Curbside Refuse (or Comparable)				Backyard Refuse (or Comparable)	
		20 gal	32-35 gal	64-65 gal	95-96 gal	20 gal	32-35 gal
Atherton	1/1/14	\$27.00	\$55.00	\$110.00	\$164.00	N/A	N/A
Hillsborough	1/1/12	\$42.40	\$52.50	\$82.40	\$117.40	N/A	N/A
Los Altos Hills	7/1/15	\$27.95	\$38.97	\$77.96	\$116.92	\$48.90	\$59.69
Orinda	3/1/16	\$32.00	\$36.57	\$68.61	\$102.99	\$48.60	\$52.79
Fairfax	3/1/15	\$26.84	\$32.18	\$64.36	\$96.54	\$31.33	\$37.59
San Anselmo	1/1/16	\$28.02	\$36.62	\$73.30	\$109.95	\$31.69	\$40.30
Average (without Piedmont)		\$30.70	\$41.97	\$79.44	\$117.97	\$40.13	\$47.59
Piedmont	7/1/16	\$51.83	\$54.49	\$64.21	\$75.86	\$54.80	\$60.40
Difference (Piedmont vs Avg.)		\$21.13	\$12.52	-\$15.23	-\$42.11	\$14.67	\$12.81
% Difference		69%	30%	-19%	-36%	37%	27%

In reviewing the rate survey, it should be noted that while every jurisdiction is unique, Piedmont has a particular set of characteristics distinguishing it from other jurisdictions with regard to solid waste collection services, limiting the ability to identify closely comparable jurisdictions and limiting the degree to which extrapolations can be made based on information from other jurisdictions.

Additional information on the comparable jurisdictions that were selected in that analysis is provided in Table 2 to provide context on key similarities and differences between the jurisdictions and to help explain why Piedmont’s rates are relatively high.

Table 2: Relevant Characteristics of Similar Jurisdictions (2016)

	Piedmont	Atherton	Fairfax	Hills.	Los Altos Hills	Orinda	San Anselmo
Contiguous with multiple jurisdictions?	N	Y	Y	Y	Y	Y	Y
Participating in a regional consortium that provides for cost-effectiveness in contracting?	N	Y	Y	Y	N	Y	Y
Meaningful commercial customer base available to offset residential rates?	N*	N	N	N	N	N	N
Competitiveness in procurement	One proposer	Multiple proposers	Not applicable	Multiple proposers	Not available	Multiple proposers	Not applicable
Extensive use of On-Premises Service	Y	N	N	N	N	N	N
Unlimited On-Premises Organics?	Y	N	N	N	N	N	N
Diversion Performance (achieved, 2014 per capita disposal)	82%	72%	74%	63%	60%	75%	75%

Why are rates so high?

Elements that put upward pressure on rates in Piedmont include:

- Geographical isolation:
 - Completely surrounded by a territory with a different service provider (Waste Management of Alameda County, which declined to propose citing safety concerns with the amount of backyard service).
 - Results in dedicated routes that are hard to fully maximize in terms of efficiency (whereas shared boundaries would allow for cross-jurisdictional routing that maximizes routing and thus cost-efficiencies).

- Topography:
 - Hilly, narrow streets that are difficult to serve with automated side-loading vehicles, which would otherwise increase the efficiency of collection
- Small community not well positioned to participate in a regional agency for group provision of solid waste services.
- Very small commercial customer base and no industrial customer base available to offset residential rates (as is common practice for solid waste rate setting).
- Relatively high diversion performance:
 - Meets legislative requirements, but processing recyclable materials and organic waste comes at a higher cost than disposing garbage.
 - Diversion services included as part of “bundled residential service” with high participation in Piedmont.
- Extensive subscription to Backyard / On-Premises Service, which is extremely labor intensive:
 - Currently approximately 50%.
 - Other communities typically no higher than 10%.
 - Very labor intensive, also affecting routing efficiencies and cost-effectiveness.
- Unlimited Backyard / On-Premises collection of organic waste.
- Unlimited collection of recyclable materials and organic waste.
- Vast majority of customers subscribe to the smallest two container sizes.
- Only one service provider willing to provide services determined to be desired by residents in early 2016 through community workshops and an on-line survey.

What is happening to rates under the new Agreement?

The new rates represent a significant increase from current rates. Elements affecting the magnitude of the current rate increase include:

- Republic Services has indicated that in 2007 it underestimated costs for the services from 2008-2017 and thus rates have not been adequately covering costs for the past ten years.
- Labor, fuel, and equipment costs have been steadily increasing since 2008, with service rates not keeping pace with the increase in operational costs.
- A significant portion of the costs of providing service (approximately 50%) cover processing and disposal (as opposed to collection), which are generally increasing across the industry, and are not associated with collection costs. For example, the cost of composting of organics on a per ton basis has nearly doubled regionally in the last 5 years, and costs for processing recyclables have also risen while revenues from recycling sales have become more volatile.

- On-Premises Service will be made available to qualifying physically disabled customers at Curbside Service rates.
- On-Premises Service rates are increasing more significantly than Curbside Service rates, as bidders were instructed to provide rates aligned with the cost of providing service.

It is worth noting as well that throughout the Bay Area rates charged to customers for solid waste collection and processing have been increasing significantly, and for reasons similar to the increases in Piedmont. This is largely the result of expiring contracts and rates being “reset” to new market, labor, benefits and legislative conditions that were not subject to adjustment in prior years.

How can I bring my monthly rates down?

- Reduce garbage subscription levels (applies to 79% of single family rate payers) by recycling and composting more and using a smaller garbage cart
- Switch to curbside services (applies to 50% of customers)
- Use annual prepayment discount, ~8% savings (available to all customers)
- Physically disabled customers with no able-bodied members of the household may apply to receive on-premises service at curbside rates

Example 1: Curbside Service, 35-gallon garbage cart

Service	Monthly Rate (effective)	\$ increase from current
Current – Curbside Service, 35-gallon garbage cart	\$55.11	NA
New – Curbside Service, 35-gallon garbage cart	\$84.60	\$29.49
New – Curbside Service, 35-gallon garbage cart (With Annual Pre-Payment Discount)	\$77.55	\$22.44
New – Curbside Service, 20-gallon garbage cart	\$79.84	\$24.73
New – Curbside Service, 20-gallon garbage cart (With Annual Pre-Payment Discount)	\$73.19	\$18.08

Example 2: On-Premises Service, 35-gallon garbage cart

Service	Monthly Rate (effective)	\$ increase from current
Current – On-Premises Service, 35-gallon garbage cart	\$61.08	NA
New – On-Premises Service, 35-gallon garbage cart	\$126.93	\$65.85
New – On-Premises Service, 35-gallon garbage cart, (With Annual Pre-Payment Discount)	\$116.35	\$55.27
New – On-Premises Service, 20-gallon garbage cart	\$122.17	\$61.09
New – On-Premises Service, 20-gallon garbage cart, (With Annual Pre-Payment Discount)	\$111.99	\$50.91
New – Curbside Service, 35-gallon garbage cart	\$84.60	\$23.52
New – Curbside Service, 35-gallon garbage cart, (With Annual Pre-Payment Discount)	\$77.55	\$16.47
New – Curbside Service, 20-gallon garbage cart	\$79.84	\$18.76
New – Curbside Service, 20-gallon garbage cart, (With Annual Pre-Payment Discount)	\$73.19	\$12.11

When will the changes go into effect?

The term of the new franchise agreement will begin July 1, 2018.