FORM GEN. 160 (REV. 6-80)

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: February 15, 2013

TO: Honorable José Huizar, Chair
Honorable Dennis Zine, Vice Chair
Honorable Richard Alarcón, Member
Honorable Paul Koretz, Member
Energy & Environment Committee

Honorable Richard Alarcón, Chair
Honorable José Huizar, Member
Honorable Paul Koretz, Member
Honorable Paul Krekorian, Member
Ad Hoc on Waste Reduction and Recycling Committee

FROM: Enrique C. Zaldivar, Director
Bureau of Sanitation

SUBJECT: BUREAU OF SANITATION TRANSMITTAL – PRELIMINARY IMPLEMENTATION PLAN FOR EXCLUSIVE COMMERCIAL AND MULTIFAMILY SOLID WASTE FRANCHISE HAULING SYSTEM (C.F. 10-1797)

For discussion purposes, please find transmitted herewith the Bureau of Sanitation's (Sanitation) Preliminary Implementation Plan for Exclusive Commercial and Multifamily Franchise Hauling System, Version 1, dated February 15, 2013. On November 14, 2012, the City Council approved the recommendations in the Energy and Environment Committee Majority Report and Ad Hoc On Waste Reduction and Recycling Committee Report (C.F. 10-1797) relative to the commercial and multifamily refuse collection, the creation of an exclusive franchise system for private haulers operating in the City of Los Angeles (City), and related matters in response to various motions on waste management services in the City. At this juncture, the report is for information and discussion purposes only. Recommendations for action are not being presented for your consideration as the report is preliminary and not final. We anticipate the Final Implementation Plan being completed and presented for your consideration by March 18, 2013.

The Council Action instructed Sanitation to develop an Exclusive (one hauler per franchise area) Franchise Implementation Plan for privately hauled multifamily and commercial solid waste collection in the City, including a timeline, staffing requirements, a transition plan, and other franchise elements.

Given the complexity of the elements to be addressed, Sanitation anticipates that a series of focused discussions will be necessary to fully evaluate strategies necessary to implement an exclusive franchise system and to develop a Final Implementation Plan. For the initial discussion, Sanitation has prepared a Preliminary Implementation Plan with the assistance of a consultant. This initial draft plan covers the following elements:

Committee Report Element Reference	Plan Elements Included in Initial Draft	Implementation Plan Section
1.a	Exclusive Franchise to meet City Goals	Section 2
1.c	Opportunities for Small Haulers	3.1.3
1.e	Business Assistance and Recognition	3.5.4
1.f	Rate Structure	3.3
1.j	Diversion and Zero Waste	3.6
1.l	Facility Certification	3.8.4
1.m	Maximize Routing Efficiencies	3.4.1
1.n	Clean Trucks	3.8.3
1.o	Franchise Hauler Incentives	3.5.2
1.p	Worker Safety	3.8.5
1.q	Customer Service	3.5
1.s	Reporting Requirements	3.8.2
1.w	Community Input	3.8.1

The following elements are not included in the Preliminary Implementation Plan. These elements will be included in the final Plan.

Committee Report Element Reference	Plan Elements Not Included in Initial Draft	Implementation Plan Section
1	Transition Plan	3.8.7
1.b	Franchise Boundary Map	3.1.2
1.d	Cap on Zones Awarded	3.1.2
1.g	Tipping Fee Cap at Facilities	3.2.2
1.h	Fees and Funding	3.2.1
1.i	Material Exemptions	3.7.1
1.k	Facility Planning	3.8.6
1.r	Contingency Planning	3.5.3
1.t	Studios Special Service Requirements	3.7.4
1.u	Hospitals Special Service Requirements	3.7.2
1.v	LEED Buildings Special Service Requirements	3.7.3

The City Council further instructed Sanitation to begin a full Environmental Impact Report (EIR) to satisfy California Environmental Quality Act (CEQA) requirements for an exclusive franchise system and to include in that EIR reviews of the following alternatives: a review of the status quo, a review of a non-exclusive franchise system, a review of an exclusive franchise with multiple haulers per wasteshed, and a City direct performance of Multifamily and Commercial Waste Hauling.

Due to the urgency of this task, on December 10, 2012, Task Order Solicitation (TOS) S49 was issued to the top ranked firm on Sanitation's On-call Consultant list, Parsons Water & Infrastructure, Inc. (Parsons), with CH2M Hill as a sub-consultant, to provide support for Sanitation staff for a four-month period. On February 11, 2013, the Board of Public Works approved the amendment of TOS S49 to conduct the CEQA process and prepare the EIR for the Private Waste Hauler Exclusive Franchise System. The scope of work includes: 1) preparation of the Notice of Preparation (NOP) and Initial Study Checklist; 2) assisting the City during the EIR Public Scoping Process; 3) preparation of the Draft EIR; 4) Response to public comments on the Draft EIR; and 5) preparation of the Final EIR and Adoption Documents.

Sanitation has begun the CEQA process. To date, the NOP and Initial Study Checklist has been prepared. The NOP will be posted on the Sanitation website by February 20, 2013. Sanitation anticipates holding a series of public meetings in March 2013 to gather input for the EIR.

Attachment

PRELIMINARY REPORT

FEBRUARY 2013

The City of Los Angeles

Implementation Plan for Exclusive Commercial and Multifamily Franchise Hauling System – V. 1

Prepared by
Bureau of Sanitation

CITY OF LOS ANGELES
SANITATION
DEPARTMENT OF PUBLIC WORKS

Solid Resources Citywide Recycling Division

Karen Coca, Division Manager
Dan Meyers, Assistant Division Manager
Enrique C. Zaldivar, Director
Alex E. Helou, Assistant Director

Supported by

CH2MHILL.

1000 Wilshire Suite 2100
Los Angeles, CA 90017

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Acronyms and Definitions

ACRONYMS

CAO:	Chief Administrative Officer
CDD:	City Community Development Department's Workforce Development System
CEQA:	California Environmental Quality Act
CLA:	Chief Legislative Analyst
C&D:	Construction and Demolition Debris
DTSC:	California Department of Toxic Substances Control
EIR:	Environmental Impact Report
FSHO:	First Source Hiring Ordinance
IWMA:	Integrated Waste Management Act
LWO:	Living Wage Ordinance
OSHA:	Occupational Safety and Health Administration
RFP:	Request for Proposals
SCAQMD:	South Coast Air Quality Management District
SCWRO:	Service Contract Workers Retention Ordinance
SRCRD:	Solid Resources Citywide Recycling Division of the City of Los Angeles Bureau of Sanitation
SWIRP:	Solid Waste Integrated Resources Plan
USDOT:	United States Department of Transportation
VMT:	Vehicle Miles Traveled

DEFINITIONS

AB 939:	Assembly Bill 939 (Chapter 1095, Statutes of 1989) is also known as the Integrated Waste Management Act. The Integrated Waste Management Act created the Board now known as CalRecycle and also required each jurisdiction in the state to submit detailed solid waste planning documents for CalRecycle approval, set diversion requirements of 25 percent in 1995 and 50 percent in 2000, established a comprehensive statewide system of permitting, inspections, enforcement, and maintenance for solid waste facilities, and authorized local jurisdictions to impose fees based on the types or amounts of solid waste generated. A more detailed description of the Integrated Waste Management Act is found at CalRecycle's Website (http://www.calrecycle.ca.gov/Laws/Legislation/CalHist/1985to1989.htm).
AB 341:	Assembly Bill 341 (Chapter 476, Statutes of 2011 [Chesbro, AB 341]) directed CalRecycle, among other actions to 1) develop and adopt regulations for mandatory commercial recycling, with compliance beginning July 1, 2012; and 2) submit a report to the Legislature with a plan for reaching 75% diversion Statewide by 2020.
Board:	The City of Los Angeles Board of Public Works.
Blue Bin:	Blue recycling containers for the collection of commingled recyclables.
CalRecycle:	The Department of Resources Recycling and Recovery of the State of California. CalRecycle is the state's regulatory agency on solid waste management.

City: The City of Los Angeles

Commingled Recyclables: Material that has been separated or kept separate from the solid waste stream, at the point of generation, for the purpose of additional sorting or processing the material for recycling or reuse in order to return the material to the economic mainstream in the form of raw material for new, reused, or reconstituted products which meet the quality standards necessary to be used in the marketplace. Co-Mingled recyclables shall not consist of Construction and Demolition Waste.

Commercial Establishment: All industrial, retail, wholesale, services, restaurant, hotel, motel, institutional and other premises, which are subject to the existing City of Los Angeles AB939 Compliance Permit system regulating the collection of solid waste. Commercial premises do not include those single family and multi-unit residential facilities and governmental institutions for which solid waste management services are provided by the City.

Commercial Organics: Organic Waste that is segregated from commercial waste for recycling or other beneficial uses.

Commercial Waste: Solid Waste generated at Commercial Establishments/Premises.

Construction And Demolition Waste: Solid waste that results directly from construction, remodeling, repair, demolition, or deconstruction of buildings and other structures, does not contain hazardous waste (as defined in California Code of Regulations, Title 22, Section 66621.3, *et seq.),* and contains no more than one percent (1%) putrescible wastes by volume, calculated on a monthly basis. Construction and Demolition Waste includes, but is not limited to, asphalt, concrete, Portland cement, brick, lumber, wallboard, roofing material, ceramic tile, pipe, glass, carpet or associated packing.

Diversion: As defined in California statute, the combined efforts of waste prevention, reuse, and recycling practices.

Gross receipts: Those receipts defined as Gross Receipts in Los Angeles Municipal Code Section 21.00 (a) generated by the collection of Solid Waste including, but not limited to, service, container rental, disposal and processing charges. For purposes of this Section and Sections 66.32.1 through 66.32.5, Gross Receipts shall not be applicable to receipts generated by the collection and sale of Source-Separated Materials or Co-Mingled Recyclables.

Multi-Family Establishment: For purposes of the Exclusive Commercial Franchise system, a Commercial Establishment.

Permittee: A Person issued an AB 939 Compliance Permit pursuant to the provisions of Subsection (a) of Section 66.32.1.

Permitted Hauler: Any Person engaged in the business of providing or responsible for the collection, removal or transportation of Solid Waste, Construction and Demolition Waste, Source-Separated Materials, or Co-Mingled Recyclables generated within the City.

Sanitation: The City of Los Angeles Bureau of Sanitation

Solid Waste: Waste that CalRecycle has deemed acceptable for disposal at a Class III Landfill, and shall include Source-Separated Material and Co-Mingled Recyclables under specified conditions. Solid Waste for the purpose of the Exclusive Commercial Franchise system does not include Construction and demolition waste.

Source Separated Material: Material that has been separated or kept separate from the solid waste stream at the point of generation and has not been commingled with other solid waste or recyclable materials.

Zero Waste: a philosophy and a design principle for the 21st Century. It includes 'recycling' but goes beyond recycling by taking a 'whole system' approach to the vast flow of resources and waste through human society. Zero Waste maximizes recycling, minimizes waste, reduces consumption and ensures that products are made to be reused, repaired or recycled back into nature or the marketplace.

SECTION 1
Limitations of the Existing System

1.1 Background

Waste collection and disposal in the City of Los Angeles (City) is handled by public and private solid waste haulers. Public collection of refuse, recycling, and green waste is primarily provided by Sanitation to single family properties and multifamily properties with four (4) units or less. This is due to the moratorium approved by the City Council in 1991, which prevents most apartment buildings of five (5) or more units from participating in the City's automated waste collection program. Since this moratorium was adopted, multifamily dwellings of five (5) or more units have been primarily serviced by private waste haulers, although some larger buildings (with five (5) units or more), that had continually received City service before the moratorium, were "grandfathered" in to public collection and will continue to receive curbside services from Sanitation. Private solid waste haulers collect from all multifamily and commercial sites not collected by City crews.

Under the current waste hauler permit system, businesses are allowed to select and negotiate waste disposal and/or recycling contracts with any of the City's permitted private waste haulers. With the adoption of the construction and demolition debris ordinance a significant number of construction contractors that haul their own waste became permitted waste haulers. Because of this new requirement a significant number of waste haulers have been added to the permit system. The number of contractors, permitted as waste haulers, entering and leaving the permit system varies greatly. There are at any given time between 500 and 750 permitted private waste haulers providing some kind of waste hauling. Most of these permitted haulers are construction related contractors who have taken out permits to haul construction and demolition debris. Of the haulers operating in the City approximately 140 are traditional haulers where waste hauling is their primary business. Only 68, of the 140 traditional haulers, collect enough waste to report receipts (required of those hauling more than 1,000 tons per year), the fifteen (15) top grossing waste haulers control 97% of the business, and the top four (4) control 85% (see Figure 1-1 and Table 1-1). Service is provided to at least 75,000 service accounts, including sites such as large office buildings, malls, and hotels, while in contrast the City of San Jose has 8,000 service accounts in its new exclusive commercial franchise.

Although the existing waste hauler permit system and AB939 Compliance Fee has been an effective tool used by Sanitation in establishing significant recycling programs, it limits the City's ability to address many of the current challenges it faces. These challenges include compliance with new State mandates, City diversion goals, and the environmental and health impacts of waste hauling. AB 341, signed into law in October 2011, creates green jobs by mandating recycling to every multifamily dwelling over five units and businesses which dispose of a certain level of trash each week. CalRecycle is also charged with adopting a plan to bring the entire state to 75% waste diversion by 2020. In 2006, the City signaled its intent to divert more waste from landfill by the adoption of the RENEW LA plan, which establishes a Zero Waste goal of 90% diversion by 2025, with Mayor Villaraigosa establishing an interim goal of 75% waste diversion by 2013. Due to the existing permit structure, waste haulers are not required by the State to operate clean alternative fuel vehicles, which negatively impacts local air quality. In addition, multiple haulers operating in a given area translate to more refuse trucks on the road, traffic impacts, and more localized

TABLE 1-1
Market Share Existing Haulers

Market Share of Existing Haulers	
Company Name	**Market Share**
Consolidated Disposal Service, LLC	35.47%
Arakelian Enterprises, Inc.	22.55%
USA Waste of California (SV)	19.41%
Crown Disposal Co. Inc	9.72%
Commercial Waste Services	1.81%
Universal Waste Systems, Inc	1.78%
NASA Services, Inc.	1.45%
AAA Rubbish, Inc	1.27%
American Reclamation, Inc.	1.14%
Southern California Disposal Co., Inc.	0.82%
Local Rubbish, Co. Inc.	0.50%
Haul-Away-Rubbish Service, Inc.	0.41%
Waste Resources Inc.	0.39%
United Pacific Waste	0.37%
Apex Waste Systems, Inc.	0.33%
All Other	2.58%

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emissions. The current permit system also does not monitor compliance by private waste haulers with state laws regarding employee health and safety requirements for their employees collecting and processing commercial waste.

1.2 Limited City Ability to Drive Zero Waste Progress

The City has made considerable strides over the last decade to become a Zero Waste City. In 1994, the City adopted an integrated solid waste management plan to reach a 75 percent diversion goal by the year 2020. Mayor Antonio Villaraigosa raised the bar higher, challenging Sanitation to divert 75 percent of the City's waste by 2013. In addition, the Mayor and City Council directed Sanitation to reach a Zero Waste goal of 90 percent diversion by 2025. Major diversion programs have been implemented, including curbside automated recycling and green waste diversion programs for Sanitation serviced single and multifamily customers. Under the direction of Mayor Villaraigosa, recycling services were offered to all multifamily properties and restaurants. Sanitation also commenced the Solid Waste Integrated Resources Plan (SWIRP) process, which included extensive stakeholder outreach, to provide a platform to launch the programs necessary to reach Zero Waste.

Approximately thirty-one percent of the annual disposal is generated by single and small multifamily residential properties collected by Sanitation. The remaining sixty-nine percent is generated by larger multifamily and commercial properties collected by the City permitted private waste haulers (see Figure 1-2).

FIGURE 1-2
Disposal by Property Type (tons)

Since 2002, Sanitation has implemented a number of significant new waste diversion programs. The multifamily residential recycling program has expanded blue bin recycling to 430,000 households since citywide expansion in 2007. The partnership to expand recycling at LAUSD has resulted in 658 schools being provided weekly service, and over 120,000 students educated on waste reduction and recycling. Over 38,000 tons of food waste each year has been recycled through Sanitation's Restaurant Food Waste Recycling Program. Also, since 2010 all construction and demolition material must be recycled, which is estimated to reduce City disposal by over 100,000 tons per year.

The City has achieved a 72% diversion rate; however, there is still nearly 3 million tons of solid waste disposed annually. Much of the material remaining in the commercial waste stream is recyclable. Sanitation has performed a series of waste characterizations to assist in the development of new recycling programs (see Figures 1-3 and 1-4). These waste characterizations show that a substantial amount of recyclable material remains in the multifamily and commercial waste streams. Recycling programs are needed to divert this material before they reach the landfill.

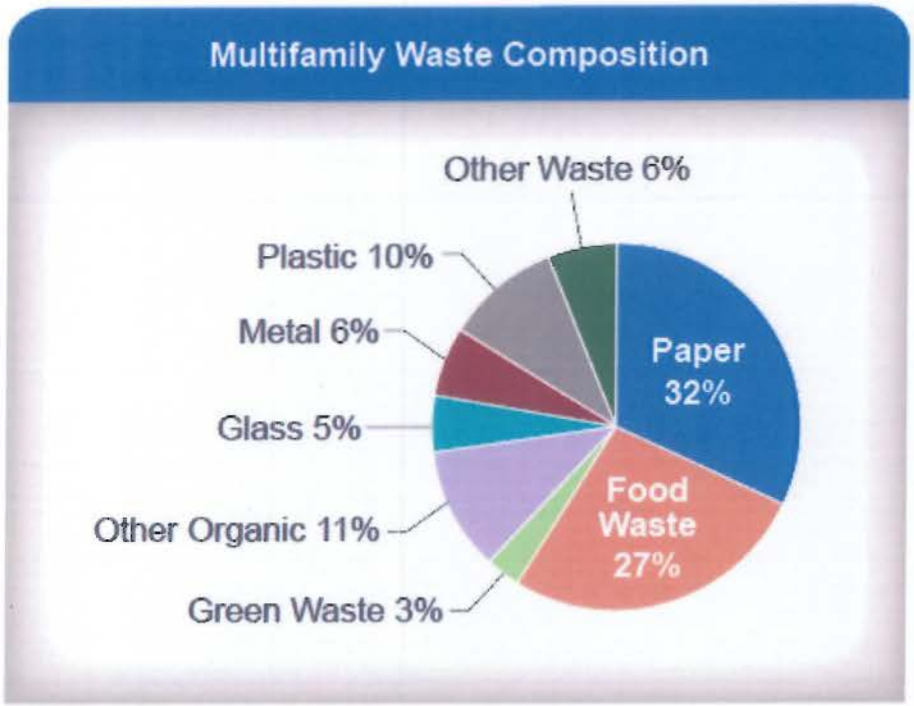

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FIGURE 1-3
Multifamily Waste Composition

To meet the City's Zero Waste goals, the City will need to expand services and program offerings in the commercial and multifamily sectors. An exclusive franchising system would greatly enhance the City's ability to do so, by allowing it to efficiently and effectively introduce new program and service offerings in these sectors by creating a simple, uniform recycling system provided by franchise holders that will become partners with the City to move more material from landfill disposal to beneficial reuse.

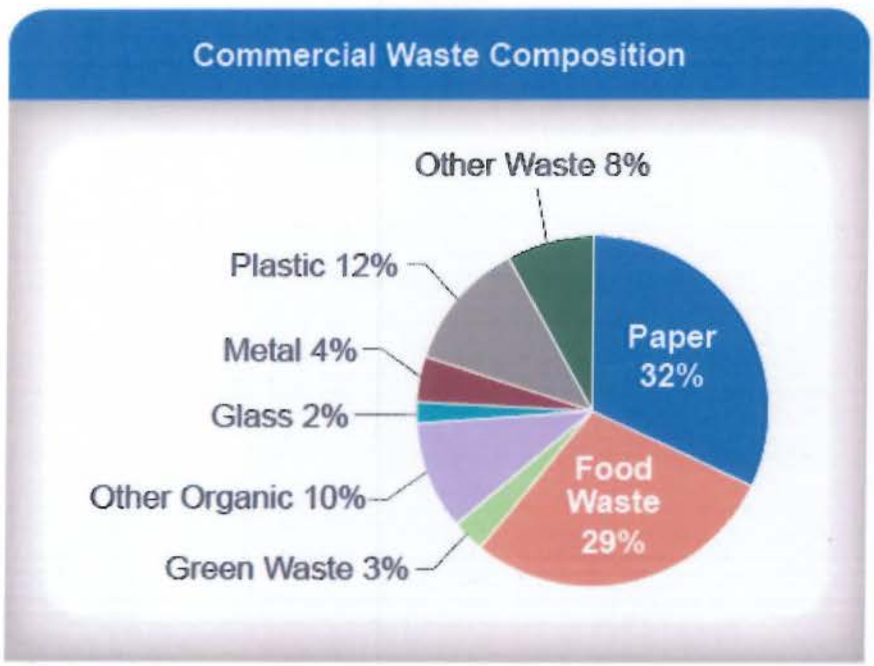

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FIGURE 1-4
Commercial Waste Composition

1.3 Limited City Ability to Measure Recycling Performance

The City must have accurate, consistent, and reliable data to comply with State requirements and meet its diversion goal. With the passage of AB818 and AB341, recycling is required at every multifamily dwelling over five units, and all commercial businesses that generate more than four cubic yards of trash per week. The City is required to monitor compliance and notify businesses if they are out of compliance with this measure. In order to reach the zero waste goals the City needs the capabilities to monitor and track a waste hauler's compliance with required diversion programs, participation and program effectiveness.

The current waste hauler permit system does not allow the City to effectively monitor or track recycling in the multifamily and commercial sectors. There are limited reporting requirements under the current permit system and additional information is difficult to obtain. Waste haulers must compete for customers in the City and closely guard their customer lists. In addition, as customers can select and change their waste haulers at will, an individual waste hauler's customers list is in a constant state of change. Material flow is also very difficult to track. Waste haulers report delivering material to over 200 different facilities, based on 2010 annual waste hauler reports. These facilities are located both inside and outside of the City boundaries.

Sanitation has made a number of information requests from permitted waste haulers and receiving the data has been problematic. Waste haulers have sited confidentiality concerns with transmitting data to the City, as they believe that the information received could be used by other waste haulers to gain a competitive advantage or poach accounts. The issue of gathering information from waste hauler is compounded by the fact that there are no standards for what information is gathered by permitted haulers or how it is maintained. Basic information, such as the definition of a service account or how recycling is tracked, varies by waste hauler. This variation in data was highlighted with Sanitation's recent request for information from waste haulers in an attempt to meet the requirements of AB341. Some waste haulers did not differentiate between recycling and waste accounts, while others listed every waste bin as a separate account.

An exclusive franchise system would allow the City to establish and enforce consistent and timely reporting requirements for haulers under franchise, thereby allowing Sanitation to more effectively measure the City's performance relative to its Zero Waste goals, introduce new programs, and pilot new innovative strategies.

1.4 Open System That Creates Inefficiencies and Negative Environmental Impacts

The existing open competitive collection system promotes an overall ineffective system. Waste haulers must base on their collection routes on their individual customer list that can be distributed throughout the entire City. This results in the collection vehicles of multiple firms crossing paths on City streets to serve customers in the same areas every day. Vehicles may need to travel longer distances between stops and serve fewer accounts during the day than if the collection system was an "exclusive zone." This results in more collection vehicles on the street each day than necessary, resulting in an efficient system, and negative impacts on air quality.

This inefficiency is compounded by the need to provide recycling services to all customers. Businesses impacted by AB341 must subscribe to a recycling service, and many may work with their current waste hauler. Recycling routes must also be as efficient as possible to minimize the number of trucks as well as vehicle miles traveled in the City's solid resources collection system.

1.5 Customers Pay Different Rates for the Same Services

Rates for waste service are known to vary in the City from business to business for the same or similar service. Under the current permit system individual businesses negotiate their own prices with permitted waste haulers. The City has no oversight on the rates charged to customers, or the structure of rates (how rates vary by level of service). The rates negotiated by each business vary depending on:

- The size of a business. Large businesses with multiple accounts can often use their size to negotiate lower rates;
- The negotiating skill of the customer;
- The pricing structure of the particular waste hauler with whom the customer is negotiating;
- The unique service characteristics of the customer's location, such as the push-out distance of the container from the storage location to the point of collection;

- Unique container access conditions, such as underground parking garages where containers may be stored requiring a special collection vehicle to position the container for the refuse truck
- Special services required, such as locking containers.

As stated by large businesses in the City during the stakeholder process, they can often use their larger waste needs to negotiate lower rates. Conversely, small businesses with lower waste quantities do not have the same bargaining power to negotiate lower rates, and often pay more for the same level of service provided to a larger business. Some small businesses indicated during the stakeholder process that they often find that other businesses are paying a different rate for the same level of service.

Recycling programs are typically provided at additional cost to businesses. In addition to the varied rates for service, a business that wishes to recycle must negotiate a separate rate for that service. The cost effectiveness for a business to recycle not only depends on the negotiation skills of the business but also the structure of a haulers business. Waste haulers that have not integrated recycling fully into their business model may not be able to offer cost effective recycling programs. If a business remains under contract with a hauler who does not offer recycling under the current system, then there are limited options available to the business to establish a cost effective recycling program.

An exclusive franchise system would give the City the ability to establish uniform rates throughout the City for the same level of service, and establish rates structures and "bundles" of service offerings that create incentives to recycle and reduce waste. And, an exclusive franchise system would eliminate the need for customers to shop for and negotiate rates with different service providers.

1.6 Limited City Ability to Achieve Broader Policy Goals

The City requires its contractors to comply with requirements that include meeting certain health and safety standards for its workforce, and to abide by the City's living wage ordinance. Under the current open market permit based system, the City cannot require the collection companies operating in the City to meet these standards. An exclusive franchise system would allow the City to require collectors to meet these standards via terms included in franchise agreements. The City would also be able to require that these standards be met at any transfer station, material recovery facility, or waste processing facility utilized by a franchise hauler as a subcontractor.

SECTION 2

Franchise Program Goals

The proposed goals of the City's Exclusive Commercial Franchise system include:

1. Meeting the City's Zero Waste goals by establishing the maximum disposal for each zone, and implementing waste diversion programs that are consistent with the SWIRP Guiding Principals;
2. Meeting and exceeding California requirements for waste diversion and mandatory commercial and multifamily recycling;
3. Improving health and safety for solid waste workers under City contract provisions;
4. Improving efficiency of the City's solid waste system by reducing the number of service routes for waste;
5. Improving the City's air quality by requiring low emission clean fuel vehicles;
6. Creating a System that Meets Customer Needs with Uniform Rates and Cutting Edge Program Offerings Citywide;
7. Creating an Environment that ensures Long-Term Competition;
8. Ensuring sufficient staffing to meet Program Goals.

2.1 Meet the City's Zero Waste Goals

The City adopted the RENEW LA plan, which calls for a series of actions to move Los Angeles to Zero Waste by 2025, or 90% diversion with only a small inert residual left for disposal. Many of the RENEW actions have been adopted by the City, including the mandatory Construction and Demolition Debris recycling program, Solid Waste Alternative Technologies (SWAT) ordinance to establish zones where these facilities can be sited with a Conditional Use Permit, implementation of the multifamily recycling program, development of a Green Business Certification program, and restaurant food waste program.

Sanitation also provides business technical assistance on waste diversion through the Business Waste Assessment program. These programs, while very successful, are implemented by City staff on a limited basis due to limited funding and reduced staffing. The Exclusive Franchise system will bring a comprehensive recycling program to all businesses and residents in the City through the requirements in the Franchise agreements.

To align commercial collection services with the City's Zero Waste goals, new exclusive commercial franchise agreements will require that the disposal of solid waste at landfills from each zone decreases during the term of the agreement. In the Request for Proposals (RFP) responses, proposers could be required to provide a specific plan for how they would accomplish this, or support this goal, in their proposed collection zones.

2.1.1 SWIRP Guiding Principals

In 2007, Sanitation commenced a stakeholder-driven solid waste integrated resources plan process (SWIRP) to establish a 20-year blueprint to move the City to Zero Waste by 2025. A set of Guiding Principles were approved by the stakeholders, as follows:

- Education to decrease consumption
- City leadership as a model for Zero Waste practices
- Education to increase recycling
- City leadership to increase recycling
- Manufacturer responsibility
- Consumer responsibility
- Convenience
- Incentives
- New safe technology

- Protect public health and the environment
- Equity (Environmental Justice)
- Economic Efficiency

Many of the programs and policies contemplated through the SWIRP process can be satisfied by the implementation of an Exclusive Commercial Waste franchise system in Los Angeles. These programs include:

- Recycling at all homes and businesses in Los Angeles.
- Management of green and organic materials from the commercial and multifamily sectors, which will include food waste recycling from restaurants.
- Disposal reduction targets for Franchised Haulers in their zones.
- Implementing a commercial rate structure that encourages diversion, such as free recycling services.
- Increased outreach and education.
- Increased business technical assistance, through Franchise Hauler requirements and minimum standards.

2.2 Meet and Exceed California Environmental Laws

California is on the forefront of states in waste diversion policies and requirements. In 1989, AB939 was adopted by the State Legislature, and requires that all jurisdictions in California divert 50% of their generated solid waste materials from landfill disposal by 2020. In 2011, California adopted AB341, which requires that CalRecycle present a plan to bring the state to 75% by 2020, and mandates that most business and multifamily complexes have a recycling program. CalRecycle has also adopted a Strategic Directive 6.1, with a goal to reduce the amount of organics in the waste stream by 50% by 2020, or, they estimate, about 10 million tons of material each year.

The City continues to meet and exceed the requirements of the State of California. The City's diversion rate for the 2010 reporting year is 72%. Also, the City has a program that creates an incentive for permitted private waste haulers to provide collection and recycling of organics at restaurants. This voluntary program reaches about 10% of all food service establishments, in order to assist California in meeting its organics diversion goals, and to bring the City to Zero Waste, our Exclusive Franchise agreements must address the diversion of organics from the landfill. Targeting organics is important to our diversion goals since food waste is estimated by the United States Environmental Protection Agency to comprise approximately 25 percent of the waste stream.

2.3 Improve Health and Safety for Solid Waste Workers Enforced by Provisions in Franchise Agreements

During the discussion and throughout the public hearings regarding the Franchise, a clear message was that the City's standard contract requirements such as the Living Wage and Worker retention programs would assist solid waste workers in improving their working conditions. These improvements will be implemented through the contract and subcontract provisions in the Franchise agreements. In addition, Sanitation is proposing an expansion of the current Certification process to include inspection of all facilities utilized under the Franchise agreements for health and safety requirements, and notifying appropriate agencies if necessary.

2.4 Improve Collection System Efficiency by Minimizing the Number of Routes

Through the Request for Proposals and evaluation process, Sanitation will strive to minimize vehicle miles traveled (VMT) to provide the services required under the franchise agreements. Franchise haulers will be required to monitor and report on their VMT per route under the Exclusive Franchise system to allow the City to monitor and enforce those provisions relating to air quality. Franchise agreements could require haulers to provide an annual assessment of opportunities to reduce VMTs in their collection areas, which could be used by the City to establish VMT reduction goals for each hauler.

2.5 Improve Air Quality by Requiring Clean Fuel Vehicles

The City will require that vehicles operating within the City under the Exclusive Franchise system be low emission clean fuel, and require that the Franchise haulers utilize late model vehicles to take advantage of new technologies, to reduce greenhouse gas (GHG) production by the City, and localized impacts to neighborhoods. Diesel-fueled solid waste collection vehicles emit many air pollutants, including particulate matter (PM) and oxides of nitrogen (NOx) that cause adverse health impacts. According to the California Air Resources Board, exposure to diesel PM may result in both cancer and noncancerous health effects. NOx, a contributor to ozone or smog, has also been found to have adverse health effects in humans, including respiratory irritation, suppression of the immune system, and asthma exacerbation.

2.6 Create a System that Meets Customer Needs with Uniform Rates and Cutting Edge Program Offerings City Wide

The Exclusive Franchise system must maintain and improve the level of service provided to customers. Customer needs will be met by the haulers under the Franchise agreements. To provide an incentive, liquidated damages for poor service will be included in all agreements, and an annual review will be conducted on Franchise performance measures. Under the franchise, rates and services will be uniform across the City, it will be easy for customers to access and use a broad range of services, and franchise haulers will be required to provide on-site customer assistance to support customer recycling efforts. Further, processes and systems will be put in place to ensure the timely resolution and response to customer requests and complaints.

2.7 Create an Environment that ensures Long-Term Competition

Ensuring that the Exclusive Franchise system remains competitive over the long term is a critical goal during the development of the new system. Putting measures into place such that the City receives wide participation in the Request For Proposals (RFP) process, making sure that local haulers are well represented through the design of the Franchise zones, and creating incentives for local solid waste haulers to remain part of the system, will ensure that ongoing competition remains. Sanitation will achieve this goal through the development of RFP requirements, and zone criteria and boundaries, which are currently under discussion.

2.8 Ensure Sufficient Staffing to meet Program Goals

The action by the City Council in November approved the unfreeze of six positions for the development of the Franchise Implementation Plan and system. Further staff needs must still be analyzed in light of the system elements in this Franchise Implementation Plan. Additional resources will be needed for contract development and management, customer service and enforcement. These resources will be identified as the franchise system is further developed.

SECTION 3

What We Envision for 2017: Recommended Strategies

This section provides specific information about how the exclusive franchise system will be designed and implemented to meet the goals outlined in Section 2.

The City's consultant, CH2M HILL, interviewed and gathered documents from other jurisdictions to inform the City's development of its franchise implementation plan. CH2M HILL's survey sample was targeted to jurisdictions with multiple, exclusive collection zones. Thus, it is a targeted sample (12 jurisdictions) and not necessarily representative of how jurisdictions have addressed all of the policy issues the City wishes to address with an exclusive franchise system. Where CH2M HILL's interviews and/or review of other jurisdictions' documents can help inform the City's direction, information obtained has been provided.

3.1 Collection Zones

The development of an Exclusive Commercial Franchise system in the City of Los Angeles requires that collection zones be established for the purpose of developing an RFP and awarding franchises. Sanitation has an established wasteshed system, with six separate collection areas, and proposes using these wastesheds as the starting point for developing exclusive franchise collection zones.

In order to gain insight into the experiences of other jurisdictions with multiple exclusive franchise zones, Sanitation commissioned a survey by CH2M HILL. After some initial online research and consultation with industry contacts, twelve jurisdictions were identified that were of interest to Sanitation. A summary of relevant information about the jurisdictions surveyed is shown in Table 3-1.

TABLE 3-1
Summary Statistics for Surveyed Jurisdictions

Jurisdiction	Exclusive Collection Areas	Estimated Population	Square Miles[a]	No. of Firms	Services Franchised[b]
Collier County, FL.[c]	2	285,000	2,305	2	R/MF/C
Fresno, CA.	4[d]	501,000	105	2[d]	R/MF/C
Fresno County, CA.[c]	14	342,000	6,017	12	R/MF/C
Lee County, FL.	5	423,000	1,212	5	R/MF/C
Norwalk, CA.	2	106,000	9	2	R/MF/C
Palm Beach County Solid Waste Authority (SWA), FL.[c]	11[e]	558,000	2,386	4	R/MF/C
Phoenix, AZ.	10	1,470,000	517	3[f]	R
Portland, OR.	19	584,000	145	19	R
Reno, NV.	2	422,000	69	2	R/MF/C
Seattle, WA.	4	621,000	143	2	R/MF/C
Stockton, CA.	2	292,000	62	2	R/MF/C
Vancouver, WA.	2	165,000	46	1	R/MF/C

[a] County data include area for cities and towns.
[b] R = single-family residential; M = multi-family residential; C = commercial.
[c] Applies mainly in unincorporated areas of County.
[d] Data shown are for commercial and multi-family; residential RFP included two zones that were awarded to one firm.
[e] In process of changing to four collection areas.
[f] Managed competition process: Currently, the City and two private firms provide collection services.

3.1.1 Methodology of Establishing Collection Zone Boundaries

Sanitation has recommended eleven (11) exclusive franchise zones for the City of Los Angeles. Eleven franchise zones of varying size and density will allow private waste haulers to design proposals that bring the maximum flexibility into the system, and result in a number of haulers being awarded exclusive franchise zones. Having a number of haulers operating under the Exclusive Franchise system in the City will provide 1) backup in case of service interruptions, 2) options in case of emergency, and 3) sufficient competition for future RFPs for the system. Based on compiled information received from the waste haulers, these areas should vary from approximately 2,000 to 15,000 service locations.

A franchise system for the City, due to its size, geography, and demographics, will be the largest and most challenging to develop in the nation. Approximately 1.8 million tons of waste is disposed annually from commercial businesses. The City is over 460 square miles in area. Sanitation issued a request in October 2011 to all permitted waste haulers in order to gather detailed information on the number of service locations throughout the City. Based on the responses to the information request, Sanitation estimates that there are about 75,000 commercial service locations (accounts) within the City. The exact number of accounts, their locations, and service levels will change as staff receives additional information, because of data recording variations amongst hauling companies. However, since the respondents included the top ten waste hauling companies who make up nearly 95% of the City's commercial waste system, 75,000 locations is assumed to be fairly accurate.

As shown in Table 3.1, the number of franchise areas in the communities surveyed ranged from two to nineteen. A number of reasons were provided as the basis for the number of areas, and the number of areas that could be awarded to one company:

- Collier County established its areas around the two main population centers in the County, and the initial agreements were negotiated with its two main service providers (rather than an RFP process). It has two firms operating in its two areas.
- Fresno divided the City into four quadrants around major arterials that resulted in relatively similar numbers of accounts per zone. It allowed firms to propose on multiple zones: after reviewing responses, it awarded its four zones to two firms.
- Fresno County issued an RFP and any firm that could meet its bonding, performance, and insurance requirements was guaranteed a franchise area. Without an RFP, Portland took the same approach and negotiated franchise agreements with approximately 100 firms.
- The Palm Beach County SWA's new four zone system will have franchise areas that match the outer boundaries of their original 11-zone system, with each area being served by a transfer station or waste-to-energy facility. With the 11-zone system, no firm was allowed more than 55 percent of the residential accounts. With the four-zone system, a single firm can serve no more than three zones.

> - *Franchise boundaries typically are drawn around major geographic dividers such as main roads, water bodies, or mountains.*
> - *No jurisdiction used political districts as the basis for franchise area boundaries.*
> - *To ensure competition for future contracts, most jurisdictions limit the number of customers served by one firm to 40-55 percent of all customers.*
> - *Some jurisdictions decided on the number of contracts to award after reviewing RFP responses.*

- Phoenix targets their zones to be approximately 40,000 living units. In 2006-07 they commissioned consultant research into the optimal size of collection zones. That research concluded that 30-60,000 living units per zone would be optimal. It uses a managed competition process where a new zone is bid every two years for a six-year term. No private firm may serve a particular zone for consecutive contracts, which the City requires to ensure their municipal collection services don't lose touch with residents in a particular area of the City.

- Portland's system has evolved through consolidation from 69 exclusive franchises to 19 today. The City established a maximum of 50,000 accounts served by any one firm, but recently changed that to a 40 percent of all account maximum because one firm was nearing that 50,000 account limit.
- Reno had a single exclusive franchise and expanded to include a second firm that had taken advantage of the initial franchise covering wet waste only, and it had secured significant business by offering lower rates for dry waste service.
- Seattle used research by a consultant that indicated economies of scale are reached at approximately 5 to 10 trucks, or 20-40,000 living units per zone. Based on that research, Seattle thought they could have up to seven zones economically, but settled on four to reduce the administrative burden associated with multiple zones. After evaluating proposals, it awarded its four zones to two firms.

It should be noted that some jurisdictions (e.g., Fresno, Seattle) decided on the number of contracts to award after evaluating RFP responses. They awarded multiple zones to the highest rated proposers.

Most of the jurisdictions that have evaluated the optimum number of zones expressed concern about allowing any one firm to have too great of a market share. One person interviewed (from Fresno) responded that it would prefer one zone rather than two because the administrative challenges of multiple zones is high, and in his opinion the risk is low that a single firm would automatically win a new bid at relatively high prices because other firms would not be willing or able to provide competitive proposals.

In designing service area boundaries, the main criteria cited for establishing boundaries follow.

- Key geographic features (rivers, mountains)
- Major roadways
- Roughly equal accounts per zone
- Prior patterns of service for collection firms
- Proximity to unloading facilities (processing, transfer, disposal)

For example, Phoenix has mountains to work around and has one area that can be accessed by only one road going in and out, and Fresno County has four rate service areas that reflect differing building densities and mountain areas. Multiple jurisdictions pointed out the importance of clear delineation of boundaries to minimize confusion for collection firms and customers. Many considered expected future growth as well when establishing boundaries.

No jurisdiction has boundaries that are influenced by Council or Commissioner districts. That was considered during early deliberations in Fresno, but it was not acted on because it would have resulted in more zones than they felt was necessary (seven), the Council boundaries are less clearly delineated than what they have now, and Council districts change with each census which would require redrawing boundaries.

Some lessons learned offered by survey respondents follow:

- Clarity in boundary delineation simplifies management and administration.
- Having different rates in different areas leads to confusion and is not desirable.
- Administrative complexity increases substantially with multiple franchise areas, and economic efficiency can suffer if zones are too small: many survey respondents think fewer areas would be better than what they have now.
- Better, more proactive communication with customers prior to implementation of the new system would have reduced confusion and complaints during startup.

- *No jurisdiction has boundaries that are influenced by political districts.*
- *Administrative complexity increases dramatically as the number of franchise areas increase.*
- *Differing rates in different areas leads to confusion and is not desirable.*

- Franchise agreements can evolve and improve through time.
- Vancouver wished it had included commercial recycling in its initial commercial franchise. Its provider offers this service now and participation is growing, but it could have been farther along.

Sanitation's current wastesheds are used to track the flow of waste and recyclables of material collected by the City's curbside collection program. For future planning purposes the boundaries of the City wastesheds and franchise zones should align. This allows Sanitation to look at both public and private waste flow as a whole for the first time. This ability will assist Sanitation in siting future facilities to meet the needs of both waste streams. In addition, Sanitation's current wastesheds already make use of obvious boundary delineations. The Santa Monica range that establishes the Valley area is used as the southern boundary of two of Sanitation's existing wastesheds. The San Pedro wasteshed was established considering the geographic nature of its location. The 405 freeway, the unofficial dividing line between the east and west valley, divides the valley in two equal sections. The current boundary between two of Sanitation's wastesheds closely tracks the 405 freeway.

The goal of establishing the franchise zones is to provide cost effective collection opportunities for both small and large waste haulers. Staff has evaluated the challenges that smaller waste haulers might face in preparing a proposal and providing service to their customers. Many small to medium size waste haulers currently service less than 1,000 accounts. These haulers may not have the resources to provide service to large service areas that could exceed 10,000 accounts and may not have the capital to secure additional resources. Additionally, the need to match the size of the zone to available resources was a concern voiced by smaller haulers that did not own their own solid waste facilities. Smaller haulers feel that larger haulers that own their own facilities may use their leverage over tipping fees to place smaller haulers at a competitive disadvantage.

Taking the factors that could affect small haulers into consideration, staff believes that developing zones with smaller numbers of service accounts, smaller geographical areas, and in close proximity to public owned waste facilities will allow smaller haulers to successfully propose for an area and continue to service and increase business. Small zones with 2,000 to 3,000 accounts should provide small haulers with the ability to propose while provide them with the opportunity to grow. To address the concern of competitive tipping fees, smaller zones should be created adjacent to the City owned and operated Central Los Angeles Recycling and Transfer Station (CLARTS). This proximity will provide small haulers with direct access to publically owned facility and stable and transparent rates.

The top four waste haulers in the City service 10,000 to 40,000 accounts. Sizing the larger franchise zones between 4,000 to 15,000 accounts will allow haulers to propose on one or multiple zones. The larger zones will allow larger haulers to utilize their existing infrastructure and capital to provide competitive proposals.

Recommendations:

- **Zones sized with a range of 2,000 to 15,000 accounts.**
- **Existing Sanitation Wasteshed boundaries be used as a basis for developing zones.**
- **Use major geographical features such as roads or mountains to delineate boundaries.**

3.1.2 Franchise Zone Boundaries and Cap on Zones Awarded

[This discussion is currently in progress]

[Figure 3-1 – Franchise Zone Map currently in progress]

3.1.3 Create Opportunities for Local Private Waste Haulers

Sanitation is recommending that three collection zones be sized so that they are available for proposing by smaller waste hauling companies through the RFP process (see the Sanitation's map of proposed collection zones), and that all franchisees (prime contractors) adhere to the Business Inclusion Program, including subcontracting requirements. These measures will help to ensure that small local haulers remain viable and competitive in the local collection services industry.

Three smaller collection zones should be located near the City's Central Los Angeles Recycling and Transfer Station (CLARTS), which charges the same rates to all customers. Haulers who service these three smaller exclusive franchise zones will be directed to CLARTS in their franchise agreements. In addition, there are several privately held recycling facilities in the same area which are not controlled by large waste hauling companies. These actions will ensure that small haulers have access to competitively priced transfer and processing facilities, and address concerns voiced in stakeholder meetings and in public hearings that waste haulers who do not own facilities may be 'shut out' of the franchise proposal and selection process.

Regarding subcontracting, Sanitation believes that the City's Business Inclusion Plan provides additional opportunities for small haulers.. Each prime proposer will be required to meet the City's minimum percentage subcontracting goal. Both the prime and the subcontractor(s) will be required to abide by the City's living wage requirements, as well as any health and safety standards the City establishes through the contractual process.

Two jurisdictions – Lee County Florida and Seattle – have versions of living wage in their agreements, with Seattle's being quite comprehensive. One jurisdiction - The Solid Waste Authority of Palm Beach County, FL – has a small business minimum participation requirement in its agreements. Specifically, in the current solicitation they have a fifteen (15) percent goal for Small Business Enterprise (SBE) participation in contracts and purchases. The participation is calculated by dividing the proposed annual payments to be made to certified SBEs providing good and/or services necessary to support the required services under the agreement by 60 percent of the total annual residential and commercial bid. Seattle, in its last RFP process (2007), created a fourth collection zone (it previously had three), with the hope it would attract one or more small haulers (or new companies) to propose. Seattle, in fact, ended up choosing CleanScapes, a newly formed local collection company, to serve two collection areas.

Solid Waste Authority of Palm Beach Florida

- *Requires each franchise to subcontract with small businesses for 15% of the value of the contract*

Seattle

- *Seattle added a 4th collection area in its last RFP process (2007) to encourage new and small firms to bid – one of the successful proposers was a new, small collection firm*

Recommendations:

- **Three collection zones geared to smaller waste haulers.**
- **Compliance with the City's Business Inclusion Plan.**

3.2 Fees and Funding Requirements

3.2.1 Franchise Fee Level

[This discussion is currently in progress]

3.2.2 Tipping Fee Caps on Facilities

[This discussion is currently in progress]

3.2.3 Staffing Plan

[This discussion is currently in progress]

3.3 Uniform Rates that Change Predictably

Currently, each business or property owner negotiates rates with a hauler. There are no set amounts or rate schedules available that customers can use to determine if they are paying a fair price for the service. In particular, this affects small businesses, many of which do not have the time to research, bid, and negotiate for recycling and waste services. Small businesses also have less negotiating power than larger businesses which can lead to them paying more for the same service.

3.3.1 Implement One Rate Schedule City-Wide

The Exclusive Franchise system should include a single, uniform rate schedule city-wide. This will ensure fairness so that all of the City's business, institutional, and multifamily customers pay the same rates for the same service. The service will be much simpler to understand and more transparent: rates will be posted on the Sanitation website and communicated freely to all customers.

A single city-wide rate structure does not mean a one size fits all approach. Business will have a suite of solid waste and recycling options to choose from that promote diversion and can be customized to fit their needs. Once customers know what choices are available to them, it will be much easier for them to tailor their mix of recycling, organics, and solid waste service so that their needs are met at the lowest possible cost. Further, a single rate schedule will make it much easier for Sanitation staff to work with customers to identify billing issues and quickly resolve them.

In CH2M HILL's survey, jurisdictions were split about evenly between those that have a single jurisdiction-wide rate schedule, and those that have different rates in different franchise areas. In jurisdictions where rates are different in different areas, complaints have been received from businesses with rates that were higher than from others in the City. For example, with multiple, exclusive zones there will be situations where businesses on either side of a main arterial, or different outlets of a business with multiple locations, will pay different rates for the same service. One jurisdiction surveyed, the Palm Beach County SWA, is in the process of changing to a system with different rates in different areas, to a system where commercial rates are consistent county-wide.

Advantages of Uniform, City-Wide Rate Schedule

- ***Fairness*** – *all businesses, institutions, and multifamily customers pay the same rate for the same service.*
- ***Simplicity and Transparency*** – *rates and choices are clear; less confusion and fewer disputes about billing*
- ***Predictability*** – *easier for customers to budget for the cost of collection services*
- ***Driver for Waste Diversion*** – *Sanitation will set the rate to ensure that businesses have an incentive to divert waste from landfill.*

Recommendations:

- **A single uniform rate schedule City wide.**

3.3.2 Implement Rate Adjustment Provisions that Eliminate Sudden Increases

Along with a uniform rate schedule, the Exclusive Franchise will include strict limitations for how rates would be adjusted through time. Thus, businesses would be confident that rates would increase in a fair and orderly manner such as annual increases capped at a standard measure of actual cost increases such as official published price indexes. This will help customers plan for and budget the cost of collection services more accurately.

The CH2M HILL survey found that all jurisdictions surveyed allowed for annual adjustments to contractor compensation, and rate adjustments were considered annually. A variety of different price escalation methods are used. Most are tied to one of the consumer price indexes and contractor compensation is typically adjusted annually using a percent of the increase of that index and a cap on the total increase each year. Rate changes typically were tied to changes in contractor compensation plus any adjustments required for franchise fees, program administration, or state requirements.

Recommendations:

- **Set limitations on rate adjustments.**

3.3.3 Implement Rates Structured to Drive Diversion from Landfills

The city-wide rate schedule would be structured to help encourage additional diversion of material from landfills. Sanitation recommends that rates include a basic level of recycling service. Franchised waste haulers will be required to include, in their standard rates, one cubic yard of recycling service for every three cubic yards of solid waste, with a minimum collection frequency of once per week. Customers looking to save money and divert more material from landfill could request a larger bin and/or more frequent recycling, green waste, or organics service, and the unit cost of that service would be priced lower than a comparable service for solid waste. This would provide a powerful incentive for driving additional material away from landfills and toward more beneficial uses. Proposers will be asked to include a reduced recycling rate for materials not intended for disposal, and will be evaluated on the reduction below their waste hauling rates. The rates will also be structured to address the City's phased approach to organic recycling. The "bundled" rates established through the RFP will include the continued collection of organics from all participating restaurants and a reduced rate for green bin recycling at all multi-family properties that generate green waste.

In the CH2M HILL survey, most jurisdictions have a competitive market for commercial recycling, or businesses pay for recycling at a rate ranging from 50-80 percent of the rate for comparable garbage service. We did find the following examples where recycling is included with garbage service:

- In Fresno County, all customers that elect to subscribe to enhanced service receive a consistent recycling service throughout the county (although residential green waste services differ in different zones).
- In Lee County, contractors must offer recycling of up to two cubic yards weekly to all commercial customers at no additional cost. Commercial customers are not required to recycle, and recycling services are not exclusive to the franchisee: if customers want a larger recycling container, they are charged for that service on a negotiated basis.
- In Stockton, contractors must offer recycling of up to four cubic yards weekly to all commercial customers at no additional cost. Franchisees are entitled to added compensation for customers requesting service of more than four cubic yards of recycling per week. The recycling service is not exclusive.

3.3.4 Implement a Clear, Transparent Rate Setting Methodology

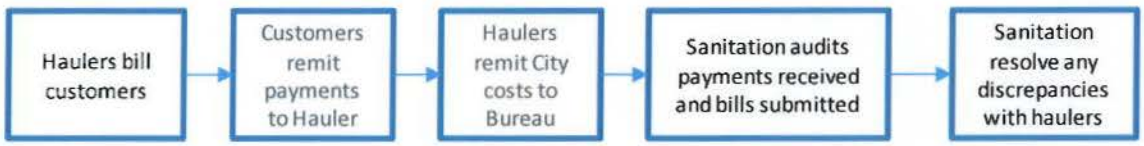
Sanitation will establish a clear and transparent rate-setting methodology that is fair, audited routinely, and consistent with City policy objectives.

Sanitation anticipates that it will ask for rate proposals from bidders. Sanitation will specify what services should be bundled in base rates (e.g. solid waste and a base level of recycling service), the services that should be priced separately (e.g. extra collections, etc.), and fees to be remitted to the City (such as a franchise fee and AB939 fees). Sanitation would also evaluate the percentage differences between rates for different levels of services (e.g. the price of 2 yards of service once a week collection relative to 1 yard). This evaluation is necessary to ensure that there are fair rates across the rate structure and no single level of service is carrying undue weight.

Sanitation will also develop a framework and methodology for how proposals from multiple successful proposers will be blended into a single uniform city wide schedule of rates. Waste haulers may propose on one or multiple franchise zones and their rates may vary per zone. These rates may vary for a number of reasons including: the location of the waste hauler's waste collection yard relative to the zone; the zones proximity to solid waste facilities; and/or the logistics of collection within the zone. Some options to be considered include bundling proposals from franchise areas that are relatively high cost and relatively low cost, or using differential franchise fees in different franchise areas. There will be many details associated with establishing rates in both for the first year of the franchise agreement and each year thereafter.

Once franchise agreements have been executed, Sanitation will implement a process to ensure that compensation paid to haulers, and fees received by the City, meet the terms of the agreements and are accurate. Sanitation anticipates that this "auditing" process will flow as shown in Figure 3-2 below.

FIGURE 3-2
Franchise Billing and Auditing Process



3.4 Efficiency in the System

3.4.1 Require Efficient Collection Routing

Reducing collection truck traffic on City streets and improving air quality are high priorities and selected franchisees must demonstrate how they support these goals over the life of the franchise.

To that end, Sanitation recommends that in their RFP responses, haulers be required to describe and explain how they plan to implement best operational practices, including routing efficiencies. Each proposer will be required to provide detail information on the number and types of vehicles they will use for collection, expected vehicle miles (VMTs) for the routes they plan to follow. Information provided by proposers will be used to compare the efficiency and costs effectiveness of each proposal (and against best practices) which will be considered in the final selection process.

In addition, Sanitation recommends that franchise agreements require haulers to establish vehicle tracking methods and processes to ensure maximum routing efficiencies. Auditing capability by the City should also be considered, which can also serve to track collection service lapses. Each franchisee will be required to report total VMTs (at least annually), compare actuals versus what the franchisee originally proposed, explain deviations, and explain how any needed improvements can/will be made. Collection vehicles may be required, for example, to have GPS tracking to ensure accurate VMT tracking and to support other goals related to customer service (for example, real time dispatch to respond to missed collections). The City may include VMT performance, versus plan, as a performance metric for each franchisee (and potentially apply liquidated damages for non-performance).

Seattle 2007 RFP Question for Proposers: Chapter VII, Section B, Question 15

"The City is interested in ensuring that contractors use collection trucks and equipment that are efficient and reduce emissions. The contract requires that all vehicles used in collection shall have either emission that are no greater than 2007 federal diesel engine requirements and use of 20% biodiesel or operate on CNG. Please discuss features of your proposed truck fleet that would save fuel, increase efficiency, and reduce impacts i.e. trucks with operate-in-gear-at-idle systems, trucks that do not allow extended idling, safer brake pads and hydraulic fluids, etc"

The recommendations described above will put the City on the cutting edge of driving efficiencies in solid waste collection and reducing collection vehicle emissions. CH2M HILL's survey of twelve jurisdictions did not find one that has addressed the issues of collection efficiencies via the RFP (or franchise agreements) as thoroughly LA is proposing to do. One jurisdiction, Seattle, required each RFP responder to explain how its collection vehicles will ensure efficiency, safety, mitigate noise, but did not request an explanation of how route efficiencies would be ensured. Seattle's contracts also include detailed requirements related to CNG vehicle use, and other vehicle standards. Seattle's contract requires regular detailed reporting of data on each collection route served and data for cycle time by vehicle at transfer facilities. Seattle does not receive, review or analyze contractor VMT data. Other jurisdictions that had conducted recent RFPs did not address the efficiency of vehicles, routing or clean vehicles at all, only in a very general way.

Although CH2M HILL did not interview San Jose, it obtained a copy of the City's franchise agreement and found innovative terms related to promoting efficient routing.

Recommendations:

- **Require routing efficiencies in proposals and contracts.**
- **Monitor VMT to ensure continued routing efficiency.**

3.4.2 Implement Efficiencies in the Provision of Customer Service

Sanitation's recommendation to establish an exclusive commercial franchise system will result in more efficient, customer focused service.

- First, the franchise requirements will result in franchised waste haulers refocusing their resources to customer service and eliminate the need for haulers to market and sell to potential new customers. Currently, haulers have staff to draft and process agreements with each customers, and to renegotiate as agreements expire. The focus of the franchise haulers will now be on providing outstanding customer service, and increasing diversion from landfills.
- Second, because it will be working with a smaller number of haulers, the City will be able to develop and implement new customer service offerings efficiently. As an example, development of multi-family and commercial customer service web portal will be much easier in the future. Such a portal could provide a "one stop shop" for service offerings information, educational material, account and billing information, pay online functions, and much more.

It is recommended that the RFP for exclusive commercial franchise collection request specific customer service focused proposals that capitalize on the efficiencies that the new system will generate. The RFP should, at a minimum, require the following:

- on-line billing and payment
- on-line account management including service management options
- 24/7 customer support
- on- line tracking of service requests

Franchise agreements should include specific provisions to provide innovative customer service offerings that result from the RFP process. Franchise agreements must also provide the City, with support of the haulers, the ability to implement new customer service options throughout the term of the agreements.

Examples of Opportunities for Efficiencies

- *On-line billing and payment through one web portal*
- *On-line account management through one web portal including service management options through one web portal*
- *24/7 customer support*
- *On- line tracking of service requests*
- *Collection day push messages to customers (text, email, and phone)*

The proposed approach to capitalizing on efficiencies that will result from implementing exclusive commercial franchises will put the City on the cutting edge of customer service. CH2M HILL's survey of other jurisdictions RFPs and franchise agreements usually have requirements that haulers provide live "call center" capabilities (though hours of operation requirements vary), that haulers participate with the jurisdiction in customer education efforts, and that haulers commit to periodic customer information/education mailings at no expense to the jurisdiction. But, only one agreement reviewed (Fresno City) has explicit requirements regarding a franchisee's web site capabilities, how the hauler's web site is expected to be integrated with the jurisdiction's website, or other technology based customer services to be provided.

Recommendations:

- **Require contractors to use all forms of communication with their customers (call center, online, etc).**
- **Franchise agreements will allow changes if new technologies are developed.**

3.5 Consistent Customer Service Standards

Customer service, including consistent delivery, prompt correction of issues, and convenience, will be a cornerstone of the new exclusive commercial franchise collection system. Under the current free market commercial collection system, customer service is inconsistently provided to businesses. Businesses have described the need to change hauling companies, sometimes more than once, to get the service that they require and expect. Exceptional customer service will be a requirement for all franchise haulers. The City will provide tools for communication that match customer needs, from live call center operators, to online communication through e-mail or text message, to providing a free smart phone application so that customers can send and receive timely information. Franchise agreements will include specific requirements for systems that can interface with the City, as well as liquidated damages for failure to provide the excellent service required by the customers.

3.5.1 Provide Consistent, Innovative Customer Service Offerings

The new franchise system will allow businesses to customize their waste and recycling services to meet their needs. Franchise agreements will allow businesses to mix and match a variety of collection services, including special collections or other specialized on-site needs. Franchisees will be required to perform on-site assessments to determine how much waste capacity is needed after blue bin recycling. Customers will be able to schedule their collection times for the days and times that meet their business needs, as long as the hauler is also able to efficiently move their collection vehicles through the City.

Sanitation is recommending, at a minimum, a Blue Bin recycling system that provides a consistent customer experience throughout the City, regardless of whether the customer is a business, a single family or multifamily household, or school. A key advantage of this approach is consistency and a service type that is familiar to those who already live in the City and receive residential service. Customer information and educational material will have consistent messages and common formats. Franchised haulers will be required to provide blue containers of the size needed by the business, and 'valet' type of collection if necessary, similar to that provided by the Private Hauler Multifamily Residential Recycling Program

Sanitation will include in the franchise agreements a model and list of unique waste services that customers can use to build collection programs that meet their specific needs. Customers will be able to receive service at non-peak hours, short turnaround, on-call, and other special circumstances when necessary. Franchise waste haulers will be required to meet customer needs through the customer service standards included in contracts with the City. Through the City's agreements with the Franchisees, the various customer service needs will be identified, required, and provided.

In its survey of other jurisdictions, CH2M HILL found that it is common to specify the level and quality of service in terms of base level and enhanced service level at no additional or for a specified cost. For example, Collier County, FL requires the followings additional services to be provided to commercial customers at no additional cost:

- Opening and closing doors and gates
- Unlocking and locking gates
- Changing containers for increases and decreases in service

- Exchanging the container for a different size, if requested more than two times in one year
- Rolling out the container from an outside enclosure and returning it to its original location

Similarly, the following services are often provided at a cost established in the franchise agreement:

- Privacy lock bar set-up
- Locks for containers
- Re-instatement fee (i.e., returning container (s) after service stopped)
- Loading container (i.e., bagged MSW outside container)
- Pressure washing 2, 4, 6 and 8 yard container
- Pressure washing roll-off compactor container (s) at the time of service
- Re-locating 2, 4, 6 and 8 yard Customer-owned containers, upon the Customer's request
- Maintenance of Customer-owned container (s)
- Collection of Bulky Waste and White Goods

Such services are typically specified in franchise agreements, as evidenced in the surveys performed by CH2M HILL.

CH2M HILL also found that some jurisdictions have negotiated terms in their franchise agreements that require franchise holders to provide various free services to the City (the costs of which are recovered in base collection rates). Included in Stockton's franchise agreement is free collection for City facilities, street sweeping, a certain number of neighborhood cleanups each year, collection of public litter containers, and several other services.

TABLE 3-2
Sample Penalties

1	Failure to comply with the provisions of the Contract	$1,000 first incident; $2,500 each subsequent incident.
2	Failure to meet transition timeline milestones	$5,000 per milestone per Work Day, subject to a maximum of $25,000 per milestone.
3	Failure to maintain customer service during office hours.	$300 per incident.
4	Failure to maintain call center or telephone system performance	$300 per incident.
5	Failure or neglect to reasonably resolve any complaint within the requisite time.	$100 per incident per Work Day.
6	Failure to clean up spillage or litter during the course of FRANCHISEE's Collection operation.	$500 per incident.
7	Failure to remove graffiti from any Container.	$100 per incident.
8	Failure to properly cover material in Collection vehicles.	$500 per incident.
9	Failure to maintain or timely submit to CITY all documents and reports.	$300 per incident.
10	Failure to submit report corrections within CITY-approved timeframe.	$300 per incident.
11	Failure to meet Annual Diversion Requirement.	$25,000 per each one (1) percent diversion not reached

3.5.2 Establish Accountability for Performance

The City will require a high level of customer service through contract requirements, inspections, audits, and enforcement. Businesses will have the ability to utilize the City to ensure all contractual obligations are met. Sanitation will maintain the necessary staffing to respond to customer service issues and ensure compliance with contract requirements. The franchise contract will detail service requirements and specify financial penalties for poor customer service. These will range from failure or neglect to resolve any complaint within the requested time to the unauthorized disposal of recyclables. For example, the table to the right presents examples of liquidated damages or penalties associated with service lapses. Other measures may include the requirement to credit back to the customer for multiple missed pickups or other significant service lapses.

CH2M HILL found that some (Stockton is an example) jurisdictions apply liquidated damages for failure to meet certain diversion requirements, and one jurisdiction (Seattle) offers incentives for exceeding certain service related targets. Franchise agreements will be structured to allow the City to terminate a franchise for significant repeat failure to perform. Collier County includes in its franchise agreement a provision to address repeated violations, which is provided below:

"If the Contractor's record of performance shows that the Contractor has frequently, regularly, or repetitively defaulted in the performance of any of the covenants, conditions, or requirements contained in this Agreement, and regardless of whether the Contractor has corrected each individual condition of default or

paid liquidated damages, the Contractor shall be deemed a "habitual violator" and shall forfeit the right to any further notice or grace period to correct, and all of the prior defaults shall be considered cumulative and collectively shall constitute a condition of irredeemable default. Under such circumstances, the Board shall issue the Contractor a final warning, citing the grounds therefore, and any single default by Contractor of whatever nature, subsequent to the issuance of the Board's notice, shall be grounds for immediate termination of this Agreement. In the event of any such subsequent default, the County may terminate this Agreement upon giving written notice to the Contractor, and termination shall be effective three (3) Days after the notice is delivered. All fees due to the Contractor hereunder, plus any and all charges and interest, shall be payable to the date of termination, and the Contractor shall have no further rights hereunder. Immediately upon receipt of the Board's final notice, the Contractor shall cease any further performance under this Agreement."

Fresno's franchise agreement provides for a performance review of the franchisee's performance in the 4th and 7th year of the agreement.

Recommendations:

- **Accountability for performance including liquidated damages for failure to meet disposal reduction targets.**

3.5.3 Plan for Contingencies

[This discussion is currently in progress]

3.5.4 Recognize and Reward Customer Successes

Just as penalties are strong incentives to perform, so are award programs to recognize exceptional service. Sanitation is proposing a program to recognize and reward businesses, financed and executed through the franchise agreements, which will identify and develop a pool of peer mentors to work with other businesses that need assistance in developing robust recycling and waste reduction programs of their own. Peer mentors will be those who have gone beyond the minimum requirements to embrace practices that minimize waste production, control purchasing, and maximize collection of recyclables to create as little residual waste as possible. The City's Green Lodging and Green Business Certification programs provide a model on how local businesses can receive certification that is recognized throughout California. Our franchise haulers will be able to nominate and assist businesses with the waste reduction portion of the certification. In addition, businesses should receive rewards for their efforts. A recognition program, including awards before the Mayor and City Council, networking opportunities, case studies and media outreach, can be part of the final franchise system approved by the City.

Sanitation proposes that the franchise haulers be required to have a minimum number of dedicated staff to assist businesses with waste assessments, recycling programs, and rewards. Permitted private waste haulers may also propose programs to subsidize equipment for businesses to reduce collected waste.

3.5.5 Provide Responsive Customer Service Supported by Technology

When customers have service questions or issues, such as inquiries about available services or to seek resolution to a complaint, it is important to address their need promptly and to provide different options for obtaining service, including by phone, through the web and other methods. These services can be provided by the City, by the franchisee, or a combination of the two. Properly administered customer service is a critically important success factor if the City is to meet its service excellence goals and State mandated recycling goals. The City plans to make digital communication a major part of its strategy for interfacing with customers.

Currently, many exclusive franchise agreements reviewed in Los Angeles County have very similar requirements for customer service. They require an office with a live operator and staff during daytime hours Monday through Friday, and some on Saturday, and also require the phone or pager number to a contact available 24 hours a day. Some local agreements require bilingual operators (English and Spanish), and have a specific requirement for taking messages and attempting to contact the customer to resolve their issue. These requirements are backed up by liquidated damages. The City believes that these requirements are a sound foundation for customer service, but need to reach further, requiring that the franchise hauler be reachable by phone, internet, text, and other methods. A robust system will be required that can interface with the City's systems to track customer service metrics and provide resolution assistance to customers in real time.

In its survey of other jurisdictions, CH2M HILL found that there are many methods employed for interfacing with customers, although most of the jurisdictions place most of the direct interface responsibility on the hauler, and agreements tend not to have many, if any, requirements related to web sites, on-line payment or account management, etc. Fresno City is the only jurisdiction surveyed that has specific language requiring the contractor to have a web site that provides information and educational information and electronic payment options for the customer. Some firms provide poor customer service, which led on jurisdiction (Phoenix) to have a City-operated call center for all zones. It also conducts quarterly customer satisfaction surveys and reports this information along with other contractual performance criteria in a quarterly customer service report card for service in all of its collection areas.

3.6 New Programs and Services to Customers

In 2011, the State Legislature adopted AB341, which requires all businesses over a certain level of waste disposal to subscribe to recycling services. Specifically, businesses including public entities that generate four cubic yards or more of commercial solid waste per week or multifamily residential establishments of five units or more shall arrange for recycling services. CalRecycle identifies many benefits associated with this law including:

- Opportunities for businesses or multifamily complexes to save money.
- Creating jobs in California by providing materials for recycling manufacturing facilities.
- Reducing greenhouse gas emissions.
- Keeping valuable materials out of landfills.
- Creating a healthy environment for the community and future generations by recovering natural resources.

Accordingly, the City should make sure that all businesses in the City, large and small, have access to convenient, standard waste reduction and recycling services. Through the use of exclusive commercial franchise agreements the City can establish the framework to achieve compliance with mandatory measures that have been adopted by California, and those being contemplated for future action through legislative and regulatory processes.

In its survey of other jurisdictions CH2M HILL found that many have incorporated innovative recycling programs into their exclusive franchise agreements, as well as established a process to incorporate new programs over the term of the agreements. These programs include collection of bulky waste, white goods, electronic waste and organics. Stockton offers organics recycling to all customers – residential, multifamily and commercial – with the cost bundled in the solid waste rate along with recycling. In addition, jurisdictions in Florida that are subjected to natural disasters such as hurricanes have included provisions to engage their franchise service providers in the event of a declared natural emergency.

To support future innovation, Collier County has established a procedure to engage its franchise service providers to conduct pilot studies to evaluate strategies that may increase recycling, waste reduction, Collection efficiency, or reduce the County's costs. The franchise service providers are required to cooperate with the County in conducting such pilot studies, and subsequently are required to enter into good faith negotiations with the County if additional services are necessary from the Contractor to carry out the pilot studies. Similar provisions are found in other franchise agreements reviewed.

3.6.1 Offer Blue Bin Recycling City Wide

Sanitation is recommending, as a standard, a Blue Bin recycling system that provides a consistent customer experience throughout the City, regardless of whether the customer is a business, a single family or multifamily household, or school. Customer information and educational material will have consistent messages and common formats. 1.2 million single and multifamily households currently receive Blue Bin recycling and education services through current Sanitation programs. All LAUSD schools in the City have blue bin recycling programs and education that mirror the Sanitation recycling program. Businesses should be able to recycle the wide variety of material types accepted in the Blue Bin through their recycling programs as well.

Franchised haulers will be required to provide, at a minimum, blue containers of the size needed by the business, and 'valet' type of collection if necessary, similar to that in the Private Hauler Multifamily Residential Recycling Program. The Blue Bin recycling system will be the standard operating in all parts of the City. Other types of diversion programs will be allowed as haulers reach for the higher goals of Zero Waste, but 100% rollout of the Blue Bin recycling program to all businesses is critical to Zero Waste achievement. Businesses will be able to continue successful programs with source separated paper or cardboard or other commodities that are not currently collected for a fee.

In CH2M HILL's surveys, commercial recycling typically is a competitive market, or businesses pay for recycling at a rate ranging from 50-80 percent of the rate for comparable garbage service. We did find the following examples where recycling is included with garbage service:

- In Fresno County, all customers that elect to subscribe to enhanced service receive a consistent recycling service throughout the county (although residential green waste services differ in different zones).
- In Lee County, contractors must offer recycling of up to two cubic yards weekly to all commercial customers at no additional cost. Commercial customers are not required to recycle, and recycling services are not exclusive to the franchisee: if customers want a larger recycling container, they are charged for that service on a negotiated basis.
- In Stockton, contractors must offer recycling of up to four cubic yards weekly to all commercial customers at no additional cost. Franchisees are entitled to added compensation for customers requesting service of more than four cubic yards of recycling per week. The recycling service is not exclusive.

Many jurisdictions surveyed make contractors responsible for providing education and promotion.

One jurisdiction, Fresno County, established diversion targets for service areas made up of multiple franchise areas, and required that its contractors collectively meet a diversion target. This is the only jurisdiction surveyed that makes contractors responsible for meeting particular diversion targets. One jurisdiction surveyed, Stockton, levies liquidated damages on contractors that do not meet diversion targets. Fresno's contract holds its contractors liable for a proportionate share of any fines the State levies on the City for failing to implement agreed upon programs/services necessary to meet A.B. 939 and A.B. 341 requirements.

Recommendations:

- **Blue Bin recycling, at minimum, required at every customer site.**

3.6.2 Expanded Organics Programs

Sanitation is recommending that proposers of the Commercial Waste Franchise System include a description and plan for diverting organics, including food waste, from landfill disposal. After recyclables are separated from the rest of commercial waste, a large percentage of waste disposed in landfills is compostable organics.

To reach Zero Waste, the City must move forward with programs and processes to capture and recycle organic material. CalRecycle has adopted a Strategic Direction to reduce organics going to landfill by 50% by 2020, or about 10 million tons of material annually. Public meetings and discussion with CalRecycle staff indicate that the plan to move the State of California to 75% waste diversion will focus on organics diversion as one of the critical measures.

The City has already made great strides in promoting commercial organic recycling. In April 2004, Sanitation began a pilot program to evaluate the collection of food waste and other organic waste from restaurants. Restaurants that volunteered to participate in the pilot were asked to separate their organic waste for recycling into compost. Due to the success of the pilot, the program was expanded Citywide. There are now over 1,200 restaurants participating in the voluntary program. Although this commercial food waste recycling program is one of the largest in the nation, it is still only the beginning of the massive effort to divert at least 50% of the organics generated in the City from landfills. There are over 8,000 food service establishments alone in the City. To further complicate the effort necessary to divert organic waste, there is limited existing organics processing capacity. The organic processing infrastructure needs to be increased to handle organics currently being disposed.

In northern California, separated organics collection is well established in most of the heavily populated areas. In Los Angeles County, more of the exclusive franchise agreements over time have had requirements for the separation and recycling of organic materials. Some examples of mandatory commercial organic recycling program include:

- West Hollywood - Requires that organic waste collected from restaurants be recycled
- San Francisco - mandates that all residents, plus businesses, restaurants and multifamily complexes compost organic waste.
- Redondo Beach – Requires that locations that generate food scraps recycle them.

Many jurisdictions are beginning their organic recycling programs through voluntary effort. These include:

- San Diego – Allows food waste generated at pre-approved commercial venues be accepted at their landfill/composting facility at a discounted tipping fee. Participants in their program include large venues such as Petco Park and Sea World, universities, hotels, and local restaurants.
- Berkeley – Encourages restaurant to participate in organic recycling. The city supplies carts or bins for organics and offers up to six days/week collection. Participants receive a discount of 20% off the current refuse rate for the food waste portion of their service.
- Dana Point – Offers organic recycling to all businesses.

In CH2M HILL's survey, most jurisdictions' franchise agreements cover the services that will be provided, and any new services or adjustments are covered as amendments to the agreements. But some agreements anticipated future organics service:

- Reno's agreement states that the franchisee may offer a food waste recycling service on a subscription basis. If so, the rate charged for the service will be negotiated with the City.
- Seattle negotiated a price that set forth the compensation should it elect to change residential garbage service from weekly to every other week.
- Collier County, FL used an innovative approach to future organics recycling in its franchise agreements. That approach is presented below:

  "If the County decides to collect and process Commercial Organics, the County shall give the Contractor an opportunity to submit a proposal for providing these services. If the County and Contractor are unable to negotiate a mutually acceptable agreement for the provision of these services, the County may issue a request for proposals or take such other action as it deems appropriate.

  If the County executes a contract with a Person other than the Contractor for the Collection of Commercial Organics, the County shall give notice to the Contractor at least ninety (90) calendar days before the Person begins to collect Commercial Organics pursuant to its contract with the County. In such case, the County shall reimburse the Contractor for the lost profits the Contractor would have earned under this Agreement from the Collection of Commercial Organics during the remaining portion of the term of this Agreement, prior *to any renewals of the Agreement, but only if and only to the extent that: (a) the County's Collection of Commercial Organics directly causes a reduction in the amount of Solid Waste collected annually by the Contractor; and (b) the reduction is greater than five percent (5%).*

Lost profit is defined as a reduction in the Contractor's net revenue that was directly caused by a reduction in the amount of Commercial Organics collected by the Contractor under this Agreement. Lost profit does not include a reduction in net revenue that was caused by increased capital or operating expenses.

The parties shall determine whether there has been a reduction in the amount of Solid Waste collected under this Agreement by comparing (a) the amount of Solid Waste collected during the first twelve months after the County begins to collect Commercial Organics and (b) the amount of Solid Waste collected during the prior twelve months.

To calculate lost profits, the parties shall: (a) determine the net revenue the Contractor earned for the Collection of one ton of Commercial Organics during the twelve (12) months before the County began to collect Commercial Organics; (b) determine the extent to which the reduction in the Contractor's Collection of Solid Waste exceeded five percent (5%); (c) convert the value identified in subsection (b) into tons; and (d) multiply the Contractor's net revenue per ton, as determined pursuant to subsection (a), by the appropriate number of tons, as determined pursuant to subsection (c), and by the remaining number of years (or fractions thereof) in the term of the Agreement. This calculation may be expressed by the following formula:

$$LP = NRPT \times ET \times T$$

Where: LP is the amount of the Contractor's lost profit; NRPT is the Contractor's net revenue per ton; ET is the excess tonnage (i.e., the amount greater than a 5% reduction in the Contractor's Collections); and T is the time (years) remaining under the Agreement."

Considering the many complexities and unknowns surrounding commercial organic recycling, staff recommends a phased set of goals and requirements be established in the RFP and Exclusive Franchise agreements. The immediate requirement will be to ensure that all current organic recycling is preserved. There are over 1,200 restaurants participating in Sanitation's existing commercial food waste diversion program. This requirement will also include the collection of green waste from multi-family properties where applicable. The "bundled" rates established through the RFP will include the continued collection of organics from all participating restaurants and green bin recycling at all multi-family properties that generate green waste.

The second phase will be to require organics recycling at all restaurants, and finally, mandatory diversion of organic waste. However, there is insufficient process capacity to handle all the potential organic material, therefore the proposer will not be expected to propose a price for the final phase of the diversion program. Existing facilities will need to be expanded or new facilities developed. As the location and cost of recycling at the facilities are unknown a bundled or all inclusive price cannot be developed for the final phase of the program. In lieu of a bundled rate proposal for the second phase, proposers will be asked to submit a separate rate with assumptions that can be bundled at a later date. Proposers will be asked to break this rate into three components; collection, hauling, and transfer/disposal. Proposers will be required give details on the assumptions used such as distance to facilities, $/mile hauling cost, and tip fees. As part of the evaluation criteria, Sanitation will assess the

Resource Ventures, Seattle Partially Funded by Seattle Public Utilities Provides Businesses with:

- *Recycling and waste reduction technical assistance*
- *Stormwater management technical assistance*
- *Water conservation technical assistance*
- *Other advice relating to reducing a business's environmental footprint*

reasonableness of the pricing provided by proposers for organics collection services, and use the cost and assumptions to establish future rates as new processing capacity becomes available.

Recommendations:

- **Preserve existing organic waste collection.**
- **Offer green waste collection to all Multifamily customers.**
- **Phased organic diversion programs.**

3.6.3 Provide Waste Assessments Tailored to Business Needs

Sanitation recommends that the Exclusive Franchise Haulers conduct a minimum number of business waste assessments each year. A Business Waste Assistance program is a necessary tool in reaching Zero Waste. To comply with AB341, those cities with exclusive franchise arrangements are being encouraged by CalRecycle to perform waste assessments at their largest businesses to ensure compliance and gather recycling data.

Sanitation has performed on-site assessments of over 800 businesses over the last six years to help them recycle more material. One challenge in providing this assistance is the number of options and haulers that businesses have to work with to achieve high waste diversion goals. Businesses in the City will need continued assistance in setting up and understanding waste diversion programs, but for them, this job will become very convenient.

With a stable hauler base and minimum standards delivered through the franchise agreements, there will be increased customer service and focus on individual business needs for waste diversion. Franchise agreements will specify the number and type of waste assessments and on-site visits to be delivered to business customers in their franchise zones. The cost of these services will be included in rates and not offered as "extras" that the customer must pay more for.

In addition to waste assessment, it is common to require franchise service providers to provide directly, or to provide a financial contribution towards customer education. CH2M HILL found, for example, that Collier County, FL requires its franchise service providers to provide information to all Commercial Customers regarding the County's Recycling Program, waste reduction program, Hazardous Waste collection program, and related matters. This information is distributed in March and November of each Agreement Year and the form and content of this information shall be subject to the Director's approval. In addition, the franchise service providers are required to expend $50,000 per Agreement Year assisting the County with educational, promotional, and public awareness activities. Most other agreements reviewed by CH2M HILL include similar provisions.

3.6.4 Further Expand Zero Waste Programs

To reach its zero waste goals, the City will need to go beyond the diversion standards and program offerings of other cities in California with franchise collection systems. Sanitation recommends that franchise agreements establish maximum disposal amounts for each collection area, and that franchisees be required to implement City diversion programs that are needed to meet zero waste goals.

Many jurisdiction in California set minimum diversion targets for their franchised waste haulers that align with State goals, and include general language in franchise agreements requiring haulers to make "best efforts" or "good faith efforts" to implement programs and services to meet these targets. This approach to achieving diversion targets is unlikely to result in high diversion rates; because the standards for haulers are not specific and the bar is not set very high.

Examples of programs and strategies to be considered in the franchise agreements include:

- Recycling services for all multi-family properties, businesses, and institutions.
- Organics programs, potentially mandatory, for businesses that large amounts of food waste such as restaurants.
- A hands-on assistance program to help businesses implement recycling and waste reduction services that

meet their unique needs and save money.

- Rate structures that incentivize multifamily property managers and business to recycle more, including bundled services rates that include the cost of garbage, blue bin recycling, and organics.

CH2M HILL's survey of other jurisdictions outside of California generally found that recycling services were part of every franchise agreement or contract. In most jurisdictions, multi-family residents and business are charged for recycling services and that rate is set between 50 and 80 percent of the rate for similarly-sized garbage service.. There were a few jurisdictions that offer limited free recycling service as part of garbage collection rate:

- In Fresno County, all customers that elect to subscribe to enhanced service receive a consistent recycling service throughout the county (although residential green waste services differ in different zones).
- In Lee County, contractors must offer recycling of up to two cubic yards weekly to all commercial customers at no additional cost. Commercial customers are not required to recycle, and recycling services are not exclusive to the franchisee: if customers want a larger recycling container, they are charged for that service on a negotiated basis.
- In Stockton, contractors must offer recycling of up to four cubic yards weekly to all commercial customers at no additional cost. Franchisees are entitled to added compensation for customers requesting service of more than four cubic yards of recycling per week. The recycling service is not exclusive.

For organics, Vancouver (Wa.) has had in place, since 2006, an organics collection program that is fee for service, but the participation is low. Seattle has a fee for service yard/food waste collection program that is available to multifamily properties and commercial customers: the participation is low. In California, Stockton has an organics collection program that is available to all multifamily and commercial customers, the cost of which is bundled with garbage and recycling.

Most jurisdiction surveyed include requirements that haulers do some degree of recycling and waste reduction education (usually by mail), and participate with City in public events promoting recycling and waste reduction, and some agreements require the hauler to assist with pilot programs at no additional cost to the jurisdiction.

Recommendations:

- **Franchise agreements to have landfill disposal targets.**
- **Franchise agreements to include ability to implement new programs to reach Zero Waste.**
- **Proposers will be encouraged to exceed minimum targets in their proposals by including innovative programs.**

3.7 Special Service Requirements

[This discussion is currently in progress]

3.7.1 Exempt Hazardous and Certain Other Materials

[This discussion is currently in progress]

3.7.2 Hospitals

[This discussion is currently in progress]

3.7.3 LEED Buildings

[This discussion is currently in progress]

3.7.4 Studios

[This discussion is currently in progress]

3.8 Other Programs and Actions Needed to Achieve City Goals

3.8.1 Ongoing Community Input

Sanitation is committed to the successful implementation of the Exclusive Franchise system for customers in Los Angeles. As a mechanism to reach out to stakeholders, and to receive advice on matters concerning the implementation of the Exclusive Franchise, a Task Force will be established. Sanitation will reach out to stakeholder groups through their representatives including but not limited to: the City, commercial waste haulers, multifamily households, chambers of commerce, business improvement districts, hospitals, environmental groups, and labor groups. Sanitation will work cooperatively with the Task Force to ensure a smooth transition from the current open permit system to the Exclusive Franchise system, and quickly address problems as they arise.

3.8.2 Institute Comprehensive Reporting Requirements

To be able to monitor hauler compliance with the terms of the City's franchise agreement, the agreements will need to include comprehensive reporting requirements. Sanitation recommends that these reporting requirements address, at a minimum, the following general areas:

- Data on accounts served, by service level and address, and services provided to each. Depending on how frequently the City chooses to audit each hauler's billings and collections, this information could be reported monthly, quarterly, or annually;
- Data on tonnages disposed, recycled, and sent to an organics processor should be reported at least quarterly;
- Data needed for monitoring hauler performance (e.g. missed collections, repeat misses, containers not delivered on time, etc.) would need to be reported monthly;
- Data on customer call response times, wait times for incoming calls, dropped call figures, fax and email volumes and response times, and types of calls received (complaints, etc);
- Data on how many customer contacts the hauler made to assist customers with recycling program design, configuration and set up;
- Data regarding facilities receiving material collected under the Franchise.

CH2M HILL's survey of other jurisdictions indicates that those on the West Coast all require tonnage data to be reported by service type (and facilities where material was disposed, transferred or processed), most require regular reporting of number of accounts and certain other service information, all that have specific liquidated damages require regular reporting of data related to performance metrics, but few monitor hauler outreach to customers.

Sanitation also recommends that, at a minimum, periodic audits (quarterly or twice per year) of each service provider's billings to ensure that billings conform to agreement terms and that payment to the City have been computed correctly. Audits would review, as examples, the number of base service units and extra service units billed versus the services that a sample of customers actually received; determine if the service provider has been "nickel and diming" customers for extra services; and whether or not the service provider has been complying with franchise terms to fully implement diversion programs and services. These audits could be conducted by a contract auditor at the service provider's expense, or by qualified City staff.

CH2M HILL found that only two of the jurisdictions surveyed, Portland and Seattle, conduct extensive audits. Portland does so to support its rate setting process, while Seattle conducts monthly audits to ensure that its contractors are complying with the billing and collection terms of their contracts, and to ensure that the City and the contractor are receiving their proper share of rate revenues. Seattle also uses data received on accounts and services provided as inputs into its rate setting process.

3.8.3 Require Clean Fuel Vehicles

Sanitation recommends that, under the exclusive Franchise agreement, solid waste haulers will be required to have 100% use of low-emission, clean fuel vehicles equipped with engines that are 8 (eight) model years or newer in the City during the term of the agreement. Waste collection trucks have a direct adverse affect on air quality. Due to the necessity of waste collection in every corner of the City, the impacts are felt by all residents and businesses.

The SCAQMD adopted Fleet Rule 1193 for public and private solid waste collection fleets. This rule requires fleet operators to acquire alternative-fuel refuse collection heavy-duty vehicles when procuring these vehicles for use within the AQMD's jurisdiction. The rule applies to government agencies that operate solid waste collection fleets with 15 or more solid waste collection vehicles, and private entities that operate solid waste collection fleets with 15 or more solid waste collection vehicles. SCAQMD monitors and enforces the fleet rule requirements.

Seattle's Collection Contract Specification for Clean Vehicles:
"All collection trucks shall use at least 20% biodiesel (B20) or operate on CNG unless otherwise authorized by the City. If the per-gallon price of B20 is more than 15% above the cost for straight diesel fuel, the Contractor shall notify the City and may reduce the percentage of biodiesel used in the fuel blend to maintain costs at the 15% cost threshold. Alternatively, the City may elect to reimburse the Contractor for the portion of fuel cost above the 15% cost threshold to maintain the use of B20."

Waste haulers will be required to operate 100% clean fuel vehicles within twelve (12) months of award of the franchise. Solid waste collection fleet owners and operators are required to comply with all applicable federal, state, and local regulations, including, but not limited to, the South Coast Air Quality Management District's Fleet Rule 1193 (Clean On-road Residential and Commercial Refuse Collection Vehicles) and the California Air Resources Board's Solid Waste Collection Vehicles Regulation (Diesel Particulate Matter Control Measure for On-road Heavy-duty Diesel-fueled Residential and Commercial Solid Waste Collection Vehicles; Title 13, California Code of Regulations, Sections 2020, 2021.1, 2021.1 and 2021.2).

The proposed clean fuel vehicles requirement may inhibit small waste haulers, those operating a fleet with less than 15 vehicles, from submitting a proposal. Small waste hauling companies may not have the capital to transition their fleet within the 12 month period. To ensure small haulers are not adversely impacted due to lack of capital resources, the phase in period for small haulers to operate alternative fuel vehicles can be extended. These haulers may phase in vehicles when they add or replace alternative fuel vehicles in their fleet or 100% of their fleet by 2020, in accordance with Fleet Rule 1193. To further assist smaller waste hauling companies, Sanitation will work with haulers to identify State grants designed to assist in the purchase of alternative fuel vehicles. Sanitation has received a total of $20 million in grants to assist in converting its fleet to clean fuel, and these grants are also available to private waste haulers.

Sanitation plans to move beyond the requirements of the SCAQMD. The Exclusive Franchise haulers will be required to submit a Compliance Report to the City. The Compliance Report must include name of company, address of business, names of owner or contact (if different from owner name), electronic email addresses and phone numbers, and listing of clean vehicle fleet inventory, including vehicle identification number, vehicle manufacturer, vehicle model and model year, engine manufacturer, engine family number, engine serial number, fuel type, and address of fueling location. During the term of the agreement, the owners are required to submit to Sanitation within 7 (seven) calendar days an updated Compliance Report if any changes occur to the clean vehicle fleet inventory.

CH2M HILL was able to obtain RFPs from a few of the cities it surveyed and franchise agreements or contracts from nearly all. Four cities indicated that clean vehicles have been or will be required in RFP processes (Reno, Fresno, Phoenix and Seattle). Nearly all of agreements reviewed include language requiring the franchisee to comply with all regulations related to vehicles (some are fairly specific, like Fresno's), but only one agreement, Seattle's, was specific about what fuel/emission standards vehicles need to meet.

Recommendations:

- **Encourage proposers to exceed Rule 1193 minimum standards in their proposals.**

3.8.4 Ensure Safe and Healthy Working Conditions

The exclusive franchise will be developed to address labor concerns and worker safety.

Regarding facilities, the City will have extended oversight and enforcement capabilities of facilities used to handle City waste under an exclusive franchise. These facilities become subcontractors under the franchise agreements and subject to City policies. The franchise contracts would include standard City labor language such as living wages requirements and first source hiring. The franchise contract will contain specific language granting the City authority to inspect the waste haulers' facilities and approve and inspect all waste and recycling facilities utilized. Through the establishment of administrative franchise fees, a franchise inspection section will be established within Sanitation. The inspection staff will inspect, on a regular basis, all facilities for compliance with City labor requirement such as living wages and workplace safety. Violations of labor requirements or workplace safety could result in the termination of the franchise.

The franchised waste haulers, as well as all facilities they utilize, will be required to maintain documentation on the handling of all material collected or received and maintain inspection records from other compliance agencies, such as the Cal-OSHA or the State Lead Enforcement Agency. City staff will have the right to audit the records at all facilities. Failure to maintain accurate documentation could result in the termination of the franchise.

In other jurisdictions, franchise agreements in general do not address workplace safety requirements. Some require their franchise haulers to submit compliance and inspection reports from State regulatory agencies. San Jose, in its agreement, requires an Employee Work Environment Evaluation (Third Tier Review). This evaluation looks into a proposer's history as an employer and work condition commitments. Each proposer is required to complete an Employee Work Environment Questionnaire and return it with the proposal. If the Questionnaire is not returned, the proposal will be deemed nonresponsive. San Jose required proposers to address: employee health benefits; compensated days off; employee complaint procedures; compliance with state and federal workplace standards; and Employee Retention requirements, if applicable. It does not; however, appear to include inspections or other ongoing facility/site workplace safety evaluations.

CH2M HILL's survey of other jurisdictions found that most have specific franchise agreement or contract language regarding compliance with applicable safety regulations and laws, but, consistent with Sanitation's own research, no specific language relating to safety and health standards at facilities (subcontracted or otherwise).

Recommendations:

- **City certification and inspection of facilities.**
- **Right to inspect facilities for compliance with appropriate rules and regulation.**

3.8.5 Ensure Living Wages for Collection and Facility Workers

3.8.5.1 Require Adherence to the City's Living Wage Ordinance

As the City moves to an exclusive franchise system it is incumbent on the City to ensure that workers represented by the waste haulers given the exclusive rights to operate are paid fair wages and are provided safe working conditions. The City holds an interest in the work performed by its franchised waste haulers and their subcontractors. The success of meeting the City's waste diversion and environmental goals hinge on the success of the franchised waste haulers. Inadequate compensation of these employees adversely impacts the performance by the City's franchised waste haulers and thereby does the same for the success of meeting the City's goals.

Seattle
Requires contractor to pay prevailing wage; hourly rates are included in contracts
Contractors must provide:

- *Medical, Dental, and Vision services*
- *Retirement benefits*
- *Eight (8) days of paid time off for specified holidays*
- *Paid vacation*
- *Paid sick leave*

Contracts are very specific about the benefits that must be provided

Inadequate compensation to solid waste workers tends to inhibit the quantity and quality of services rendered by such employees to the businesses they are intended to serve. Underpaying employees in this way fosters high turnover, absenteeism, and lackluster performance. Conversely, adequate compensation promotes amelioration of these undesirable conditions. Through Living Wage requirements the City will require its franchised contractors provide a minimum level of compensation that will improve the level of services rendered to and for the City.

The inadequate compensation typically paid today also fails to provide service employees with sufficient resources to afford life in Los Angeles. It is unacceptable that contracting decisions involving the City should foster conditions placing a burden on limited social services. The City, as a principal provider of social support services, has an interest in promoting an employment environment that protects such limited resources. In requiring the payment of a higher minimum level of compensation, this interest is served.

Requiring payment of the living wage serves both proprietary and humanitarian concerns of the City. Nothing less than the living wage, in accordance with City policies, should be paid by the franchised haulers. The City does not wish to foster an economic climate where a lesser wage is all that is offered to workers. The City's Living Wage Ordinance (LWO) contains enforcement mechanisms to ensure compliance with this important obligation. Non-complying employers face the prospect of paying civil penalties. Employees should not fear retaliation, such as by losing their jobs, simply because they claim their right to the living wage, irrespective of the accuracy of the claim.

In addition to living wage, employees will also receive compensated time and health benefits, as required by the LWO. Employers shall provide at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee's request. Employers shall also permit employees to take at least an additional ten (10) days a year of uncompensated time to be used for sick leave for the illness of the employee or a member of his or her immediate family where the employee has exhausted his or her compensated days off for that year. Health benefits would consist of a minimum hourly payment, as required by the LWO, towards the provision of health care benefits for employees and their dependents.

CH2M HILL's survey of other jurisdiction found only one, Seattle that had clear requirements for payment of living wages to all workers employed under the terms of the franchise agreement. Seattle's contract requires payment of prevailing wages and includes tables that display local prevailing wages. Seattle's contracts (Attachment 3 to its collection contracts) also require payment of benefits, including health, dental, vision, retirement, paid sick leave, and 8 specific days of paid time off. Lee County Florida has detailed language in its franchise agreements that spell out requirements to pay benefits, including health and paid vacation.

Recommendations:

- **Require compliance with Living Wage Ordinance (LWO) provisions.**

3.8.5.2 Require Franchise Haulers to Hire Displaced Collection and Facility Workers and Support the Development of a Skilled Local Workforce

The City can ensure its franchised waste hauler provides a high level of customer service by providing the framework for establishing an experienced local solid waste work force. Including the Service Contract Workers Retention Ordinance (SCWRO) provisions in the franchise agreements ensures that incumbent workers with invaluable knowledge and experience with the solid waste collection and processing will continue to provide a high level service. In addition, including the requirements of the First Source Hiring Ordinance (FSHO) will help to further expand the field of competent service workers to address the problems associated with a significant local unemployed, under-employed and unskilled workforce. These provisions would be applicable to all franchised waste haulers and extend to their subcontractors.

Retaining existing service workers when a change in contractor occurs reduces the likelihood of labor disputes and disruptions. The reduction of the likelihood of labor disputes and disruptions results in the assured continuity of services to its residents and businesses who receive services provided by the City franchised waste haulers.

The SCWRO, effective May, 1996, requires a successor contractor and its subcontractors to retain for a 90-day period certain employees who worked for the terminated contractor or its subcontractors for at least 12 months. Under the SCRWO a successor contractor must: Offer employment and retain for a 90-day period the employees who worked for at least 12 months for the terminated contractor or its subcontractors; not discharge the employees retained under the SCWRO without cause during the 90-day period; perform a written performance evaluation of each employee retained under the SCWRO at the end of the 90-day period.

The FSHO helps link contractors with potential service workers. In doing so, the City is able to provide greater opportunities for employment on service contracts. Having the opportunity to work on a City contract affords workers valuable experience that can be used to garner future employment.

Under the terms of the FSHO the Contractor notifies the City Community Development Department's Workforce Development System (CDD) of any new job opportunities available as a result of the contract. Upon receipt of a contractors' job notification, CDD forward the information to selected and approved Referral Resources. In turn the Referral Resources submit a list of job candidates to CDD and then CDD to the requesting contractor.

CH2M HILL's survey of other jurisdictions found two- Fresno and Seattle- that address the issue of "hiring preference" in their franchise agreements or contracts. Fresno required its franchisees to hire City workers that were displaced by the City moving from municipal collection to franchise collection. Seattle required winning proposers in its last RFP process to give a hiring preference to workers from incumbent firms that were not successful in the RFP process. No jurisdiction surveyed included language in an RFP or in franchise agreement that addressed the local work force development issue.

Recommendations:

- **Require compliance with Service Contract Workers Retention Ordinance (SCWRO) and First Source Hiring Ordinance (FSHO).**

3.8.6 Siting, Zoning, Facility Needs

[This discussion is currently in progress]

3.8.7 Transition Plan

[This discussion is currently in progress]

SECTION 4

Implementation Timeline and Recommendations

4.1 Franchise Process and Timeline

The process for the Exclusive Commercial Franchise begins with the policy decision by the Mayor and City Council to move forward in the process. In November 2012, the City Council directed Sanitation to begin the CEQA process, to return with an implementation plan for the Exclusive Franchise system, and requested the City Attorney to draft required ordinances for the project. Upon consideration of the Implementation Plan, Sanitation is requesting to move forward with the Request for Proposals (RFP) to meet the December 2016 timeline. Development of an RFP, negotiation and preparation of the contracts, and award of the contracts by the Mayor and City Council is anticipated to take approximately three (3) years. Then a period of education and the transition of existing hauler accounts to the Exclusive Franchise hauler for each collection zone begins. This transition period is expected to take up to two years.

4.1.1 CEQA Process

With the decision on the franchise process, the City Council directed Sanitation to prepare an Environmental Impact Report (EIR) to satisfy CEQA requirements examining the proposed Exclusive Commercial Franchise system, and to include in that EIR reviews of the following alternatives, 1) the status quo (No Project Alternative), 2) a non-exclusive system, 3) an exclusive system with multiple haulers per wasteshed, 4) City collection of all materials.

Sanitation has selected a firm to prepare the EIR and is working with that firm to provide a timeline for this process. A draft timeline is provided in Figure 4-1. Proposals for the development of the EIR include a very detailed analysis of the potential changes in the vehicles miles traveled by the trucks collecting materials in the City as a result of changes in the solid waste management system. This requires a significant amount of time and funding to perform. The proposed steps (not all inclusive) for the EIR are as follows:

- Prepare Notice of Preparation, circulate for review, and issue for 30 days;
- Hold four Citywide meetings to take comments from interested parties on the potential environmental impacts of the proposed system;
- Prepare a Draft EIR, circulate for review, post Notice of Completion, and circulate for public review for at least 45 days;
- Hold four Citywide meetings to take comments from interested parties on the Draft EIR;
- Prepare a Response to Comments and circulate for review;
- Prepare a Final EIR, including Response to Comments, Findings and Statement of Overriding Considerations (if needed) and circulate for review;
- Schedule for Council consideration;
- If certified by the Mayor and City Council, file Notice of Determination.

It is anticipated that the Final EIR for the Exclusive Commercial Franchise system will be considered by the City Council along with ordinances to define the new system.

4.1.2 Ordinance Development

The City Attorney's Office was requested in the Council Action on November 14th to prepare a draft ordinance for an exclusive waste hauler franchise system for commercial and multifamily waste hauling within the City, in cooperation with, and with assistance, as necessary, from Sanitation, the City Administrative Officer (CAO), and Chief Legislative Analyst (CLA). Modifications to the existing City code regarding franchises and waste hauling in the City will clearly define the authority of the City and its Departments to implement this program. Further clarification of the Franchise program in this Implementation Plan will assist the City Attorney's Office in beginning ordinance development. It is anticipated that the ordinance(s) for the Exclusive Commercial Franchise system will be brought to the City Council for consideration with the Final EIR.

4.1.3 RFP Development

Development of a Request for Proposals (RFP) will begin upon direction by the Mayor and City Council to Sanitation to begin the process. Sanitation has selected a contractor to assist in the development of the RFP due to staffing shortages, and is seeking information on successful franchise procurements from around the United States. Approval by the Mayor and City Council on the Goals of the program, as well as the major elements, will guide Sanitation in the RFP process.

The RFP is expected to be issued in coordination with the consideration of the Exclusive Commercial Franchise EIR and accompanying ordinances, with any mitigation measures identified during the EIR process incorporated into the requirements of the RFP.

4.1.4 Contract Execution

After the Request for Proposals (RFP) is issued, Sanitation will assemble an evaluation team that will include experts on the waste industry from inside and outside of Los Angeles as well as City and consultant team members. Evaluation of the proposals will include ranking for items such as experience, work history and ability to perform the required programs, compliance with local, State and Federal laws, financial stability, and cost proposal. Recommended contract awards will include performance and customer service requirements, reporting requirements, contingency measures, and rate schedule for multifamily and commercial waste management services.

Recommendations for contract negotiation will be brought before the Board of Public Works, and recommendations for contract award and execution will move through the Board of Public Works, to the Mayor's Office and CAO, and to the City Council for consideration. Then the contracts are returned to the Board of Public Works for execution. Contract execution will take place by December 2016.

4.1.5 Transition Period

The transition period for the Exclusive franchise is expected to take place over a two year period beginning in January 2017. After the execution of the franchise contracts, the waste hauler awarded the franchise will begin, under Sanitation's assistance and direction, to educate customer in their respective areas about the transition to the exclusive franchise. As waste haulers begin to move their bins and equipment from the customer sites, it is critical to maintain waste disposal services, and Sanitation will work with the Franchise Hauler to place bins, compactors, and other equipment and begin service. Franchise Haulers will be encouraged to work with each other to minimize disruption of service.

Although the majority of the service will transition in the first six months, Sanitation anticipates increased customer service and technical assistance requests for an additional 12 months. Also, some customers may need more time to move into the franchise system.

4.2 Recommendations for Mayor and City Council Action

1. Goals of the Program
   a. Meet the City's Zero Waste goals by establishing maximum disposal for each zone, and implementing waste diversion programs that are consistent with the SWIRP Guiding Principles.
   b. Meet and Exceed California requirements for waste diversion and mandatory commercial and multifamily recycling
   c. Improve Health and Safety for solid waste workers under City contract provisions
   d. Improve efficiency of the City's solid waste system through establishing minimum service routes and improve air quality by requiring clean fuel vehicles
   e. Meet Customer Service needs while providing clear and consistent rates and programs throughout the City.
   f. Create an Environment that ensures Long-Term Competition
   g. Ensure Sufficient Staffing to meet Program Goals

Attachment A

CH2MHILL Compiled Notes from Interviews of 12 Cities and Counties

TECHNICAL MEMORANDUM

CH2MHILL®

Final Survey Responses

PREPARED FOR: Los Angeles Bureau of Sanitation

PREPARED BY: CH2M HILL

DATE: February 13, 2013

PROJECT NUMBER: 468025.03.31.60.01

In order to gain insight into the experiences of other jurisdictions with multiple exclusive franchise zones, the Los Angeles Bureau of Sanitation (Sanitation) commissioned a survey by CH2M HILL. After some initial online research and consultation with industry contacts, twelve jurisdictions were identified that were of interest to Sanitation. A summary of relevant information about the jurisdictions surveyed is shown in Table 1.

TABLE 1
Summary Statistics for Surveyed Jurisdictions

Jurisdiction	Exclusive Collection Areas	Estimated Population	Square Miles[a]	No. of Firms	Services Franchised[b]
Collier County, FL.[c]	2	285,000	2,305	2	R/MF/C
Fresno, CA.	2	501,000	105	2	R/MF/C
Fresno County, CA.[c]	14	342,000	6,017	12	R/MF/C
Lee County, FL.	5	423,000	1,212	5	R/MF/C
Norwalk, CA.	2	106,000	9	2	R/MF/C
Palm Beach County Solid Waste Authority (SWA), FL.[c]	9[d]	558,000	2,386	9	R/MF/C
Phoenix, AZ.	10	1,470,000	517	3[e]	R
Portland, OR.	19	584,000	145	19	R
Reno, NV.	2	422,000	69	2	R/MF/C
Seattle, WA.	2	621,000	143	2	R/MF/C
Stockton, CA.	2	292,000	62	2	R/MF/C
Vancouver, WA.	2	165,000	46	1	R/MF/C

[a] County data include area for cities and towns.
[b] R = single-family residential; M = multi-family residential; C = commercial.
[c] Applies mainly in unincorporated areas of County.
[d] In process of changing to four collection areas.
[e] Managed competition process: Currently, the City and two private firms provide collection services.

A summary of research conducted and survey responses from each jurisdiction follows.

Collier County, Florida

Results of Document Review and Interview with:

Peter Lund
Manager, Customer Service and Utilities Education and Compliance
Utility Billing & Customer Service Department
(239) 252-2357
peterlund@colliergov.net
http://www.colliergov.net/index.aspx?page=2775
January 16, 2012

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection district have you established?

Collier County has two (2) collection districts (see Exhibit 1).

2. Approximately how many accounts do you have per district (SF, MF, Commercial)?

Customer	District I	District II
Residential	**105,244***	**5,885**
Multi-family	**X**	**X**
Commercial	**4,150#**	**270**

*Includes M/F with curbside service
#includes M/F of approx 65,000 units – these are still residential and have recycling service and are identified as non-curbside. Commercial businesses have mandatory recycling but can choose to have a contractor other than the franchisee.

3. Are those district boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

The collection districts were established to reflect the geographic distribution of the two primary population centers in the County.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

No.

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

No specific criteria were established, but each district has a landfill or transfer station in relatively close proximity.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

No formal studies or modeling was conducted to establish the district boundaries.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. What lessons did you learn or what would you do differently in the future?

None.

B. Collection Zone (Franchise) Caps

1. What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?

Because the County has renegotiated is exclusive franchise agreements rather than procured new service providers, it did not employ a limit on the number of districts per service provider. When the agreements were renegotiated in 2005, direction was provided by the County Commission to negotiate with the current service providers.

2. What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?

N/A.

3. How many collection companies were licensed in Collier County before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?

N/A.

4. If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?

Yes

5. In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?

N/A.

6. Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?

N/A.

7. Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?

Yes.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

The County bills for residential service as a non ad valorem assessment on the tax bill. The County's payments to the Contractor for Residential Collection Service are made on a monthly basis, for services performed during the previous month, in an amount equal to one-twelfth of the approved annual payment per Residential Customer. Payments to the Contractor are calculated by: (a) multiplying the Rate for Residential Collection Service by (b) the number of Residential Customers that received Residential Collection Service during the month, and (c) deducting any liquidated damages assessed against the Contractor. Payments are sent to the Contractor within the first twenty (20) Days of the month. We do add units monthly.

The County sets the commercial service rates each year by resolution. The Contractor is responsible for the billing and collection of Rates charged for Commercial Collection Service and Commercial Supplemental Collection Service, including collection and payment of Tipping Fees. The only exception relates to roll-carts, which the County bills. The Contractor pays the Tipping Fee at the Designated Site when the Contractor delivers Commercial Waste. The current resolution is available as a separate document. The County audits the commercial records to ensure compliance.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

The supplemental services are presented in the rate resolution referenced above.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

The County sets the collection rates, which are different for each collection district. Residential curbside rates are set at the time of contract signing as are Commercial rates, then adopted by rate resolution every year thereafter.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

Yes, as part of renegotiating the contracts, not as part of a RFP.

5. ***Did you have any "phase-in" period to the new rate structure?***

No, the rates are effective on October 1 or each year.

6. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

No, but consideration is given for hardships as noted below. The County is contemplating removal of the provision at some point in the future.

Ordinance 2005-54 - SECTION TWENTY-TWO: *FINANCIAL HARDSHIP DEFERMENTS.*

Except where the Special Assessment is imposed and collected as a non-ad valorem assessment on the property tax bill, a deferment of the annual payment obligation of the Special Assessment may be obtained by the owner of Residential Real Property that qualifies upon the basis of financial hardship as defined herein and according to the procedures provided hereunder.

A deferment of the payment obligation otherwise required under this Ordinance may be granted upon the written request of a Residential Real Property owner who qualifies because of financial hardship using as a standard the United States Department of Housing and Urban Development's Rental Assistance Program (Section 8) as to annual income, providing further that home ownership is not in and of itself an eliminating factor. The deferment shall consist of a lien placed against the Residential Real Property to run with the land in an amount equal to the cumulative unpaid Special Assessment(s). The lien shall be satisfied upon the sale, transfer or any other disposition of the Residential Real Property subject to the Special Assessment(s).

7. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

No.

8. ***What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)***

To compensate the County for the cost of administration, supervision and inspection required for the effective performance of this Agreement, the Contractor pays to the County a franchise fee equal to two percent (2%) of total annual assessment of Residential Customers, plus four percent (4%) of all gross revenues collected from Commercial Customers, including disposal fees, arising out of any services or operations governed by this Agreement. The amount of the administrative fee may be adjusted by the County on October 1 of each Agreement Year, beginning on October 1, 2006, but the administrative fee shall not exceed five percent (5%). The administrative fee shall not be increased unless the Rates are increased appropriately to maintain the Contractor's net revenues.

For the purposes of determining the amount of the administrative fee, gross revenues shall include the disposal fees associated with Residential Collection Service, whether or not such fee is directly collected or paid by the Contractor. The residential disposal fee to be used for this purpose shall be based upon the Rates established in the exhibits attached hereto. Administrative fees shall be payable monthly in arrears with the disposal fees. Any amounts not paid when due shall earn interest at the maximum legal rate. Adjustments to the administrative fee, based upon new or additional information about the Contractor's gross revenues, may be made from time to time by the Director, after providing notice to Contractor.

9. ***What escalation clauses are in effect in your franchise compensation agreement?***

The Collection portion of the Residential Customer Rates and the Collection portion of the Commercial Customer Rates (e.g., front-load, compactor, and roll-off Rates) are adjusted on October 1st of each year, beginning in the second Agreement Year, as described below.

The Rate are adjusted in an amount equal to seventy percent (70%) of the change in the Consumer Price Index ("CPI") during the previous year, but the adjustment shall not exceed five percent (5%) in any one year.

The CPI shall be the lesser of the United States All Urban CPI, or the Southern All Urban CPI, published by the U.S. Department of Labor, Bureau of Labor Statistics, for the twelve (12) months ending on the April

30th that precedes each new Agreement Year. If the CPI is discontinued or substantially altered, the County may select another relevant price index published by the United States Government or by a reputable publisher of financial and economic indices.

The fees set forth for Supplemental Services are adjusted annually to account for changes in the CPI.

The disposal Rates for Commercial Customers are adjusted whenever the Tipping Fee at the Collier County Landfill is adjusted.

Collier County calculates the residential and commercial Collection and disposal Rates, based on the following formulae:

<u>A. Residential Rates</u>

1. Initial Residential Rate
2. Adjustments to Residential Rate after first Agreement Year

   New Rate per household for upcoming Agreement Year = Current Rate per household X 70% of CPI + current Rate per household

   <u>Hypothetical Example</u>

   New Rate for single family residential Customers = $100 X (70% of 2.2851%) + $100.00 = $101.59

<u>B. Commercial Rates</u>

1. Effective October 1, 2005, the Commercial Collection Rate are adjusted to reflect 100% of the change in the CPI, pursuant to the provisions of the County's Solid Waste Collection Service Agreement (dated June 12, 1990), as amended, with the Contractor.

   Initial Rate per container per frequency of Collection = Initial Rate per container per frequency of Collection X 100% of CPI [see description for CPI in Section 27] + initial Rate per container per frequency of Collection

   <u>Hypothetical Example</u>

   4 yard container collected twice per week = $140.00 X (100% of 2.2851%) + $140.00 = $143.20

2. Adjustments to Commercial Collection Rate after first Agreement Year

   New Rate per container per frequency of Collection = Current Rate per container per frequency of Collection X 70% of CPI [see description for CPI in Section 27] + current Rate per container per frequency of Collection

   <u>Hypothetical Example</u>

   4 yard container collected twice per week = $150.00 X (70% of 2.2851%) + $150.00 = $152.40

3. Commercial Disposal Rate [To be established annually pursuant to Collier County Ordinance No. 84-31]
4. Conversion Factors

   (a) Uncompacted Garbage and Rubbish: 0.055 tons per cubic yard or 1 cubic yard = 110 lbs.

(b) Compacted Garbage and Rubbish: 0.1725 tons per cubic yard or 1 cubic yard = 345 lbs.

(c) One month = 4.33 weeks

Adjustment to commercial disposal Rate after a change in the Tipping Fee

New monthly disposal Rate for each container size per frequency of Collection = **Size (per cubic yard) of container X frequency of Collection per week X 4.33 (i.e., weeks in a month) X new Tipping Fee**

<u>Hypothetical Example</u>

The new monthly disposal Rate for a 4 yard container (uncompacted) collected twice per week = 0.055 tons per cubic yard X 4 cubic yards X 2 collections per week X 4.33 weeks per month X $35.00 = $66.68

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

The following types of Exempt Materials are not subject to the Contractor's exclusive franchise under this Agreement. These Exempt Materials may be collected and taken to a licensed disposal site or Recycling Facility by the owner or occupant of the Premises, or their agent, at the owner's or occupant's expense.

- Land Clearing Debris.
- Construction and Demolition Debris.
- Trash and debris associated with farming operations.
- Extraordinary, Hazardous, Biomedical, and Radioactive Waste.
- Wrecked, scrapped, ruined or dismantled motor vehicles, or motor vehicle parts, including used oil, Tires, and batteries.
- Recyclable Materials generated by a Commercial Customer, provided the materials are subjected to a recycling process, and the Commercial Customer reports to the Director, upon request, about the disposition of the Recyclable Materials.
- Non-Program Recyclables generated and separated from the Waste Stream by Residential Customers.
- Solid Waste and by-products resulting from an industrial process.
- Solid Waste and Recyclable Materials generated in the incorporated areas of Collier County, other than the City of Marco Island.
- Sludge.
- Liquid, semisolid, or contained gaseous material resulting from domestic, industrial, commercial, mining, agricultural, or governmental operations.
- Commercial Organics.

- Yard Trash generated on Commercial Real Property.
- Materials and wastes similar to those listed above, when designated by the Director.
- If the Contractor declines to collect Bulky Waste or White Goods from a Commercial Customer, then the Bulky Waste or White Goods shall be deemed an Exempt Material with regard to that Commercial Customer.

E. Diversion Requirements

1. Does the contract include requirements for diversion programs?

Yes, Contractor is required to participate in the County's Solid Waste program activities, including but not limited to: public appearances in support of the County's Recycling Program; use of the County's recycling theme, colors, and logos on Collection vehicles and containers; distribution of promotional literature; participation in special events; special educational presentations; and similar activities. All literature shall include a County phone number, approved by the Director.

From time to time, but not more than twelve (12) times per year, Contractor shall assist and/or support the County at local special events (e.g., Earth Day). Examples include but are not limited to: using Collection vehicles to participate in local parades; bringing Collection vehicles to special events; and providing staff to assist County staff at various informational booths. The Contractor shall not be required to staff booths more than a total of 60 Person hours per year.

In addition to the staffing requirements above, the Contractor shall expend $50,000 per Agreement Year assisting the County with educational, promotional, and public awareness activities, including, but not limited to the following:

- At its expense, Contractor shall mail one (1) Solid Waste informational document, developed and published by the County, to all Customers in the Contractor's Service District. The document shall be distributed quarterly each Agreement Year. The County shall give the Contractor a minimum of four weeks' notice prior to the mailings. Contractor shall perform mailings under the direction and to the satisfaction of the Director.
- At its expense, Contractor shall distribute pre-printed promotional materials (e.g., brochures, newsletters, flyers, door hangers, magnets), up to four (4) times per Agreement Year, to all Customers in the Contractor's Service District. These materials shall be developed and provided by the County to educate Residential and Commercial Customers about the proper methods to be used to Set Out their Solid Waste, Yard Trash and Program Recyclables, and to provide other information concerning the County's Solid Waste program.
- At its expense, Contractor shall publish a quarter-page, County-prepared advertisement, promoting Solid Waste programs. The advertisement shall be published twice each Agreement Year in the newspaper that has the largest local circulation.

When determining whether the Contractor has satisfied its obligation to spend $50,000 per Agreement Year on educational activities, the County shall consider and include the Contractor's out-of-pocket costs for printing, publishing, and mailing educational materials to Customers.

2. What are the benchmarks or diversion targets established for your diversion programs?

The State of Florida has established a 75 percent recycling goal.

3. How is the performance of your diversion programs measured?

The FDEP calculates the diversion based on incoming waste types and recovered tonnages reported from the County and all approved permitted recycling facilities.

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties of incentives do you enforce for missing or exceeding diversion targets?

There are none.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

No.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

N/A.

G. Incentives to Exceed Contractual Requirements

1. Has the County included any other liquidated damages for non-compliance? If yes, please explain.

Yes, see Exhibit 2.

2. Has the County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.

No.

H. Implementation, Staffing, Customer Interface

1. How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? Please provide a breakdown by function.

The County's customer service team is responsible for all customer engagement as the first point of contact. Staff includes two (2) managers, five (5) accounting staff, eleven (11) customer service staff, and seven (7) education and compliance staff.

2. Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?

N/A.

3. Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?

Staff engaged outside technical and legal support with the renegotiation process in 2005. The analysis for the most recent contract extension was conducted by County staff only.

4. ***How do customers interact with you and/or the haulers for service issues, new programs (e.g., phone, web-system, personal contact)?***

All customer service call are received and managed by County staff. Work orders are issued to the Contractors as required for action.

EXHIBIT 1

Service Districts

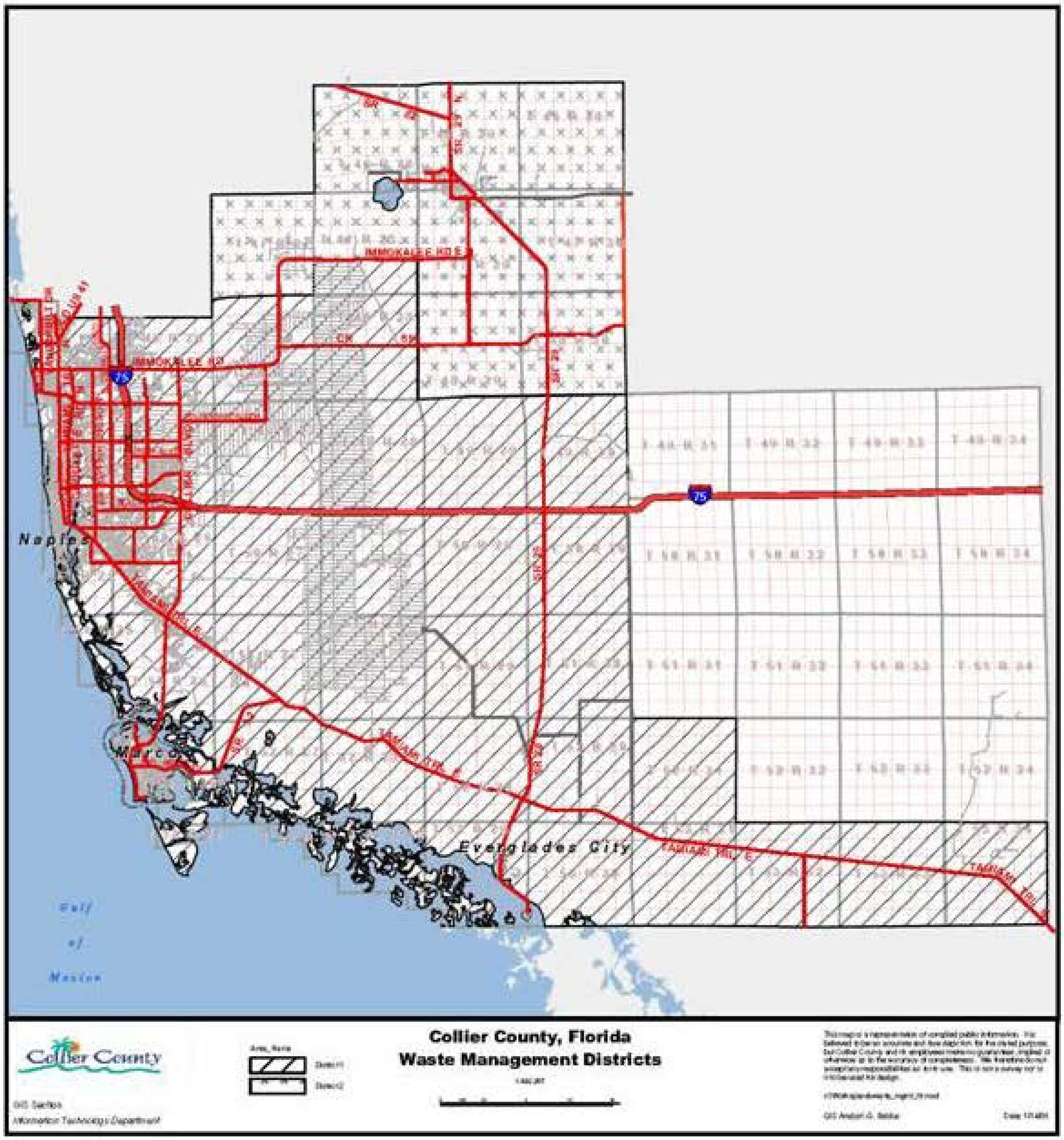


EXHIBIT 2
Liquidated Damages

Basis for Liquidated Damages

The County and Contractor acknowledge and agree that it is difficult or impossible to accurately determine the amount of damages that would or might be incurred by the County due to those failures or circumstances described in this Section 28 and for which the Contractor would otherwise be liable. Therefore, the following administrative assessments shall constitute liquidated damages, not penalties, for the Contractor's breach of this Agreement. These administrative charges may be deducted from the County's payments to the Contractor.

- Failure to clean up spilled liquids or material in compliance with the requirements in this Agreement, within the deadlines set forth herein, after notification by the Director or a Customer. Each failure shall result in the imposition of a $250 assessment per event.
- Failure or neglect to collect properly prepared Solid Waste, Yard Trash, or Program Recyclables from any Premises at those times provided by this Agreement, within the deadlines set forth herein, after notification by the County or Customer. Each failure shall result in the imposition of a $100 fee. If the Contractor fails to meet the deadlines contained in this Agreement, each additional Day of delay after the initial violation shall result in the imposition of an additional $250 assessment.
- Failure or neglect to correct chronic problems (chronic shall mean three (3) or more Legitimate Complaints at the same Premises within a twelve (12) month period) shall result in the imposition of a $250 assessment. The first assessment shall be imposed for the third Legitimate Complaint. Additional assessments may be imposed for each Legitimate Complaint thereafter. If the Contractor has more than five (5) chronic complaint problems within one month, there shall be an additional $500 assessment.
- Failure or neglect to complete each street on a route (including missing whole or partial streets) on the regularly scheduled Collection Day, within the deadlines set forth herein, shall result in the imposition of a $500/street/Day assessment.
- Intentionally mixing Yard Trash, Program Recyclables, Solid Waste, Electronic Equipment, or any other materials that are required to be collected separately, shall result in the imposition of a $1,000 assessment per occurrence.
- Mixing Commercial and Residential Garbage, Rubbish or Yard Waste during Collection, without prior written approval from the Director, shall result in the imposition of a $1,000 assessment for each occurrence.
- Failure to maintain a Collection vehicle or equipment in a clean and sanitary manner shall result in the imposition of an assessment of $100 per vehicle per day.
- Mixing Commercial Recyclables and Residential Program Recyclables during Collection, unless prior approval for the mixing has been granted by the Director, shall result in the imposition of a $1,000 assessment for each occurrence.
- Failure to resolve Legitimate Complaints, other than Missed Collections, within seven (7) Days of notification shall result in the imposition of a $250 per day assessment for each occurrence until such complaint is resolved to the satisfaction of the County.
- Failure to timely file any report or document required herein shall result in the imposition of a $100 assessment for each Day that each report or document is late.

- Failure to dispose of Residential Waste or Commercial Waste collected in the Contractor's Service District at a Designated Site shall result in the imposition of liquidated damages equal to the current tip fee at the Designated Site, plus twenty-five percent (25%), for each ton disposed at non-Designated Site.
- Failure or neglect to correct chronic equipment problems (chronic shall mean three (3) instances of the same or similar problem with the same equipment/truck within a twelve (12) month period) shall result in the imposition of a $250 assessment. The first assessment shall be imposed for the third problem. Additional assessments may be imposed for each problem thereafter.
- Failure to properly and legibly label Recycling Containers, Commercial Containers and/or Roll Carts within five (5) Days of receiving notice from the Director, shall result in the imposition of a $100 assessment for each container not properly labeled.
- If the Contractor fails to comply with any provision of this Agreement for which liquidated damages have not been specified in this Section 28.1, the County may impose a $200 assessment per occurrence per day.
- Failure to have a vehicle operator properly licensed, or failure of the operator to carry his license while on duty, shall result in a $100 assessment per occurrence per day.
- Failure to maintain office hours in the manner specified in this Agreement shall result in a $100 assessment per occurrence per day.
- Failure to replace or repair a damaged container as specified in this Agreement shall result in a $25 assessment per incident per location.
- Failure to service a Legitimate Complaint within the specified time frame shall result in a $50 assessment per incident per day.
- If the Contractor notifies the Director that a complaint has been resolved, when the complaint has not been resolved, there shall be a $200 assessment per incident.
- Collections outside of the hours specified in this Agreement, without prior approval of the Director, shall result in a $100 assessment per incident per day.
- Failure of personnel to treat customer(s) or their property in a professional manner shall result in a $15 assessment per incident.
- Blocking driveways with containers or Recycling Bins shall result in the imposition of a $25 assessment per incident, per day.
- Failure to provide timely promotional, educational materials and/or advertisements shall result in the imposition of a $1,000 assessment per event.
- Failure to comply with the deadlines in Sections 5.3 and 5.4 for the Transition Periods shall result in an assessment of $1,000 per day, per incident.

Procedure for Assessing Liquidated Damages

- Based upon an investigation, the Director shall determine whether liquidated damages shall be assessed against the Contractor. The Contractor shall not be required to pay liquidated damages in those cases where the delay or failure in the Contractor's performance was (a) excused in advance by the Director or (b) due to unforeseeable causes that were beyond the Contractor's reasonable control, and without any fault or negligence of the Contractor.

- Prior to assessing liquidated damages, the Director shall provide written notice to the Contractor, indicating the County's intent to assess liquidated damages.
- After receiving the Director's letter, Contractor shall have ten (10) Days to file a written letter of protest with the Director.
- If a protest is timely filed, the matter shall be referred to the Manager for resolution. The Manager shall review the issues in a timely manner and then provide a written decision to the Contractor.
- If the Manager's decision is unacceptable, the Contractor shall have ten (10) Days to file a written petition with the Director for a hearing before the Board. Upon the timely filing of a petition, the Board shall provide the Contractor with an opportunity to be heard at a public meeting and then the Board shall notify the Contractor in writing of its decision concerning the liquidated damages. The decision of the Board shall be final and non-appealable.
- If a protest or petition is not timely filed by the Contractor, or if the Board concludes that liquidated damages should be assessed, the Director shall deduct the liquidated damages from the County's next payment to the Contractor for Collection Services.
- The procedures in this Section 28 shall be used in lieu of the procedures in Section 30 to resolve disputes concerning liquidated damages.

Fresno County, California

Results of Document Review and Interview with:

Sally Lopez,
Fresno County, CA.
mslopez@co.fresno.ca.us
(559) 600-4312
January 17, 2013

In August, 2005, the County executed Exclusive Service Area Program (ESAP) agreements with 14 collection firms in order to meet state diversion requirements. Service under the program is optional (residents may self-haul material to local facilities), but residents and businesses must select the ESAP hauler if they subscribe to collection services.

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

Today, there are 14 territories served by 12 designated ESAP haulers.

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

As of April 2011 (in October 25, 2011 Board Report), it was estimated that approximately 27,600 customers contracted for collection under the ESAP program (and approximately 33,100 that did not). About 1/3 of the accounts are commercial; 2/3 are residential.

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

Prior to the transition, there were 61 firms providing service in the County. Fourteen of them were able and willing to meet the County’s bonding, insurance, and other RFP requirements.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

No.

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

The service areas generally follow patterns of service for each hauler and coincide with roadways and/or geographic-resource features. Each hauler was to keep the keep the same number of accounts before and after the transition to the ESAP system: the haulers met to help draw boundaries and exchange accounts between boundaries.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

There were some studies done prior to the RFP. Not available at this time.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. What lessons did you learn or what would you do differently in the future?

Some Supervisors and staff would prefer that all cities in the County were part of the ESAP system, which would improve the clarity of diversion and collection messaging and make services similar. Rates might go down because of increased economies of scale. Would be easier to track tonnages delivered to facilities.

The County elected to not engage in a public outreach program when the system was implemented: haulers just communicated with their customers by email. This led to many more calls once implemented than could have been otherwise.

B. Collection Zone (Franchise) Caps

1. What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?

No strict limits, but County must authorize any "assignment" of a contract from one firm to another.

2. What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?

See above.

3. How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?

Not really a problem with 12 collection zones.

4. If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?

Yes.

5. In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?

Only one.

C. Rate Structure

1. Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?

Rates that haulers charge was negotiated by staff in 2004-2005. Initial rates seemed high, and Board of Supervisors directed staff to re-negotiate them downward. Rates include pass-through amounts for closed landfills, and diversion programs. Rates are a maximum: some haulers charge less to entice self-haulers to subscribe to service.

Rates apply to all regular service from 30 gallon to six cubic yards. It does not apply to special pickups, bulky pickups, or service on quantities greater than six cubic yards (e.g., rolloffs).

Haulers in one area have to pay a $3.25 per ton fee for closed landfills that is not passed through to customers, thus affecting their profit margins. This is a source of contention between the firms and the County.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

Nothing out of the ordinary.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

Rates are set to be equivalent within each of four distinct service rate areas: Urban, Rural with Green Waste, Rural Without Service, and Mountain. The rates are maximum rates that haulers can charge in each area. We have copies of collection rates effective as of March 2012.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

No.

5. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

Not in the standard rate, but some haulers offer discounts or relaxed payment terms.

6. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

Not applicable.

7. ***Does the City receive a franchise fee or payment other than the $/stop payments? If so, how is it assessed? (i.e., x% of revenues or y% annually)***

County receives one percent on revenue earned.

8. ***What escalation clauses are in effect in your franchise compensation agreement?***

Rates are adjusted annually on the basis of increases in the Consumer Price Index (unadjusted San Francisco-Oakland-California CPI). Cart rates (residential) are modified by 75% of annual CPI increase, and bin rates (commercial) are modified by 65% of the annual CPI increase.

D. Waste Exemptions

1. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

Not applicable.

E. Diversion Requirements

1. Does the contract include requirements for diversion programs?

The ESAP agreements stipulate that at the end of six years from the start date (February 26, 2006), the ESAP haulers must achieve the following diversion targets by service rate area: 50% Urban; 35% Rural with Green Waste; 25% in Rural Without Service and Mountain. Those targets were met in 2012.

Haulers must work with County to implement programs including outreach, education with schools, and implementing the new state recycling requirements for larger commercial customers.

2. What are the benchmarks or diversion targets established for your diversion programs?

State requirements in 2012 were 5.1 pounds per capita and 13.5 pounds per employee.

3. How is the performance of your diversion programs measured?

See above.

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties of incentives do you enforce for missing or exceeding diversion targets?

Not applicable.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

No.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

Not applicable.

G. Incentives to Exceed Contractual Requirements

1. ***Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.***

There are various liquidated damages that can be assessed, but to date, the County issues notices and gives haulers time to rectify problems. No fines have been assessed to date.

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain***

No.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

The County has three staff members for administering the system and meeting AB939 requirements and facilities issues: about 2.5 on collection and 0.5 on facilities. At one point, staff was down to just one person.

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

Contracts awarded in August, 2005; service starts in March, 2006.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

No.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

Most correspondence is done by telephone. In 2006 when system was implemented, staff received about 3,000 calls. Today, they get relatively few calls with service issues: a maximum of perhaps 25-30 per month.

Fresno, California

Results of Document Review and Interview with:

Patrick Wiemiller
City of Fresno, CA
Patrick.Wiemiller@fresno.gov
(559) 621-8663
January 25, 2013

The City of Fresno has recently moved to exclusive zone franchising for both commercial and residential garbage and recycling collection. For commercial collection they have two zones with two different franchisees. For residential collection Fresno has decided to go with a single franchisee for the entire city. The responses below focus on commercial collection unless otherwise noted.

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

Two exclusive zones have been established for commercial and multi-family collection. Allied Waste Services (Allied) is responsible for servicing the northern portion of the City, and Mid Valley Disposal (MVD) is responsible for the southern section.

For residential collection the City has awarded a single franchise to MVD.

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

There are approximately 4,000 commercial accounts (including large multi-family complexes) in each of the two commercial zones.

There are about 105,000 residential accounts.

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes, larger multi-family accounts are collected within the same boundary areas as other commercial accounts.

4. What criteria did you use to establish this number?

In its RFP, the City was divided into 4 quadrants or zones (NW, NE, SW, SE) that were divided by major roads and sized to ensure roughly equally-sized zones. During the RFP process two proposers stood out from the rest and the City awarded the north side of the city to one firm, and the south side to another.

For the residential RFP, the City was split into two zones (N and S) but due to the strength of one proposal (MVD), they elected to award the entire city to the one firm.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

The City, with assistance from a consultant, conducted an analysis in 2010 - 2011 to develop the zone boundaries.

6. ***What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?***

Geographical features such as major roads were the basis for the boundaries, and the zones were sized to have approximately equal number of accounts. The goal was to ensure clarity about the boundaries in which firms would operate.

7. ***Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?***

See above.

8. ***Did elected official districts impact the selection of district boundaries (i.e., alignment)?***

No. However, during initial deliberations this was suggested by a Council member. It was suggested that this would have resulted in more zones than necessary (seven Council districts), with less clearly delineated boundaries. Also, Council districts change every time there is a new census, which would have added to boundary complexities.

9. ***What lessons did you learn or what would you do differently in the future?***

The clean delineation of boundaries has helped with management. There are some disadvantages with having multiple franchisees because management complexity is more than double with two zones compared to a single zone. Having a single franchisee, as will be done for residential collection eliminates such problems while still providing adequate accountability and competition.

With two zones, the City has different rates in the two zones, which is not desirable.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

Not applicable. For commercial collection under the current agreement, each franchisee has one collection area.

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

Not applicable.

3. ***How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for your collection contracts?***

The City provided waste collection services prior to implementation of exclusive franchises except for roll-off collections which are provided by approximately 15-20 haulers. Currently, these haulers compete for roll-off business under non-exclusive franchises.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

More consideration would have been given to the possibility of awarding a single city-wide franchise for commercial collection.

5. In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?

There was no limit.

C. Rate Structure

1. Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?

Collection companies bill customers and remit franchise fees and other payments to the City.

2. What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?

No atypical extra services are provided.

3. Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?

Rates were negotiated with the winning proposers, and escalate over the course of the 10-year contract in accordance with a contractual escalation formula.

4. Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?

No. Contract terms are for 10 years. Reviews occur after 5 years and the overall franchise program is set to be reviewed following year 8.

5. Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?

No discounts are provided for low income multi-family households.

6. Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?

Not applicable.

7. Does the City receive a franchise fee or payment other than the $/stop payments? If so, how is it assessed? (i.e., x% of revenues or y% annually)

The City receives a 14 percent franchise fee. There is also a 0.5% management fee to cover the cost of administering the franchises. It was initially one percent (which is more representative of actual costs), but this was lowered by City elected officials.

8. What escalation clauses are in effect in your franchise compensation agreement?

[Copy of franchise agreement has been requested.]

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

Rolloffs are not included in the franchise agreement: they are served by 20 firms with non-exclusive franchises who compete for business. Other than state agencies with the legal right to select their own collection firm, there are no businesses exempt from the franchise.

E. Diversion Requirements

1. ***Does the contract include requirements for diversion programs?***

[Copy of franchise agreement has been requested.]

2. ***What are the benchmarks or diversion targets established for your diversion programs?***

[Copy of franchise agreement has been requested.]

3. ***How is the performance of your diversion programs measured?***

[Copy of franchise agreement has been requested.]

4. ***Does your program include disposal caps that decrease over time?***

No.

5. ***What penalties or incentives do you enforce for missing or exceeding diversion targets?***

[Copy of franchise agreement has been requested.]

F. Traffic Changes and Collection Efficiency

1. ***Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?***

This was discussed but not formally evaluated.

2. ***If so, could you share any studies conducted or methodologies used in preparing those estimates?***

Not applicable.

G. Incentives to Exceed Contractual Requirements

1. ***Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.***

[Copy of franchise agreement has been requested.]

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain***

Franchisees are required to have a carbon footprint that is at least as good as what the City used when it collected from the commercial sector, which it used LNG as a fuel.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

There are currently 5 FTEs involved in these activities: one of whom deals mainly with disposal facilities (transfer station, landfill, closed landfill). Of the four staff who deal mainly with collection, one staff member works on recycling programs, a second does accounting, waste tracking, a third does contract compliance and performance and is liaison with the franchisees, the fourth focuses on operations and will likely phase out after the program is fully transitioned.

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

Not available.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

Legal counsel (internal and external) was extensively used for contract negotiations. A consultant was engaged to draft RFP, assist during the RFP process, and make presentations to Council.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

Franchisees are responsible for all service issues. City staff correspond with haulers by phone and email as needs arise.

Lee County, Florida

Results of Document Review and Interview with:

Mr. Keith Howard
Deputy Director
Lee County Solid Waste Division
(239) 533-8000
khoward@leegov.com
http://www.leegov.com/gov/dept/SolidWaste/Pages/default.aspx\
January 18, 2012

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

Lee County has five (5) collection zones (i.e., franchise areas). See Exhibit 1.

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

Customer	Area 1	Area 2	Area 3	Area 4	Area 5
Residential	22,000	23,600	39,800	46,000	21,500
Multi-family	18,200	27,100	17,000	1,000	19,300
Commercial	1,400	1,700	2,600	3,100	11,50

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

None, but seemed reasonable based on population numbers and service levels.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

No.

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

Geographical, municipal and some attempts to balance commercial/residential/multi-family

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

No.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No, purposely overlap with those boundaries.

9. What lessons did you learn or what would you do differently in the future?

N/A.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

The maximum number of service areas awarded to a single service provider is three (3).

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

None, did not want a monopolistic coverage by one hauler. Continue to create opportunities for change over of incumbents.

3. ***How many collection companies were licensed in your County before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

Was one prior to splitting into 5 areas.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

Same, makes sense geographically.

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

All 5.

6. ***Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?***

1.

7. ***Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?***

Yes, the RFP which includes an unexecuted franchise agreement.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

The County is responsible for the billing and collection of payments for Residential Curbside Collection Service. Payment from the County to the Contractor for any undisputed fees and/or charges will be due and paid no later than forty-five days after receipt of an invoice from the Contractor for the Curbside Residential Collection Services. The initial Collection rate per unit per month is established in the Contractor's response in the RFP. This rate may be adjusted in subsequent years.

Payments for commercial Solid Waste Collection and disposal are made by the customer directly to the Contractor. The customer is billed by the Contractor based on the quantity of waste collected and the frequency and type of service rendered. The rates charged by the Contractor are based on the pricing for commercial properties as proposed by the Contractor to the RFP. Charges for all services related to and for the purpose of commercial Recycling Collection shall not exceed rates as proposed by the

Contractor to the RFP. If the Contractor stops service due to nonpayment, the Container shall be pulled immediately (if owned by the Contractor) and the County shall be notified. All "stopped service" events are investigated and documented by the Contractor prior to the notification to the Department. Commercial containers are redelivered within 24 hours of receipt of payment. All charges and payments shall include disposal costs. Disposal costs shall be a "pass-through" to the County and not be considered revenue to the Contractor.

The Contractor shall keep residential and commercial waste separate for purposes of disposal. The Contractor shall pay for all commercial waste disposed separately from residential. Commercial disposal costs will be part of the service charge billed by the Contractor and paid by the commercial customer. The Contractor pays for all Solid Waste disposal costs incurred for disposing of commercial Solid Waste at the designated disposal facilities. All commercial waste shall remain separated from residential waste in transfer stations and Collection vehicles until after it has been weighed and categorized at an approved scale facility.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

SPECIAL SERVICES RATES DETERMINED BY THE COUNTY
(NOT TO BE ADJUSTED DURING TERM)

Service	Rate per service
Rolling Out Recycling 95 or 101 Gallon Container, with 25 or more feet per direction	$1.20 (no charge for less than 25 feet per direction)
Rolling Out Container (and returning it to original location)	$3.00
Second Weekly Curbside Residential Garbage or Trash Collection	$4.00 per week
Side of House Service (Residential Curbside Only)*	$2.00
Opening (and closing) Doors or Gates	No Charge
Locks for Containers	$10.00 (one time) Charge for Replacements based on cost +10%
Unlocking and Locking Containers	$1.50
Supplying (and retrofitting) locking mechanism on Container***	$50.00
Adding wheels to or changing wheels on Containers	No Charge
Adding lids to or changing lids on Containers	No Charge
Moving Container Location Per Customer Request	No Charge
Changing Out Sizes (above twice per year)**	$30.00
Additional Scheduled Pick-ups for Containerized Customers	Same as Applicable Commercial Collection Rates (Plus Disposal Charges)
Additional Unscheduled (Not Including "On-Call") Pick-Ups For Commercial And Multifamily Containerized Customers	2 times Applicable Commercial Rates (Plus Regular Disposal Charges)
Special Service Or Special Equipment Required Because Of Impaired Accessibility	Negotiable
Return Roll Off Container To Same Spot Or Round Trip For Roll Off Container.	No Charge
Return Container After Service Was Stopped	$40.00
Collection Of Unbundled (Loose) Yard Waste From Curbside Residential Unit.	$15.00 Per Cubic Yard

Of note: curbside e-waste, unlimited MSW, unlimited recycling. Also, hauler pays for one billing insert and postage for one mailing annually.

3. ***Please describe the basic approach you used to set the commercial collection rates for the most recent bid process? Are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the commercial collection rates set for commercial customers?***

The County sets the rates by resolution each year.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

Internal review prior to RFP. Also was up for consideration by a citizen's advisory committee.

5. Did you have any "phase-in" period to the new rate structure?

No, the rates are effective on October 1 or each year.

6. Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?

No. We do provide back door service for qualified disabled individuals.

7. Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?

No rent control.

8. What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)

A franchise fee is set at 5.5% based on all charges invoiced less disposal costs.

9. What escalation clauses are in effect in your franchise compensation agreement?

Of note, contractor must request the increase and the BOCC must approve, partially approve or deny.

Solid Waste and Recycling Collection Rate Adjustments: For all Collection services, the charges shall be initially based on the rates established in Exhibit II, and as subsequently adjusted pursuant to this Agreement. The Contractor may receive an annual adjustment in the Curbside Residential Solid Waste Collection Service, Commercial Recycling Collection Service, Commercial Solid Waste Collection Service and Curbside Residential Recycling Collection Service rates.

Beginning in March 2006, the Department shall review the Consumer Price Index – *Urban Wage Earners & Clerical Workers (Series I.D.: CWUR0300 SAO, Area: South Urban, Item: All Items)* as published by the U.S. Department of Labor for the previous month of January. The Contractor may request a rate increase from the County equal to the change in the above stated index, compared to the previous 12 months, or another amount. Any request for a rate adjustment by the Contractor shall include substantial proof and justification, as determined by the Department, to support the need for a rate adjustment. Additional information may be required by the Department.

The County will normally provide a notice of approval or denial of all or part of the requested rate adjustment before August. No change in rates or the Payment Schedule shall be made without the approval of the County Board of Commissioners. Annual rate adjustments shall be effective the following October 1, unless otherwise mutually determined by the County and the Contractor.

D. Waste Exemptions

1. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

HHW.

E. Recycling Requirements

1. Does the contract include requirements for a recycling program?

No program but must provide residential service. Business service required if requested.

2. What are the benchmarks or recycling targets established for your diversion programs?

Florida has a 75% goal for 2020.

3. How is the performance of your diversion programs measured?

Annual reporting per State guidelines.

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties or incentives do you enforce for missing or exceeding recycling diversion targets?

None. There are fees for non-participating multi-family and businesses as well as C&D.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

No.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

N/A.

G. Incentives to Exceed Contractual Requirements

1. Has the County included any other liquidated damages for non-compliance? If yes, please explain.

Standard performance bond requirements related to default. Note administrative fees, See Section 19 of contract.

2. Has the County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.

None.

H. Implementation, Staffing, Customer Interface

1. How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? Please provide a breakdown by function.

4 customer service reps, 6 field inspectors, one supervisor.

2. Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?

Yes, as presented below.

Task	Deadlines Minimum Start Date	Maximum Completion
Provide Transition Report outlining plan to minimize transition problems		6/1/05
Begin Equipment Yard and Office siting	5/29/05	9/1/05
Hire Operations Manager	5/29/05	6/12/05
Begin Residential Curbside Routing	5/29/05	7/3/05
Order/Secure Vehicles	5/29/05	9/1/05
Provide County with truck orders or verification of vehicle source(s)	6/1/05	6/1/05
Begin Commercial and Residential Routing	5/27/05	8/3/05
Hire Supervisors		6/30/05
Complete residential curbside routing	7/3/05	7/3/05
Place order or Secure Source for Containers	7/3/05	7/3/05
Provide Residential Curbside Route Maps to County		7/6/05
Provide verification of Container source to County		7/6/05
Commercial Customer Service Agreement, County Approval	6/15/05	7/15/05
Complete Residential Container and Commercial Routing		8/3/05
Provide Routing to County		8/7/05
Equipment Yard and Office Sited and set up		9/1/05
Office and Accounting Staff in place		9/1/05
Maintenance Staff Hired and in Place		9/1/05
Supervisors Run Routes	9/1/05	9/30/05
Provide County with sample door-hanger and mailer for approval		9/1/05
Notification of day changes to Customers -1 door hanger, 1 mailer (first notification no earlier than 9/10/00)	9/10/05	9/25/05
Drivers Hired and in Place		9/15/05
Drivers and Supervisors Run Routes		9/30/05
Disclosure notices and invoices mailed to commercial customers and County		9/10/05

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

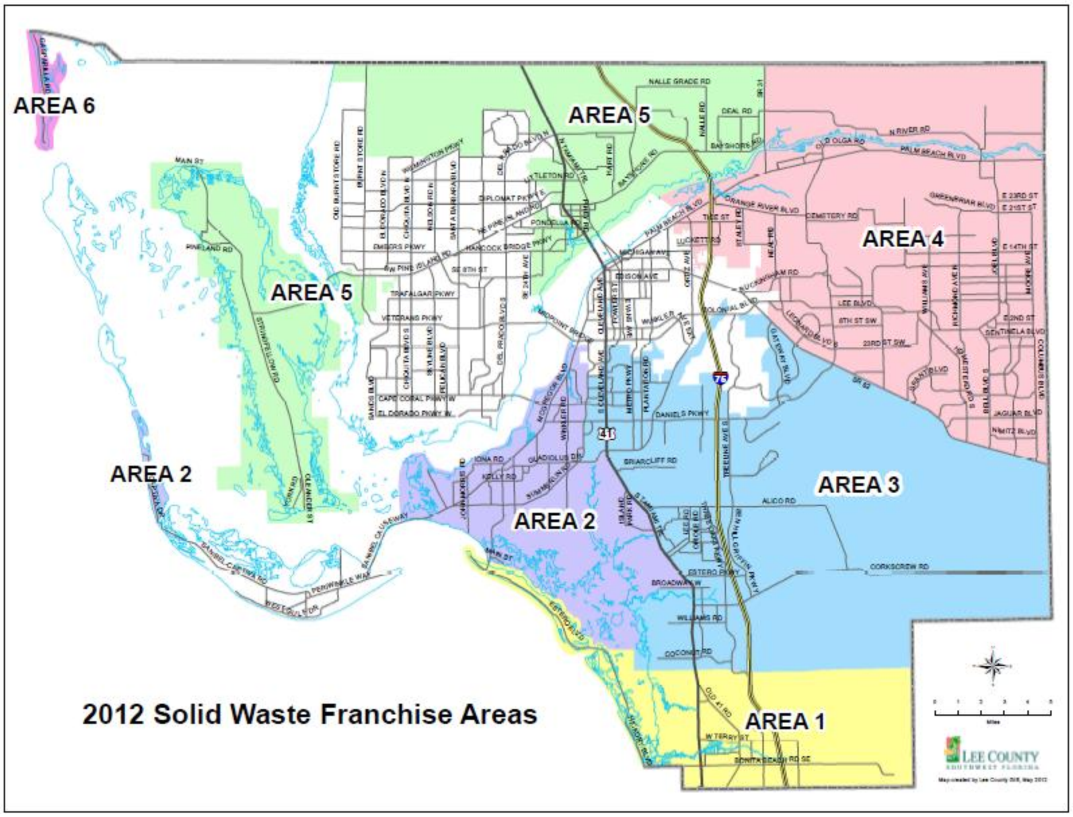
None.

4. ***How do customers interact with you and/or the haulers for service issues, new programs (e.g., phone, web-system, personal contact)?***

Mostly by phone to our customer service representatives.

I. Additional Information

EXHIBIT 1
Current Collection Zones



Norwalk, California

Results of Document Review and Interview with:

Ms. Adriana Figueroa, Ms. Michelle Tse
City of Norwalk

afigueroa@norwalkca.gov
mtse@ci.norwalk.ca.us

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

2 with 2 service providers

2. Approximately how many accounts do you have per zone (SF, MF, and Commercial)?

One zone has about 17k, the other has about 650.

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

Information not available

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

N/A

6. What criteria or methodologies did you use to draw the boundaries for you collection zones (e.g., distance to the nearest transfer or disposal site?)?

N/A

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

N/A

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

N/A.

9. What lessons did you learn or what would you do differently in the future?

The City is currently beginning the process of renegotiating its franchise agreements. The current agreements are perpetual (no end data) and has provisions that are quite favorable to the service providers.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

N/A

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

N/A

3. ***How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

N/A

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

N/A

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

N/A

6. ***Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?***

N/A

7. ***Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?***

N/A

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

Hauler bills and collects, then remits franchise fee payment to the City. The City charges a franchise fee of 5% on commercial garbage collection revenues. The money goes to the General Fund. The City does not levy AB 939 fees, or any program administration fee.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

Hauler provides services to several City facilities at no extra cost. The franchise agreement also specifies that all collections must be made within a 4 hour pre-specified window of time on the customer's regular collection day. Bulky item collection is free to residential customers if provided on the customer's regular collection day (a residential customer may put out up to four items five times per year). The contractor is required to provide free Christmas tree collection at no cost to the City.

3. Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?

MF and commercial rates are the same throughout the City. Rates were negotiated at the time the current agreements were executed (1996). The service providers have the right to request a rate increase annually, but no more frequently. The providers must make a joint request to the City. This provision only allows for an increase up to 100% of the local CPI. The franchise agreement also includes a provision for the hauler to request a rate increase for extraordinary cost increases. The collector may increase rates as a result of tipping fee increases, with 30 days notice to the City, and only if the increase impacts collector rates by more than 1%. The franchise agreements specify that because disposal costs are only 30% of total service provider costs, rates can only be adjusted upward by .3 times the percentage increase in tip fees (subject to the 1% provision described above).

4. Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?

N/A

5. Did you have any "phase-in" period to the new rate structure?

N/A

6. Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?

Provides discounts for qualified seniors (age 65 and above). There is no income limit provision. The discount is 53% off of base rates.

7. Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?

No.

8. What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)

See 1.

9. What escalation clauses are in effect in your franchise compensation agreement?

See 3.

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

Hazardous waste as defined under State Law.

E. Diversion Requirements

1. ***Does the contract include requirements for diversion programs?***

Mostly very general. The contractor is required to perform all services as specified in the contract to comply with state diversion requirements. The contractor is not required to meet diversion targets.

2. ***What are the benchmarks or diversion targets established for your diversion programs?***

State law requirements

3. ***How is the performance of your diversion programs measured?***

The contractor is required to collect and deliver to the City, on a quarterly basis, data on all quantities of waste streams collected under the franchise agreement.

4. ***Does your program include disposal caps that decrease over time?***

No.

5. ***What penalties of incentives do you enforce for missing or exceeding diversion targets?***

Hauler could potentially lose franchise if it does not provide the services required by the franchise agreement.

F. Traffic Changes and Collection Efficiency

1. ***Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?***

N/A

2. ***If so, could you share any studies conducted or methodologies used in preparing those estimates?***

N/A

G. Incentives to Exceed Contractual Requirements

1. ***Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.***

Very general. The City has the right to monitor contractor performance, inspect facilities, and conduct a system and services review (i.e. a performance review).

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.***

No.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

2 FTES to manage agreements, a part time support person, and parts of 2 code enforcement staff to enforce solid waste code (e.g., ensure all customers subscribe to service).

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

No.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

No.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

The City takes some calls (complaints) but does not have a “call center.” The service providers provide most customer service via their contact center, and maintain a web site where customers can get service information, pay bills, etc.

Palm Beach County, Florida

Results of Document Review and Interview with:

John Archambo
Customer Service Director
Solid Waste Authority of Palm Beach County, FL (SWA)
(561) 315-2010
jarchambo@swa.org
http://www.swa.org/
January 11, 2012

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

In 1993 the SWA transitioned from six (6) to nine (9) exclusive collection zones. In 2008 the number of exclusive collection zones was increased to eleven (11). The SWA is currently procuring new exclusive franchisees and the eleven (11) zones are being consolidated into four (4) larger zones. Exhibit 1 presents the current collection zones and Exhibit 2 presents the planned larger zones.

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

Currently, there are approximately:

45,000 – 55,000 residential customers per zone
20,000 – 35,000 multi-family customers per zone
390,000 – 600,000 cubic yards of commercial waste annually per zone

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

The zones boundaries were developed to balance the number of residential and multi-family accounts and commercial solid waste volume.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

No

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

Once we consolidated to four larger Service Areas we actually used the existing outer boundaries from these areas. We also have transfer stations located strategically throughout the County (in each Service Area) to reduce transportation impacts associated with the collections program.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

No formal studies or modeling was conducted to establish the zone boundaries.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. ***What lessons did you learn or what would you do differently in the future?***
   The SWA is applying its lesson to allow fewer collection zones.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

When there were eleven (11) collection zones, a single franchisee could not have more than 55 percent of the residential population. Under the four (4) collection zone program, a single franchisee cannot service more than three (3) areas.

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

It was a Board policy decision to set a limitation on the number of collection zone serviced by a franchisee.

3. ***How many collection companies were licensed in your County before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

Exclusive franchises have been used since at least 1993. During the 2008 bid process we had 4 bidders for the eleven (11) Service Areas. Once we changed to the four large areas for the 2013 we received a response from 6 bidders for the four (4) Service Areas.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

Yes, considering we have received two additional companies submitting bids. Now we wait and see if this additional competition provided our customers with a lower collection rate. That is our goal!

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

Bidders qualifying for the maximum award can bid on all four (4) Service Areas can only be awarded three (3) Service Areas. If they are the lowest bidder for the remaining Service Area as well the second lowest bidder will be offered an opportunity to decide (30 minutes) if they will accept the Service Area at the lowest bidder’s rate. If they decline the next lowest bidder has the same offer. If all the bidders decline then the contract is awarded to the company with the next lowest bid at their rate.

6. ***Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?***

No.

7. ***Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?***

Yes.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

The SWA sets the following commercial rates, which may or may not be adjusted annually as noted:

Container Solid Waste Collection Rate	$3.25 per cubic yard
Compactor Collection Rate (8 cubic yards or less)	$4.06 (1.25x the container collection rate)
Commercial Recycling Collection Rate	$1.70 per cubic yard
Small Business Generator (less than 1 cubic yard per week)	$28.00 per month ($14.00 collection and $14.00 disposal)
96 Gallon Recycling Container (1 time per week)	$12.00
Compactor Collection Rate (greater than 8 cubic yards-Roll-off Compactors)	$185 per pull
Roll-off Collection Rate	$150 per pull

Monthly Container Rental Rates Established by the Authority
(Not to be Adjusted During the Term of the Agreement)

CONTAINERS (NON-COMPACTING)	
SIZE (cubic yards)	**RATE w/out locking mechanism**
2 YD	$20.00
3 YD	$21.00
4 YD	$22.00
6 YD	$25.00
8 YD	$27.00

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

Extra Services are provided and are presented in Exhibit 3.

3. ***Please describe the basic approach you used to set the commercial collection rates for the 2013 bid process? Are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the commercial collection rates set for the 2013 commercial customers?***

The bid results from the 2008 bid had one hauler bidding a very high collection rate for residential curbside service and a very low cubic yard collection rate for commercial customers. Another hauler bid a very high commercial collection rate and a low residential rate. This outcome clearly demonstrated one service subsidizing the other rather than a fair balance bid for the actual collection services provided. We applied a few methods in an effort to calculate a fair set commercial collection rate.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

By the enacting legislation the solid waste and recovered materials residential and commercial collection contracts have a defined term of five (5) years. We must provide a competitive process every five (5) years for these services. Many haulers will claim if there is an extension option rates would even be lower.

5. ***Did you have any "phase-in" period to the new rate structure?***

No.

6. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

No, all customers pay the same rate for service. However, back door/side yard service is provided at no additional charge for physically challenged customers.

7. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

No.

8. ***What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)***

A franchise fee of three (3) percent is paid net of disposal expenses.

9. ***What escalation clauses are in effect in your franchise compensation agreement?***

The payment adjustment schedule is presented in Exhibit 4

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

Construction and demolition waste is collected by permit outside of the exclusive franchise program. In addition, special waste, hazardous waste, bio-hazardous or biomedical waste and sludge collection are not required services.

E. Recycling Requirements

1. ***Does the contract include requirements for a recycling program?***

There are no diversion requirements. The SWA uses pricing as an incentive for businesses to recycle.

2. ***What are the benchmarks or recycling targets established for your diversion programs?***

The State of Florida in the future has established a 75 percent recycling goal. Due to the peculiarities of the accounting, the SWA should greatly exceed this goal.

3. How is the performance of your diversion programs measured?

The DEP calculates the diversion based on incoming waste types and recovered tonnages reported from the SWA and all approved permitted recycling facilities.

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties or incentives do you enforce for missing or exceeding recycling diversion targets?

There are none.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

No.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

N/A.

G. Incentives to Exceed Contractual Requirements

1. Has the County included any other liquidated damages for non-compliance? If yes, please explain.

Yes, see Exhibit 5.

2. Has the County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.

No.

H. Implementation, Staffing, Customer Interface

1. How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? Please provide a breakdown by function.

The SWA customer service team is responsible for the daily unincorporated collection activity and the county wide residential and commercial disposal assessment. We have (1 field manager, one assistant field manager, one assessment research manager, 6 field reps and 5 customer service reps making sure our customers are provided the highest level of collection services and we have the most accurate annual assessment possible.

2. Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?

Approximately one (1) year before the contracts expire, a new procurement begins. The procurement is a 2-step process (e.g., qualifications, pricing) with two pre-bid meetings. Approximately 6-7 months are used for the service providers to mobilize and conduct dry runs.

NO.	ACTIVITY	DATE
1	Issue Invitation to Bid (ITB)	November 13, 2012
2	Mandatory Pre-Bid Conference #1	November 20, 2012
3	Last Date for Authority to receive inquiries - Pre-Bid Conf #1	November 21, 2012
4	Issue Addendum #1 - Pre-Bid Minutes & responses to inquiries	November 28, 2012
5	Mandatory Pre Bid Conference #2	December 4 , 2012
6	Last Date for Authority to receive inquiries - Pre-Bid Conf #2	December 5, 2012
7	Issue Addendum #2 – Pre-Bid Minutes & responses to inquiries	December 10, 2012
8	Bids Due	January 4, 2013
9	Pre Qualification Committee Meeting	January 10, 2013
10	Pre-Qualification Results Posted - Start of 5-day Protest period	January 10, 2013
12	Sealed Bids Opened – 9:00 a.m. - Awards Posted	January 24, 2013
13	Board Approval of Contract Hearing of any Bid Protests	February 13, 2013
14	Services start	October 1, 2013

Mobilization and Preparation

Task	Completion Deadline
Hire Operations Manager and provide verification to SWA	4/15/13
Submit Residential Curbside Routing to SWA	5/3/13
Provide SWA with truck orders or verification of vehicle source(s)	6/3/13
Hire supervisors and provide verification to SWA Secure container source and provide verification to SWA	7/5/13 7/5/13
Equipment yard and office sited and set up	8/23/13
Office and accounting staff hired and in place Maintenance staff hired and in place	8/23/13 8/23/13
Disposal bond in place with SWA for October 1, 2003 Provide transition report to SWA outlining plan to minimize disruptions during transition period Secure vehicles	8/23/13 9/2/13 9/2/13
Supervisors run routes	9/2/13 through 9/30/13
Drivers hired and in place	9/13/13
Drivers and supervisors run routes	9/13/13 through 9/30/13
Disclosure notices mailed to commercial customers	9/13/13

3. Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?

The SWA has in-house purchasing, operations and legal resources. All work is performed by SWA staff.

4. How do customers interact with you and/or the haulers for service issues, new programs (e.g., phone, web-system, personal contact)?

All customer service call are received by SWA and complaints are faxed three (3) times daily to each service provider.

I. Additional Information

- The population of Palm Beach County is approximately 1.4 MM and is approximately 2,400 square miles in area.
- By enacting legislation that created the SWA, contracts cannot exceed five (5) years in duration. Would prefer to have a five (5) year base contract with an option to extend by five (5) years.
- Franchisees are required to submit a local SBE plan showing how it will achieve the fifteen (15) percent goal.
- Currently, four (4) service providers manage the 11 collection zones.
    - Republic: Zones 1, 3, 4, 7 and 10
    - Waste Management: Zones 5, 6, and 11
    - Waste Pro: Zones 8 and 9
    - Veolia: Zone 1

EXHIBIT 1

Current Collection Zones

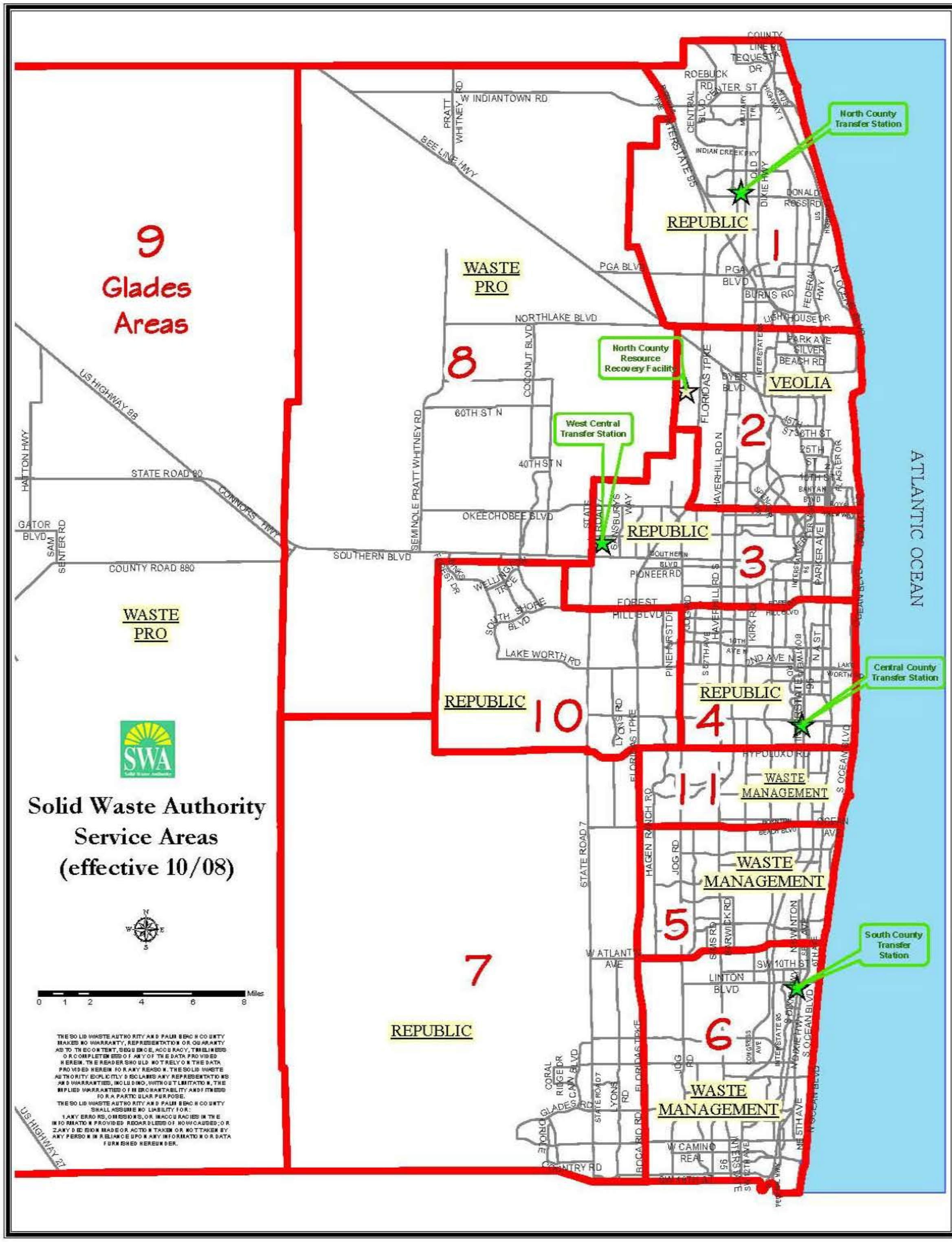


EXHIBIT 2

Planned Collection Zones

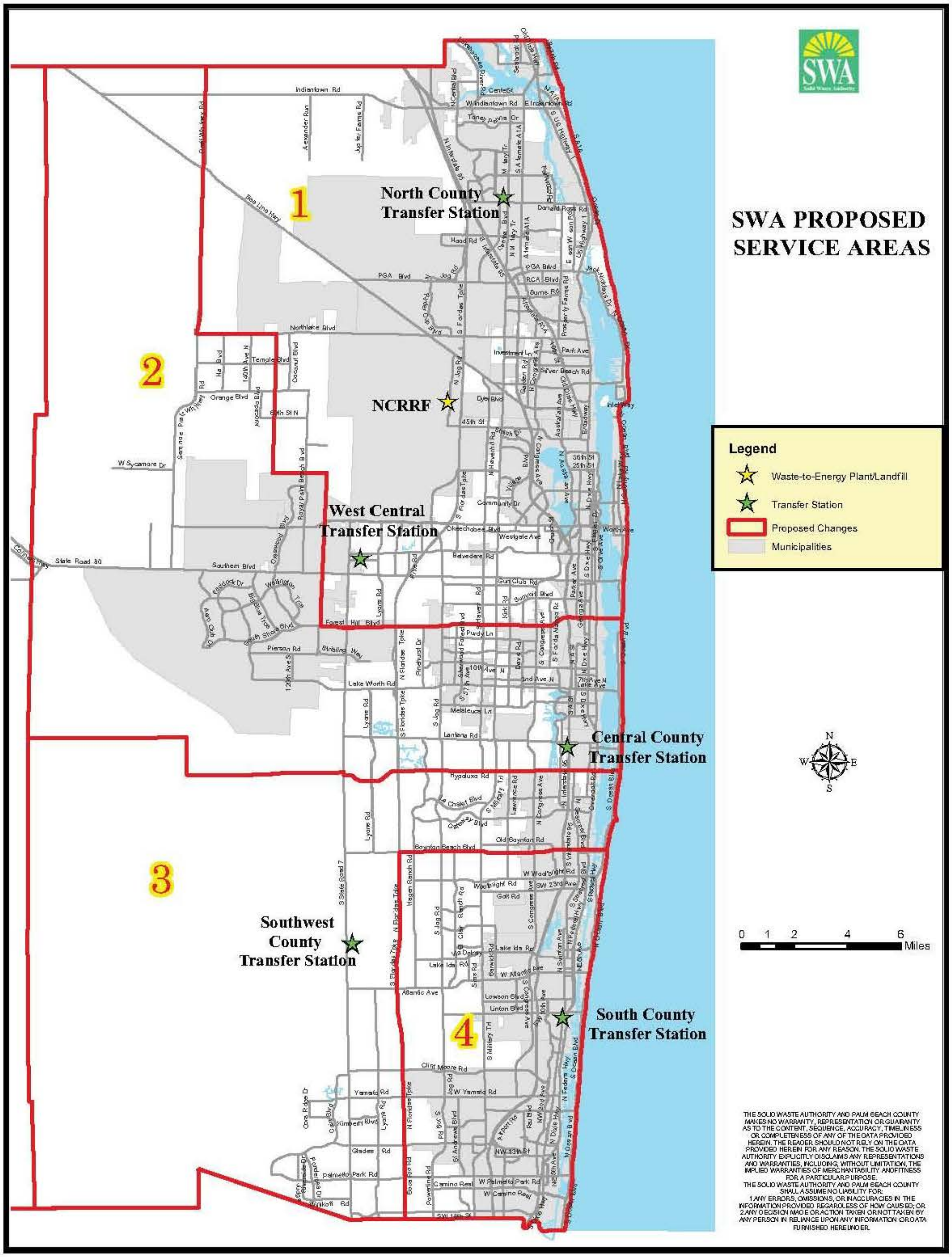


EXHIBIT 3

Extra Services

Special Services Rates Established by the Authority
(Not to be Adjusted During the Term of the Agreement)

SERVICE	RATE PER SERVICE
Rolling Out Commercial 95 or 101 Gallon container , with 10 or more feet per direction	$1.00 (no charge for Residential regardless of distance, no charge for commercial less than 10 feet per direction)
Rolling Out Container (and returning it to original location)	$8.00 per month per container times frequency of collection
Back Door Service (Residential Curbside Only)*	$22.00 per dwelling unit
Opening (and closing) Doors or Gates	No Charge
Locks for Containers	$9.00 (one time) Charge for Replacements based on cost +10%
Unlocking Containers	$1.35
Supplying (and retrofitting) locking mechanism on container per customer request only	$35.00
Adding wheels to or changing wheels on Containers Adding lids to or changing lids on Containers	No Charge No Charge
Moving Container Location Per Customer Request	No Charge
Changing Out Sizes (above twice per year)	$25.00
Additional Scheduled Pick-ups for Residential Containerized Customers	Same as Applicable Commercial Collection Rates (No Disposal Charges)
Additional Unscheduled (picked up by end of business the following day but not including "on-call") Pick-ups for Commercial and Residential Containerized Customers Special Service or special equipment required because of impaired accessibility	$25.00 Special Service Fee Plus Applicable Commercial Collection and Disposal Rates Per Dumpster (No Disposal Charges for Residential) Negotiable
Turn around compactors (commercial customer only)	$10.00 (No Charge for Multi-family)
Stump/Land Clearing Collection	Negotiable
Residential Vegetation Collection Residential Mixed Collection (vegetation with C&D and/or bulk)	$9.00 Per CY $22.00 Per CY

EXHIBIT 4

Payment Adjustment Schedule

A. Annual Adjustment

The annual adjustment shall be applied to the base residential and commercial collection rates as shown in Exhibit II and as provided within this Agreement.

1) The following cost components and weights shall be used to calculate the annual adjustment for all components except for fuel:

Labor	35%
Vehicle Maintenance	05%
Maintenance	10%
Other/Administration	40%

2) The following indices are used to calculate the adjustment for each cost component category. The change in each index shall be calculated by dividing the average of the index over the twelve month period ending the December preceding the effective date of the adjustment by the average over the previous twelve month period.

Cost Component

Labor

Index:
Employment Cost Index, Series ID CIU2015600000000I, Not Seasonally Adjusted; Compensation – Total Compensation; Sector – Private Industry; Periodicity – Quarterly Index Number; Industry/Occupation – Administrative and Support and Waste Management and Remediation Services (see Note 2 below)

Vehicle Replacement

Index:
Producer Price Index - Commodities, Series ID WPU141106, Not Seasonally Adjusted; Group – Transportation Equipment; Item – Trucks over 14,000 lbs. GVW

Maintenance

1/3 Labor:

Index:
Producer Price Index - Commodities, Series ID WPU141106, Not Seasonally Adjusted; Group – Transportation Equipment; Item – Trucks over 14,000 lbs. GVW.

2/3 Parts:

Index:
Consumer Price Index – All Urban Consumers, Series ID CUUR0000SETC, Not Seasonally Adjusted; Area – U.S. City Average; Item – Motor Vehicle Parts and Equipment.

Other

Index:
75% of.
Consumer Price Index – All Urban Consumers, Series ID CUUR0000SA0, Not Seasonally Adjusted; Area – U.S. City Average; Item – All Items.

Notes:

(1) All indices as published by the United States Department of Labor, Bureau of Labor Statistics (www.bls.gov).
(2) Labor Index uses average of four quarterly periods. All others use average of twelve monthly periods.
(3) The percentage weight for each cost component is multiplied by the change in each appropriate index to calculate a weighted percentage change for each component cost factor. The weighted percentage changes for each cost component are added together to calculate the Refuse Rate Index, as follows:

RRI Sample

Cost Component Chng	Weight	Source	%Change	%Weighted
Labor	35%	ECI	1.20%	0.42%
Vehicle Replacement	5%	PPI - Trucks	3.74%	0.19%
Maintenance Parts & Equipment	10%	2/3 CPI 1/3 ECI	3.21%	0.32%
Other	40%	CPI - All Items at 75%	1.84%	0.55%
Total	90%			1.48% RRI

B. Monthly Fuel Adjustment (Fuel Surcharge/Credit)

The rates subject to adjustment shall be subject to a monthly fuel price surcharge/credit for fluctuations in the price of fuel. For the purpose of this Agreement, fuel is assumed to represent 10% of the Contractor's costs, therefore 10% of the approved rates shall be so adjusted.

The rates shall be adjusted as follows:

For the rates subject to adjustment, a monthly fuel surcharge/credit shall be charged/credited basis based on the percentage change in the monthly average price of fuel as published by the Oil Price Information Service (OPIS) and measured by the OPIS Standard Rack, OPIS No 2 Distillate Gross Prices, Unbranded Average for Miami, Florida between the month of November 2012 and the month two (2) months prior to the effective date.

For example:

For the month of October 2013, the fuel surcharge/credit shall be calculated by dividing the reported unbranded average price for August 2013 by the unbranded average price for November 2012, multiplying the result by ten (10) percent of the bid or Authority established price, and subtracting ten (10) percent of the bid or Authority established price.

Assuming:

Index for November 2012	315.98
Index for August 2013	340.67
Commercial Solid Waste Collection Rate (per yd.)	$3.25

Surcharge: 340.67/315.98 x .10 x 3.25   (.10 x 3.25) = $.0254

The surcharge/credit shall be rounded to the nearest cent, which in this example would result in a $.03 per cubic yard surcharge.

EXHIBIT 5

QUALITY OF PERFORMANCE OF CONTRACTOR

A. Complaints: All complaints received by the Contract Administrator, or his designee, and reported to the Contractor shall be promptly resolved pursuant to the provisions of Section 18 of this Agreement. Complaints shall not include customer informational requests or Recycling Container requests. A complaint not resolved by 3:00 p.m. on the next Business Day, unless otherwise provided in this Agreement, shall count as two complaints. In the event complaints received from curbside customers exceed any of the following percentage(s), which reflect the percentage of the residential curbside customers within the Service Area served by the Contractor during any Fiscal Year, the Contract Administrator shall levy as liquidated damages in the amount of $200.00 per incident to reimburse the Authority for the cost of receiving, logging, investigating, and following up on the complaint.

Complaint Type	Annual %	Monthly %
Garbage, Trash and Damage	4%	0.5%
Recycling	2%	0.25%
Vegetation	2.5%	0.35%

B. Other Administrative Charges: In addition to the liquidated damages provided for in Subsection 19A related to customer complaints, the Contract Administrator may, without regard to the percentage of customer complaints, also levy liquidated damages at the rate of $200.00 per day per incident for any other infraction of this Agreement to reimburse the Authority for the cost of receiving, logging, investigating and following up on the complaint and or failure to perform, and additional costs that cannot be reasonably quantified. Such infractions include but are not limited to:

1. Failure to provide clean, safe, sanitary equipment;
2. Failure to maintain office hours as required;
3. Failure to provide documents and reports in a timely and accurate manner;
4. Failure to repair or replace and/or deliver a Container, Compactor, Recycling Container, Garbage Can, or mailbox within the required time period;
5. Failure to clean spillage other than the clean-up required by the Palm Beach County Health Department, as provided in Section 19(C)4 below;
6. Failure to cover and or secure materials on collection vehicles;
7. Collection employees out of uniform;
8. Name and phone number, and if applicable, size not displayed on Collection vehicles or Containers;
9. Failure to provide schedule and route maps;
10. Using an improper truck for the specific service provided;
11. Failure to submit a disclosure notice to either a customer or the Contract Administrator;

12. Failure to report recycling activity monthly (on or before the 10th day of the following month), in the format determined by the Authority, for the purpose of tracking and verifying countywide recycling activity;

13. Failure to collect Recovered Materials, Solid Waste or Vegetative Waste on schedule for any customer who has been missed more than three times within a 12 month period;

14. Failure to respond to customer calls, including all residential and commercial customers, in a timely and appropriate manner;

15. Failure to place a contamination sticker in Recycling Containers, as required;

16. Failure to repair damage to property resulting from Contractor's (including agents, employees or subcontractors) equipment failure or negligence within five (5) Business Days.

C. Major Prohibitions and Liquidated Damages: The following constitute serious violations of this Agreement that have negative impacts on the Authority, the costs of which are not reasonably quantifiable, and are subject to liquidated damages and potentially loss of Franchise.

a. Intentionally commingling Solid Waste, Vegetative Waste and/or Recovered Materials is prohibited and may result in liquidated damages in the amount of $5,000.00 per incident to reimburse the Authority for the cost of inspecting, sorting, handling and disposing of the contaminated load, and the costs associated with potential injury to employees and workers who are exposed to said contamination, and upon the fifth offense may constitute default of contract and result in loss of Franchise.

b. Changing routes, including the starting point of a route without approval from the Authority or notification to the Authority and the customer is prohibited and will result in liquidated damages of $2,000.00 per incident to reimburse the Authority for the costs of managing the service disruption, including the cost of receiving, logging, investigating and following up on customer complaints, communicating with the Contractor and coordinating the return to normal service. Additionally, the Contractor shall be required to return to the previous route(s) and schedule and properly notify customers in accordance with the requirements of this Agreement at no cost to the Authority or customer.

c. Billing commercial customers service charges unauthorized by this Agreement, such as special fuel surcharges, handling charges or billing charges is prohibited and will result in the assessment of liquidated damages in the amount of $500 per incident to compensate the Authority for the cost of receiving, logging, investigating and following up on customer complaints, communicating with the Contractor and the customer, and coordinating the reimbursement to the customer for all non-approved charges. Contractor shall also be required to reimburse the customer for all non-approved charges paid by the customer.

d. Violating the exclusive Franchise in another contractor's Service Area without approval from the Authority is prohibited and will result in the assessment of liquidated damages of $5,000.00 per incident to compensate the Authority for managerial, and investigative costs associated with defending and reinstating the exclusive Franchise rights of the Authority's franchisee, in addition to reasonable attorneys fees incurred by the Authority. Additionally, Contractor will be required to pay restitution to the offended contractor in an amount equal to the contractor's lost collection charges at the rate per cubic yard, or pull, whichever is applicable, as of the time of the infraction for every cubic yard, or pull.

e. Failure to clean up spillage of any substance required to be cleaned up by and in accordance with the Palm Beach County Health Department will result in the assessment of liquidated damages in the amount of $2,500.00 per day, per incident to compensate the Authority for the cost of receiving, logging, investigating and following up on customer complaints, assessing the extent of the damage, and communicating with the Contractor, the Health Department and the customer(s). Additionally, in the event of such failure to clean up spillage, the Authority retains the right to perform or contract for the performance of such clean-up and assess the Contractor for all costs incurred.

f. The Contractor, providing Collection service on behalf of the Authority, excepting as provided for in Section 5, is required to deliver all Commercial and Residential Solid Waste, Vegetative Waste and Recovered Materials collected pursuant to this Agreement to disposal facilities and/or Recovered Materials Processing Facilities, designated by the Authority. Diversion of these materials to any facility not designated by the Authority without the written consent of the Contract Administrator, whether within or outside Palm Beach County, is prohibited and will result in the following assessments:

The first offense will result in the assessment of liquidated damages in the amount of $100,000.00 to compensate the Authority for the investigative and legal costs and expenses incurred to ascertain and quantify the extent of the violation. Additionally, in the case of Solid Waste, the Contractor shall reimburse the Authority for lost revenue based on the per ton tipping fee for garbage in effect at the time of the offense for each ton of material diverted, plus reimbursement for lost energy revenues, if any. In the case of Recovered Material, in addition to liquidated damages, the Contractor shall reimburse the Authority for lost net revenue based solely on the then current average commodity value as determined by Authority sales and the then current incremental processing cost paid by the Authority for processing at the Authority-owned Recovered Materials Processing Facility.

The second offense may result in, loss of franchise(s) and a ten (10) year ban on the ability to bid on future Solid Waste Authority of Palm Beach County Solid Waste and recycling collection agreements.

Provided that the Contractor provides timely notification to the Authority, and notwithstanding the above, the parties agree that it is not the intent of this subsection to punish the Contractor, beyond the payment of restitution, for the random, infrequent or inadvertent actions of an employee, acting in a manner other than as directed by the Contractor, that result in the diversion of materials from an Authority approved facility.

To the extent allowed by law, the imposition of the above liquidated damages is in addition to any fines or penalties that may arise out of any proceeding, criminal or civil, for violations of the Palm Beach County Solid Waste Act (Ch. 2001-331), any Authority rule, or any other Federal, State, or local act, ordinance, resolution or rule.

g. Failure to complete, defined as failing to provide scheduled service to a minimum of 95% of the households, a route or community on the regular scheduled pick-up day shall result in the assessment of liquidated damages in the amount of $1,000.00 for each route/community per day not completed to reimburse the Authority for the value of services not rendered, costs of managing the service disruption, including the cost of receiving, logging, investigating and following up on customer complaints, communicating with the Contractor and coordinating the return to normal service. Each missed route/community shall be completed by 10:00 a.m. of the next Business Day following regular scheduled collection day. Failure to collect missed routes/communities by 10:00 a.m. the next Business Day as required will result in an additional $1,000.00 assessment for each route/community not completed.

For the purpose of this Section, the Contract Administrator may deduct any charges from payments due or to become due to the Contractor. In the event the Contractor fails to repair damages as a result of the Contractor’s equipment failure or negligence within the time provided within this Agreement, the Contract Administrator may arrange for the repairs and assess the Contractor for the cost of the repairs and any applicable administrative charges. The Contract Administrator may assess administrative charges and liquidated damages pursuant to this Section on a monthly basis in connection with this Agreement and shall at the end of each month during the term of this Agreement notify the Contractor and the Governing Board of the Authority in writing of the charges assessed and the basis for each assessment. In the event the Contractor wishes to contest such assessment it shall, within five (5) Business Days after receiving such monthly notice, request in writing an opportunity to be heard by the Authority Board and present its defense to such assessment. Notwithstanding the foregoing, any individual assessment of liquidated damages in an amount greater than or equal to $10,000, or loss of Franchise, shall be imposed only upon the prior approval of the Governing Board of the Authority. The Authority shall notify the Contractor in writing of any action taken with respect to Contractor's claims and the decision of the Authority Board will be final. Any aggrieved party that wishes to appeal may apply in the Circuit Court of Palm Beach County, Florida, within thirty (30) days of the rendition of such decision, for review by Writ of Certiorari in accordance with the applicable Florida Appellate Rules.

Phoenix, Arizona

Results of Document Review and Interview with:

Tony Miano,
City of Phoenix, AZ.
tony.miano@phoenix.gov
(602) 256-5625
January 14, 2013

The City of Phoenix has a competitive market for commercial collection. Their experiences are of interest because of the City's long history of managed competition with multiple zones for residential collection. Unless otherwise noted, the responses below refer to residential collection.

A. Collection Zone (Franchise) Boundaries

The City began using a managed competition process to award collection contracts in 1979 and have been using that process ever since. Contracts are for 6-years. After one 6-year contract to a private firm, City crews automatically get the next 6-year contract (to ensure the public sector stays engaged to its customers).

1. How many exclusive collection zones have you established?

There are ten service areas. These are allocated within four service regions (N, S, E and W): with three each in the north and east, and two each in south and west regions .

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

Average of about 40,000 living units per service area (395,000 total as of end-2012).

3. Are those zone boundaries the same for multi-family and commercial collection?

Not applicable.

4. What criteria did you use to establish this number?

See below.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

In 2006-07, public works staff worked with a consultant to research and conduct an analysis of service areas. (Note: we requested a copy of this study, but it is an internal "draft" never finalized that they use to help them prepare their bids during the City's managed competition process, and is thus not available.) The study concluded that the optimal number of residential living units for each zone was 30,000 to 60,000. The City targets its zones to range between 45,000 to 65,000 units.

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

The City used major roadways, mountain ranges, and made faster growing boundary zones smaller than inner-city zones that are growing more slowly. One area is isolated with only one route in and out: it was made a single zone. The capacity of maintenance shops (truck throughput) was another consideration.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

See above.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. What lessons did you learn or what would you do differently in the future?

The City pays all contractors on a $/dwelling unit basis. It learned that some zones are more attractive than others because of differences in route density (stops per mile) and containers per stop (the fewer the containers per stop, the less costly dwellings are to serve).

Another lesson is that some smaller contractors found it difficult to meet the City's customer service requirements. One small hauler filed for bankruptcy protection. The City began requiring sizable performance bonds. In time, all the smaller haulers elected to not bid: the cities only contractors today are Waste Management and Republic.

Poor customer service by some haulers led to development of a single call center for all franchise zones (for the past 16 years). City does quarterly surveys in all zones and prepares a score card for each collector in each zone comparing customer service metrics.

B. Collection Zone (Franchise) Caps

1. What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?

Every two years, the City conducts an RFP process for one zone. There are practical limitations to the number of zones a firm can have, because after a private firm completes a six-year contract, that zone reverts back to the City. This ensures that the City doesn't totally lose touch with customers in any part of the city.

2. What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?

See above.

3. How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?

In 1980 when the program was launched there were 6 collection companies. Today there are just 2 companies (WMI and Republic) that typically bid on franchises.

4. If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?

See above (A9).

5. In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?

One zone is bid at a time.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

As outlined in a recent RFB issued by the City for Collection Area F, contractors submit an invoice monthly based on the number of dwelling units in the prior month times the dwelling unit bid price for collection.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

Collection companies are only contracted to do collections. Delivery of containers and customer outreach efforts are handled by the City staff or through separate contracts. Franchisees are required to conduct a certain percentage of courtesy pickups as requested by customers. If there is a dispute between a customer and a collection agency regarding a missed pick up, the City uses the ABL tracking devices (on most trucks) to verify what transpired (i.e., if hauler was at designated location at specified time, the customer container must not have been set out).

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

Rates are uniform throughout the City and are set by the City Council. The City charges $26.80 per living unit for a basic set of containers. Additional containers cost $13.40 each.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

Collection companies wanted longer terms (i.e. up to 10 years). Six years seemed like a reasonable balance in order to give the City the opportunity to get out of contracts that weren't working well and still allow collection companies to realize operating efficiencies.

5. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

Low income multi-family households are handled as institutions (i.e. differently from other residential accounts) and their collections are managed by the City. Discounts are given on a per yard basis at a rate of approximately $17 per yard.

6. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

All rent-controlled housing is owned and collected by the City. Rates are structured to encourage increased diversion (i.e. discounts provided for downsizing).

7. ***Does the City receive a franchise fee or payment other than the $/stop payments? If so, how is it assessed? (i.e., x% of revenues or y% annually)***

8. ***The City currently only receives payment on a $/living unit basis. Implementation of other payments including franchise fees has been discussed. Phoenix is currently the only City in the local area that doesn't collect additional fees from haulers.***

9. ***What escalation clauses are in effect in your franchise compensation agreement?***

The dwelling unit price is adjusted annually for inflation using the percentage change in CPI (Western Region "A") for the previous 12 months, or 3 percent, whichever is less. There is no fuel surcharge in the contract.

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

Not applicable in the City's residential system.

E. Diversion Requirements

1. ***Does the contract include requirements for diversion programs?***

No percentage requirements; contractor performs residential curbside collection as directed by contract with City.

2. ***What are the benchmarks or diversion targets established for your diversion programs?***

The Mayor has established a goal of 40% diversion by 2020. A task force consisting of multiple stakeholders (e.g. haulers, grocers) has been established to establish strategies to meet this goal. Diversion is defined as the percentage of waste that is recycled (or composted?) relative to the amount that is landfilled (i.e. material used as alternative daily cover would not count towards the diversion goal).

3. ***How is the performance of your diversion programs measured?***

Performance is assessed against the established goal for diversion. Some accounting issues have come up which are being addressed (e.g. organic "green" waste was not being accounted for) in order to increase the accuracy of performance evaluations.

4. ***Does your program include disposal caps that decrease over time?***

No.

5. ***What penalties or incentives do you enforce for missing or exceeding diversion targets?***

Not applicable.

F. Traffic Changes and Collection Efficiency

1. ***Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?***

2. ***Not applicable.***

3. ***If so, could you share any studies conducted or methodologies used in preparing those estimates?***

Not applicable.

G. Incentives to Exceed Contractual Requirements

1. ***Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.***

Missed collections, if not rectified by specified times are $200 each for 1-5/month, and more as the number of misses increases. Recyclable loads greater than 9 tons may be rejected at the materials recovery facility. Contractor pays for containers deemed damaged by contractor. $200 charged if contractor responds inappropriately to hot loads, and $1,000 for spills, leaks. Contractor pays LD if City GPS unit is damaged ($2,500 for automated vehicle locator; $60 for RFID tag). $5,000 for delivering material to inappropriate facilities. $500 for not cleaning up appropriately at disposal facilities, or for littering.

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain***

There aren't additional incentives for contractors but exceptional performance is recognized based on report card results as well as findings from a third party research group that performs audits and surveys (of customers and City employees) related to contractor performance. Survey results are distributed widely and performance measures are considered as a selection criteria for future franchise bids.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

There are a variety of staff engaged in various related functions. The call center has 10 FTE staff who handle all public works customer service issues. The staff functions include: specialist, support service aid, contract person, and contract evaluators (responsible for monitoring customer complaints).

There are six people engaged in contract administration and conducting RFPs. These staff perform other duties as well: there is about 3 FTE engaged in contract administration.

In addition, each of the 10 service areas has 2 specialists responsible for customer outreach, monitoring for contamination from operations (e.g. hydraulic fuel leaks) and the presence of vectors; these specialists are also tasked with verifying that remedies are done correctly.

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

After many years of experience, the City now has a fairly routine 18-month process for implementation: about 6 months for the RFP process and selection of a contractor; about 12-months allowed from notice of award to startup.

3. Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?

All implementation is done in-house.

4. How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)

Haulers and City use email for service issues. Work orders are developed in MS-Word from the City's work order system and emailed to haulers. They mark them up and email them back.

Customers interact with the City and haulers by phone or email and provide feedback through survey responses.

Portland, Oregon

Results of Document Review and Interview with:

Bruce Walker,
City of Portland, OR.
(503) 823-7772
Bruce.Walker@portlandoregon.gov
January 8, 2013

The City of Portland has a competitive market for commercial collection. Their experiences are of interest because of the City's aggressive pursuit of reducing waste sent to landfill, and their system of multiple collection franchises for residential collection. Unless otherwise noted, the responses below refer to residential collection.

A. Collection Zone (Franchise) Boundaries

In 1992, Portland adopted a franchise system as a means to carry out the changes in its "residential" sector. Because the franchise system did not include any of the "commercial" sector Portland's business owners did not block it, as they had done with previous proposals for franchising. From February 1992 to today, Portland garbage and recycling companies have served "residential" customers in specific city-assigned territories, but they may serve "commercial" customers anywhere in Portland.

1. ***How many exclusive collection zones have you established?***

As of the mid-1950s, there were around 250 companies operating in Portland. By 1980, attrition had lowered the count to 143, and by 1989, to 112. By 1996, the number of haulers had dropped to 49 as haulers consolidated, and as of May 2011, the number of haulers had declined to 19. In 1992 when the exclusive franchise system was established, 69 haulers were part of the initial franchise system.

2. ***What is the range in number of accounts per zone?***

The City has approximately 145,000 residential accounts. Today, the largest zone has approximately 51,700 accounts, and the smallest has just 250 accounts.

3. ***What criteria or methodology did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)? Please forward a copy of any available report or study that was done.***

City staff obtained customer lists and addresses from all haulers. They then prepared maps of hauler service areas and made suggestions for hauler boundaries. In some instances they identified a larger area served by multiple haulers and told the haulers to develop boundaries that were fair and efficient.

4. ***Did elected official districts impact the selection of district boundaries (i.e., alignment)?***

No.

5. ***What lessons did you learn or what would you do differently in the future?***

There may have been too many small haulers allowed for efficient collection. Even the 19 haulers currently operating may be too many. It would have been preferable if haulers had a minimum of 3,000 accounts in order to operate (with 3,000 accounts being an estimate of minimum number of households for a recycling collection service on a 5-day week).

6. ***On your website it states: "During 2005, staff worked to develop and evaluate regulatory options. These include a couple of variations on franchising, city-set rates, and additional mandates on business customers to recycle more. Staff convened focus groups representing businesses, neighborhood and environmental groups, and garbage and recycling," Are there any reports or studies you could send us about City deliberations about franchising commercial collection in the City?***

No reports or studies. The City received a number of comments demonstrate a dislike of a commercial franchise system by the business community and a split in opinion among the haulers. Many referenced commercial rates that are 30-40% higher in surrounding communities with exclusive franchises for commercial collection, and comments about service being poorer in those communities than in Portland's competitive market.

Some haulers supported moving to an exclusive commercial franchise system; others opposed it because they felt it would limit their opportunities for growth.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

City Code limits any single hauler to a maximum of 40 percent of Portland's customer base and requires that no ***hauler may be a subsidiary of another hauler.***

2. ***What was the basis for the limitations you set on the number of zones (see question 1)?***

Initially there was a hard limit of 50,000 accounts, which seemed adequate when the largest hauler at the time the franchises were established had 12,000 accounts. After 20 years and some market consolidation, the limit was revised to 40 percent after one large hauler began to bump up against the 50,000-account limit.

3. ***Were there specific criteria, or studies and analysis that helped inform how you set this limit? If so, would you send us a copy of these please?***

No studies or analysis was done. It is felt by the City that the 40 percent limit is adequate to allow for growth yet still maintain an adequate level of competitiveness.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

See response to A.5 above.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

Rates are based on weighted average hauler cost including 9.5 percent hauler operating margin (profit plus state and federal taxes) and include a 5 percent franchise fee. Haulers provide audited financial records that are analyzed by City staff. Haulers do billing and remit franchise fee to the City. A diagram of the rate setting process is shown in Figure 1 of July 2012 audit report. With this system, operating margins vary among collection firms because of various factors including those affecting collection costs (e.g., labor rates, route density).

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

Nothing in particular.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

Section 8.1(A) of the Franchise Agreement between the City of Portland and franchised residential haulers requires the City to perform an annual rate review to establish a rate schedule for all levels of residential solid waste, recycling and yard debris service. Rates are developed based on the following objectives:

- Having uniform solid waste, recycling and yard debris collection services citywide.
- Providing customers with a variety of service level options to meet individual needs.
- Identifying the true cost of individual services before considering incentives and disincentives to increase recycling and reduce solid waste generation.
- Allowing service providers to recover allowable costs and earn a reasonable profit.

The City Bureau of Planning and Sustainability (BPS) conducts the annual rate review process, assisted by an independent economist. The economist analyzes various factors that affect rates and produces the actual rate calculation. BPS also contracts with an independent Certified Public Accountant (CPA) to review hauler financial records, with Portland State University (PSU) to sample the weight of the various sizes of solid waste containers set out for collection, and with a consulting firm that specializes in forecasting the market price of recyclable paper products. The proposed rates are reviewed by the Portland Utility Review Board (PURB), a citizen panel with no hauling industry representation, and then forwarded to City Council for consideration and final adoption.

In setting rates, the adjustments for rollcart size are based on an annual study of rollcart weights, and a time and motion study completed in 1997. A terrain charge is then added to rates for most customers west of the Willamette River, to account for additional costs of collection in hilly areas. This charge is also based on the time and motion study.

Once rates are allocated by rollcart size based on actual cost of service, further customer incentives and disincentives are added to rates. These incentives and disincentives are not based on cost of service, but are policy decisions by BPS and Council intended to further encourage waste reduction. Generally, BPS managers told us they try to balance incentives for small rollcarts and cans with disincentives for large rollcarts, so that collectively the changes are revenue-neutral for haulers.

If the cost of small rollcart incentives is not exceeded by the revenue from the large rollcart disincentives, BPS reimburses the hauler for the difference through a reduction in franchise fees. Any additional profits due to disincentives are retained by the haulers. This may create a profit incentive for haulers to market large rollcarts to customers, which is contrary to City waste reduction goals.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs? If so, please elaborate.***

Contract terms are set for 10 years but there is a mid-term review process at year 5 which effectively resets the contract term for an additional 10 years. This benefits the Council by allowing them to make a decision on whether or not to continue with a franchise and it also provides haulers adequate time to amortize vehicles and other major expenses.

5. ***Did you have any "phase-in" period when you went from open competition to the new franchise system and rate structure?***

The process took over a year to implement including multiple reviews by Council and the public. In all the process took almost two years. Initially there were numerous calls from customers with questions about changes in collection day or hauler.

6. ***Does your rate structure provide any discounts for low income households, and if so, could you provide us with documentation that describes how they function?***

There are no substantial discounts for low income households because there are significant incentives in place that allow for reduction of costs (i.e. reducing can size by decreasing waste generated and increasing diversion). However, water and sewer rates are discounted for these households.

7. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

No such mechanism exists.

8. ***What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)***

The City funds the commercial recycling program primarily using a fee collected from garbage and recycling companies based on the amount of garbage they collect from Portland business customers. This fee revenue totaled about $1,250,000 in 2005-06. The current tonnage fee is $8.30 per ton. The City uses these funds:

- to purchase recycling containers which garbage and recycling companies then must provide to their customers at no cost.
- to provide garbage and recycling companies with printed educational materials for their customers
- to provide personal assistance and printed information to interested businesses
- for enforcement staff
- to measure program results

The current franchise agreement allows franchise fees of up to 8 percent, with any fee in excess of 5 percent dedicated to stabilize rates for residential customers. In practice, the franchise fee is set at 5 percent of gross revenues. The City collects franchise fees quarterly based on actual hauler revenues. Quarterly franchise fee reports are validated by the CPA during the annual review of hauler costs.

All City fees related to solid waste collection and disposal are deposited in the Solid Waste Management Fund, including fees on commercial waste haulers. City Code requires that the funds be spent on solid waste, recycling, composting, and sustainable development policies approved by Council. In practice, BPS further restricts the use of money in the fund, separately accounting for residential and commercial revenues and expenditures.

9. What escalation clauses are in effect in your franchise compensation agreement?

None. Rates are adjusted annually .

D. Waste Exemptions

1. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

There are no exemptions currently.

E. Diversion Requirements for Business and Multi-Family Owners

City of Portland Administrative Rules referencing business and multi-family recycling requirements can be found in **City of Portland Business Administrative Rule, 5.2, Recycling and Solid Waste Requirements for Commercial Customers, Generators and Self Haulers – B. Business Recycling Requirements, (1) and (2).**

Staff worked extensively with Portland's business and multifamily owners in 1993-95 to find practical and effective ways to increase recycling in the commercial sector. The end result of this process was City Council adoption of a requirement that every business and multifamily property have, and use, a recycling system for at least 50% of their waste.

There are now about 52 garbage and recycling companies serving Portland's commercial customers: about 20,000 businesses and 2,500 multifamily complexes.

Under a 1996 mandate, all garbage and recycling companies continued to be required to offer recycling for a wide variety of materials. Customers, on the other hand, began to be required to set up recycling systems and to ensure that at least 50% of their material was recycled, as of January 1, 1996.

The financial incentive for all was the possibility of a penalty payable to the City. If compliance is not achieved within 30 days, fines will be issued. Fines are $200 per month for the first infraction. Subsequent infractions will increase by $200 each month, i.e., second infraction will be $400, third infraction will be $600 and continues at that level until the infraction is resolved. Through the garbage and recycling companies, the City provided every business customer with printed information about the mandate, and required that every customer sign a commitment to recycle at least 50%, specifying which materials they would recycle.

1. What are the benchmarks or diversion targets established for your diversion programs?

In 1996, the City Council adopted a requirement that every business and multifamily property have and use a recycling system for at least 50% of their waste.

In 1997 the Council set a goal of recycling 60% in 2005. The current system did not reach the 60% goal in 2005, achieving an overall estimated rate of 52% in 2005.

Currently, the City of Portland has a goal to reduce waste and to raise the recycling rate to 75 percent by 2015.

2. How is the performance of your diversion programs measured?

The City follows the methodology outlined by the State Department of Environmental Quality (DEQ).

3. What penalties or incentives do you enforce for missing or exceeding diversion targets?

There is no requirement placed on collection firms, instead requirements are place on business owner. For businesses, there is a financial penalty for noncompliance of a maximum of $500 per incident, increasing for each subsequent incident. However, since the City's intent is to encourage compliance, not to raise money, city regulations provide for an "assistance period" of 30 days, instead of enforcing an immediate penalty for noncompliance.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system? If so, could you share any studies conducted or methodologies used in preparing those estimates?

This hasn't been done yet but may be looked at in the future. The City's economist modeled commercial collection and estimated that changing from an open market to exclusive franchises would result in a reduction in vehicle miles traveled (VMT) for collecting garbage of 30 percent. Bruce thinks this estimate may be high because haulers work hard to keep their routes efficient. He thinks savings of perhaps 15-20 percent might result, but it's hard to know for sure.

G. Incentives to Exceed Contractual Requirements

1. Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.

Nothing out of the ordinary.

2. Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.

No.

H. Implementation, Staffing, Customer Interface

1. How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)

There are five employees currently engaged in customer interface and **enforcement with the residential franchise system**. Most of this consists of phone calls and emails, with a small portion of them engaged mainly in enforcement.

When the City added food waste and went to every other week garbage collection, the City added an additional five temporary staff for customer engagement. After a few months, the call volume went back to normal.

2. Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?

Not available.

3. Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?

Not available.

4. *How do customers interact with you and/or the haulers for complaints, service issues, new programs? (e.g., phone, web-system, personal contact)*

City staff interact with haulers mainly by phone for service and billing issues. Occasionally, they get calls about commercial service, but most customers resolve issues directly with their hauler.

Reno, Nevada

Results of Document Review and Interview with:

Jason Geddes, Ph.D.
Environmental Services Administrator
City of Reno, NV
(775) 334-3311
geddesj@reno.gov
January 22, 2013

In 1992, the City of Reno enacted a 25-year exclusive franchise agreement for commercial collection with Waste Management. Over time, other firms began competing by offering dry waste (trash) collection services (which was not explicitly covered in the franchise) and there was litigation surrounding this issue. In 2012 after many years of deliberation, the City established two exclusive franchise areas for commercial collection: one with Waste Management, and one with Castaway Trash Hauling. As part of that agreement, Waste Management is building a single-stream materials recovery facility to help provide the infrastructure necessary to significantly expand recycling opportunities.

The City's current franchises are rolling 10-year agreements, in that every 5 years there's a performance review. If hauler performance is acceptable, the City authorizes another 10-year contract.

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

There are two exclusive collection zones; one is managed by Waste Management (WM) and the other by Castaway Trash Hauling (CTH).

2. Approximately how many accounts do you have per zone (SF, MF, Commercial)?

There are approximately 2,500 accounts in the zone managed by WM and 625 in CTH's zone.

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes, multi-family is covered within commercial accounts.

4. What criteria did you use to establish this number?

Market share as of November 2012 was the criteria used to establish the number of accounts in each zone. Other cities, including Seattle and Portland, were consulted during the process.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

No.

6. What criteria or methodologies did you use to draw the boundaries for your collection zones (e.g., distance to the nearest transfer or disposal site?)?

The City let WM and CTH decide on the zone boundaries. These boundaries were then approved by the City.

7. ***Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?***

No.

8. ***Did elected official districts impact the selection of district boundaries (i.e., alignment)?***

No.

9. ***What lessons did you learn or what would you do differently in the future?***

Currently, WM has 80% of the customers, and CTH has 20%. The City would have created 5 zones, all of the same size (i.e. to match CTH's 20% of market) and allowed bidding on zones if performance issues arose.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

Not applicable.

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

Not applicable.

3. ***How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

WM was the sole franchised commercial hauler, yet other haulers used legal loopholes to provide commercial service leading to a negotiation and creation of zones. Haulers with existing customers were allowed to retain them under the new system, but the number of those customers is quite small (5 haulers with 31 accounts out of 3,000). There are 12 other haulers that provide C&D and drop box services.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

Would have created five zones each with a similar number of accounts as stated above (A9).

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

No RFP was created; collection areas were determined through negotiations.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

Collection companies bill customers and remit franchise fees and other payments to the City.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

WM provides a CNG fueling station that is open to the City and other public agencies, 25 solar compactors for placement by the City, and provides services to the City valued at $215,000 per year. WM and CTH also collect in City buildings and parks for free up to $900,000.

Collection firms provide public education and information, customer service, billing, and dispute resolution services (ombudsman). The City and the companies are currently negotiating the scope of the public education program. WM's contract includes providing a recycling coordinator at its new MRF.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

The rate schedule was negotiated as part of the Exclusive Area Franchise Agreement (most recent version November 07, 2012). Rates are based on the container type, volume, and frequency of collection as shown in Exhibit D of the agreement. Rates for single stream recycling are approximately 25 percent lower than rates for garbage. All rates were set by City and are in agreements provided. Rate increases are performed annually per the agreements for the first 3 years; after that increases are based on the CPI, but only if profits are less than 8%. The City requires companies to submit audited financial statements, and they retain the opportunity to audit the companies' books.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

Original contract was through 2019: new contract will go through 2029 with a review every five years.

5. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

No.

6. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

No.

7. ***Does the City receive a franchise fee or payment other than the $/stop payments? If so, how is it assessed? (i.e., x% of revenues or y% annually)***

Franchise fee is 8% of gross revenue. The city collects a host fee of $0.42 per ton on franchised collection materials at its transfer station. City may change franchise fee: rates will adjust accordingly.

8. ***What escalation clauses are in effect in your franchise compensation agreement?***

Rates adjust annually with consumer price index (CPI), and also are adjusted for changes in law, increases in franchise fees and other events outside contractor's control.

D. Waste Exemptions

1. ***Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?***

The franchise covers solid waste and approved recyclable materials. Exclusions include: construction and demolition materials, self-hauled materials, materials requiring special handling (such as liquid waste, sewage, manure), scrap metals, paper shredded materials, bulky items, electronics, rendering facility materials, hazardous waste, medical waste, special waste, and recyclables sold directly by generator to a buyer.

Food waste recycling is not exclusive.

Companies with permanent drop box service may continue providing that service.

E. Diversion Requirements

1. ***Does the contract include requirements for diversion programs?***

No.

2. ***What are the benchmarks or diversion targets established for your diversion programs?***

Not applicable.

3. ***How is the performance of your diversion programs measured?***

Not applicable.

4. ***Does your program include disposal caps that decrease over time?***

No.

5. ***What penalties of incentives do you enforce for missing or exceeding diversion targets?***

Not applicable.

F. Traffic Changes and Collection Efficiency

1. ***Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?***

It was considered as we are switching to natural gas collection vehicles. The City also only wanted one vehicle per route and not multiple haulers.

2. ***If so, could you share any studies conducted or methodologies used in preparing those estimates?***

No studies performed.

Incentives to Exceed Contractual Requirements

3. ***Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.***

Yes, they are in the agreements.

4. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain***

No.

G. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

One franchise administrator, city attorney as needed, and code enforcement (less than 0.5 FTE) as needed. Each ***franchisee is required to submit annual audit results conducted by third party auditors.***

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

The new agreements evolved in part from a desire to move toward a single stream recycling system, which included a materials recovery facility. Waste Management made an initial proposal on June 2008. After discussions between staff, collection firms, the City of Sparks, and Washoe County, Waste Management submitted a revised proposal in November, 2010. Staff delivered a memo to Council in June, 2011. After further deliberations, the new franchise agreements were approved by Council in November, 2012.

New system starts within 120 days of signed agreements, and implementation is to be complete after one year.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

No.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

Phone and email to franchise administrator. Franchised haulers have ombudsman requirements. Any issues not resolved by franchisees go to franchise administrator to resolve with power of City Manager.

Seattle, Washington

Results of Document Review and Interview with:

Tim Croll, Director, Solid Waste Line of Business
Hans Van Dusen, Solid Waste Contracts Manager
City of Seattle, WA
206-684-7934; 206-684-4166
Timothy.Croll@seattle.gov;
Hans.VanDusen@seattle.gov

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

Four.

2. Approximately how many accounts do you have per zone (SF, MF, and Commercial)?

- Residential (garbage): 28k-47k services per zone (4 zones); recycling service counts are similar
- Apartments (garbage): 820 – 2400 services per zone (4 zones); recycling service counts are similar
- Commercial (garbage): 1200-3200 services per zone (4 zones); most commercial recycling occurs outside the scope of the City's contracts

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes.

4. What criteria did you use to establish this number?

The City, in previous RFPs, had divided the City into three collection areas. In the 2007 RFP the City added a fourth area to promote the entry of new firms (and possibly smaller firms) into the Seattle market. The City, based on a study by Ecodata (see below) could have created up to seven areas and still achieved the economies of scale associated with one collector per area, but decided that more than four collection areas would make the RFP evaluation and selection process overly complex (as well as increasing the complexity of contract management).

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

Yes. Barbara Stevens, Ecodata, prepared a study that concluded that the maximum number of collection areas the City could be divided into is seven (7), without losing the economies of scale/efficiencies associated with one collector per area.

6. What criteria or methodologies did you use to draw the boundaries for you collection zones (e.g., distance to the nearest transfer or disposal site?)?

Natural geographic barriers (e.g. the Ship Canal which divides North Seattle from the Central Business District and South Seattle); arterial boundaries that result in a reasonably similar number of services per area (because to the distribution of single family homes, apartments and commercial businesses around the City, it is nearly impossible to create collection areas with an "equal" number of services) ; and “constructed” barriers that divide the City into distinct areas (I-5 splits North Seattle into two similarly sized zones (east and west).

7. ***Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?***

No.

8. ***Did elected official districts impact the selection of district boundaries (i.e., alignment)?***

No.

9. ***What lessons did you learn or what would you do differently in the future?***

Would not do anything differently. No major lessons learned; previous experience with the RFP process where very helpful in shaping the 2007 process (e.g. the construction of the RFP).

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

3 (of the 4 zones established). The City would/will not consider having just one hauler for the entire City. The City does not want to completely eliminate competition for collection service contracts either in the short or long term.

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

See 1.

3. ***How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

N/A. The City has contracted for residential collection services for decades, under authority granted by State law. The City assumed control over commercial collection in 2001, which had previously been regulated by the State Utilities and Transportation Commission. Prior to 2001, two haulers provided commercial collection services in the City and competed city-wide.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

Yes.

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

The 2007 Collection Services RFP allowed proposers to bid on each of the four (4) collection areas independently, and on “packages” of adjacent collection areas (e.g. 2/3/4, 1/2, etc.). The City hoped that solicitation of bids on packages would drive bids down, by promoting increased economies of scale, and creating four collection areas to allow smaller firms to compete, that the City would get competitive pricing and a new smaller entrant into the market. The City got both.

6. Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?

The only condition placed on proposers was on those that chose to bid on “packages” of collection areas. If a proposer bid on one package, they were required to bid on all of them. See question 6 for additional discussion of why the City created packages.

7. Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?

CH2MHILL has the City’s 2007 RFP for residential, multifamily and commercial collection, the City’s two executed contracts (with Waste Management and CleanScapes), and Barbara Steven’s report regarding options for the number of collection areas.

C. Rate Structure

1. Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?

Waste Management and CleanScapes are paid a fixed amount per month that has two components. Residential payments are escalated using a weighted price index, and also to account for increases in structures and residential tonnages. Commercial payments include a fixed payment that is escalated using the same price index as the residential payment, as well as a payment per pickup based on size of container. The first year payments for all of these services are established in each company’s contract, and are escalated from one year to the next using a weighted price index (using the CPI, Producer Price Index, and a fuel cost escalator) as well as the adjustment factors described above. Except for a small amount of waste, the City does not compensate the companies for disposal or transfer (and it is expected that these payments will drop to zero by 2014 after the City directs all waste to its facilities). Most garbage is taken to the City’s two transfer stations now and transfer and disposal costs are built into rates and bill directly to the customer. Recycle and composted material is taken to private facilities and the City is billed by those facility owners; again, the costs are built into rates and billed directly to the customer. The companies also provide street side litter and public place recycling collection in their service territories, and are compensated fixed monthly for these services. The companies provide, and are compensated for, occasional services provided for special events, etc. The companies are compensated for cart deliver/container deliveries, bulky item and white goods collection, and few other items.

2. What “extra services” do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?

See 1. The companies are also compensated negotiated amounts for providing services offered under as part of pilot programs.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

The City sets all rates for services, based on a rate study conducted by SPU staff periodically. The payments to the collection companies are treated as one cost center in the development of the solid waste revenue requirement. Other costs included taxes, solid waste program administrative costs, customer service costs (call center staff and inspections staff), solid waste program planning costs, disposal and transfer costs, debt service on bonds issues for solid waste system purposes, etc. The City use a widely accepted methodology for establishing the revenue requirement, allocating costs and designing rates. The City's rates are designed to encourage recycling and waste reduction. Recycling service costs are embedded in garbage collection rates, while yard/food waste are charged for separately.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

The City gave proposers the option of proposing an 8 year contract (with two, two year extensions), or a 10 year contract (with one, 2 year extension), to determine if there would be a savings from a longer term contract. Waste Management's 10 year proposal offered cost savings relative to its 8 year proposal; CleanScapes did not.

5. ***Did you have any "phase-in" period to the new rate structure?***

N/A

6. ***Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?***

The City has a low income rate assistance program; qualified customers pay a reduced rate for City provided utility services (50% of regular rates); program participants are qualified through a process administered by the City's Human Services Department. To be qualified, an applicant cannot have gross annual income greater than 70% of State median income for a household of his/her size. Customers who use a large amount of water for medical purposes (e.g. kidney dialysis) are eligible for the rate discount for water and wastewater services only.

7. ***Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?***

N/A

8. ***What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)***

The City levies a utility tax (gross receipts tax) on all utility services provided in the City (both public and private). The proceed from this tax flow to the City's General Fund.

9. ***What escalation clauses are in effect in your franchise compensation agreement?***

See 1.

D. Waste Exemptions

1. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

The City has separate contracts for construction and demolition debris, and does not exempt specific industries from the requirement to use the City's collection contractors. The City does allow certain institutions to collect and haul their own waste, including the University of Washington, and the Federal government.

E. Diversion Requirements

1. Does the contract include requirements for diversion programs?

No.

2. What are the benchmarks or diversion targets established for your diversion programs?

The City's Zero Waste Plan sets a recycling rate goal of 60% by 2012, and 70% by 2025. The City also emphasizes waste reduction, and recently instituted a ban on single use plastics bags at grocery stores, etc.

3. How is the performance of your diversion programs measured?

The City conducts periodic waste compensation studies, and requires haulers, transfer stations, and processing facilities operators to report materials received by waste stream. These data are then used to develop a profile of the City's waste – what's landfilled, what's recycled, etc.

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties of incentives do you enforce for missing or exceeding diversion targets?

N/A.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

No.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

N/A

G. Incentives to Exceed Contractual Requirements

1. Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.

Contracts include both penalties for poor performance and incentives for exceeding standards; performance metrics include customer service call answering response times (for commercial customers), missed collections, response time to missed collections, etc.

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.***

The City offers a minor incentive for reducing disposal tons through neighborhood outreach. Section 845 of the contract.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

The City has 4 staff in its Contracts Management unit (one Manager, one invoice/payment specialist, and two staff who work with the collectors on day to day issues). This group also has three Service Inspectors supporting it, who conduct field inspections when a problem/issue require it, and who work with customers who need/request changes in services, advice about placing recycling containers, etc.

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

CH2MHILL has this.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

Yes. The City has long standard relationships with consultants with solid waste RFP expertise, collection system design expertise, and has dedicated City attorneys to advise and assist with solid waste contracting issues.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

The City provides all customer services for single family and multifamily customers. The City operates a Call Center that takes customer calls live (Monday-Friday) and offers customers the option making service changes, etc. via the web. Customers can also pay their bill via the web, and pay using ACH debit (auto payment).

The collection companies provide all customer services for commercial customers, and are required to take and respond to calls live. The companies have their own web sites where customers can obtain information, make some service requests or changes, etc.

Regarding educations about new program offerings, etc. the City communicates directly with the customer (mostly through direct mail).

Stockton, California

Results of Document Review and Interview with:

Gretchen Olsen
Solid Waste Manager
City of Stockton, CA.
209-937-8826
Gretchen.Olsen@stocktongov.com

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

2 exclusive zones for residential (one hauler per zone); two franchise haulers for multifamily and commercial (the same haulers who collect residential) who compete city wide for accounts.

2. Approximately how many accounts do you have per zone (SF, MF, and Commercial)?

Approximately the same number per zone for residential; haulers compete city wide for commercial and multifamily accounts.

3. Are those zone boundaries the same for multi-family and commercial collection?

N/A. Haulers compete city wide.

4. What criteria did you use to establish this number?

Information not available; the current franchise agreements were established in 2004 when the City decided not to bid out service provision via an RFP process and, instead, negotiate franchise agreements with the two haulers operating in the City at the time (WMI and Allied). The negotiations result in the current arrangement of exclusive zones for residential and open competition for multifamily and commercial.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

Information not available.

6. What criteria or methodologies did you use to draw the boundaries for you collection zones (e.g., distance to the nearest transfer or disposal site?)?

Information not available.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

Information not available.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. What lessons did you learn or what would you do differently in the future?

N/A.

B. Collection Zone (Franchise) Caps

1. ***What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?***

N/A. The City's current franchise agreements (signed in 2004) extend through 2019 (with a City option to extend each 5 years); the City has not conducted an RFP process in the past and has not contemplated what it might do in 2019.

2. ***What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?***

N/A. See 1.

3. ***How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?***

N/A. According to the City's Solid Waste Franchise Manager, the two existing franchise haulers have been only providers of residential, multifamily and commercial service for many years. The Manager did express a strong desire to maintain a system where at least two haulers are operating and viable in the local market.

4. ***If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?***

N/A.

5. ***In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?***

N/A. No RFP has been issued in the past.

6. ***Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?***

N/A. See 3 above.

7. ***Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?***

CH2MHILL has the franchise agreements.

C. Rate Structure

1. ***Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?***

The rates for collection services were negotiated by the City and the haulers at the time the current franchise agreements were established (2004). The City was able to negotiate a rate schedule that is the same for both haulers. The rates increase (year over year) at 50% of the CPI. The City does not compensate the haulers for several "free services", the costs of which are presumably embedded in residential, multifamily and commercial rates.

The rates charged to customers include a 23.5% franchise fee – 20% that goes to the City's General Fund and 3.5% that goes to Public Works' Solid Waste Program. Both fee components are authorized by State law.

The City performs billing and collection of residential solid waste payments. The City keeps the portion of residential rate revenue due to it, and remits the balance to the haulers. The haulers bill and collect multifamily and commercial payments. The haulers keep the portion due them, and remit the balance to the City. The City can audit the haulers billing and collection processes, but has conducted very limited billing audits to date.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

The list below shows the services included in the scope for each franchise agreement. Street sweeping, neighborhood clean up services, Christmas tree collection, side yard service for the disabled, collection services for city facilities, collection from public containers, special events collection, and community clean up services are not compensated by the City (so presumably the costs of these are embedded in what the customers pay for residential, multifamily and commercial services. The haulers also provide public education and other informational service to customers without additional compensation.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

Rates are contained in the franchise agreements, and adjust annually upward by 50% of the change in the CPI from the previous year. Disposal and processing facility rate adjustments pass throughs can be applied for but are not guaranteed approval in the franchise agreements. Rates are the same across the City. See 1 above for additional information.

4. Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?

N/A.

5. Did you have any "phase-in" period to the new rate structure?

N/A.

6. Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?

The City's low income rate assistance program does not provide discounts for multifamily customers. The City offers discounted residential service for seniors (over 65 years of age) and for seniors below median income.

7. Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?

N/A.

8. What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)

See 1 above. In addition to the franchise fee revenue the City receives, the City received an upfront payment from each hauler at the beginning of the term of the agreements (2004). The upfront payment was made over 4 years. According to the City's Solid Waste Franchise Manager, this payment was, in part, compensation for the City's street sweeping equipment which the haulers took possession of when they took over sweeping activities from the City.

9. What escalation clauses are in effect in your franchise compensation agreement?

See 3 above.

D. Waste Exemptions

1. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

Services to manufacturing facilities, factories, food processors, refineries, and publicly operated treatment works are exempt from the franchise agreement. C&D and commercial recyclables are exempt as well.

Construction and demolition waste is generally handled through the City's Industrial Permit program so is not regularly handled through the franchised system. Hazardous waste and electronic waste is directed to the County's HHW facility. The state allows state agencies to exempt themselves from local franchise systems so schools, universities, and other state agencies have a variety of service arrangements.

E. Diversion Requirements

1. Does the contract include requirements for diversion programs?

Yes.

2. What are the benchmarks or diversion targets established for your diversion programs?

The benchmarks are established by State Law and they are enforced via the liquidated damages provisions of the City's franchise agreements. See 5 below.

3. How is the performance of your diversion programs measured?

Using data collected by the haulers on tons of material collected by service type (single stream recyclables, yard waste, food waste and garbage). The City currently estimates that it's diversion rate is somewhere between 50% (using hauler provided data) and 65% (based on State calculations).

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties or incentives do you enforce for missing or exceeding diversion targets?

Exhibit J of the franchise agreements establishes liquidation damages for not meeting diversion requirements/targets. These targets are based on the State's AB 939 requirements. The liquidated damages are show in the table below.

Diversion Requirements

1. Failure to comply with a substantive requirement of the Diversion Plan contained in Exhibit D: $500.00 per incident.
2. Failure to comply with a substantive requirement of the Public Education Plan contained in Exhibit E: $500.00 per incident.
3. Beginning January 1, 2005, failure to achieve and maintain in each following calendar quarter Diversion of Collection Materials in the following percentages: 42 percent: $6,250 per quarter 37 percent: $12,500 per quarter 32 percent: $25,000 per quarter [For example, if during the 1st quarter of 2005, Contractor Diverts 31,000 tons of Collection Materials and Disposes of 69,000 tons of Collection Materials, the liquidated damages assessed by the City would be $25,000. If the Contractor Diverts 45,000 tons of Collection Materials and Disposes of 55,000 tons, there would be no liquidated damage assessed.]
4. Beginning January 1, 2005, failure to achieve and maintain in each following calendar quarter Diversion of all materials collected within the City by the Contractor in the following percentages: 50 percent: $6,250 per quarter 45 percent: $12,500 per quarter 40 percent: $ 25,000 per quarter
5. Failure to use Best Efforts to divert fifty (50) percent of materials collected through Neighborhood Cleanups and Bulky Items collection: $500 per incident.

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Liquidated Damages for failure to achieve and maintain the Diversion percentages specified in "Diversion Requirements" Items 3. and 4. above, shall be assessed by the City each calendar quarter. In addition:

Liquidated Damages shall be maintained in a segregated Recycling fund to be used by the City to promote Recycling programs.

The City shall not assess Liquidated Damages that exceed $25,000 in any single calendar quarter. In the event that in any calendar quarter the City could assess Liquidated Damages under both "Diversion Requirement 3. and 4., the City shall assess and the Contractor shall owe only the larger of the two separate amounts that otherwise would be due under the two requirements

If in any calendar year Contractor achieves 42 percent diversion of all Collection Materials collected that year, the City shall reimburse the Contractor for Liquidated Damages assessed in any previous quarter of that year pursuant to "Diversion Requirement" 3. above.

If in any calendar year Contractor achieves 50 percent diversion of all materials collected by the Contractor within the City that year, the City shall reimburse the Contractor for the Liquidated Damages assessed in any previous quarter of that year pursuant to "Diversion Requirement" 4. above.

a. Any City-retained Liquidated Damages remaining in any calendar year shall be used by the City to offset any fines assessed by the State pursuant to Article 9.2 assessed within that calendar year.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

N/A

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

N/A

G. Incentives to Exceed Contractual Requirements

1. Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.

Yes. Exhibit J in the franchise agreement includes a long and detailed list service and diversion related requirements that are subject to liquidated damages, if the collector fails to meet standard.

E.5 above presents the liquidated damages associated with a hauler not meeting diversion targets. According to the City's Solid Waste Franchise Manager, damages were applied often during the first few years after the current agreements were established, but are not often applied today because the standards are typically achieved.

Exhibit J also spells out a number of service related expectations, where failure to the meet the standard results in liquidated damages. Examples included penalties for failure to commence a new service request within 7 days, failure to collect a missed collection within 24 hours, etc.

2. ***Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.***

No.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

The City has six (6) staff in its Solid Waste Franchise administration unit; one manager, one other staff who assists with contract administration, one staff member who performs field inspections, and three other supporting staff.

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

N/A.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

N/A.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

The haulers maintain web sites where customers can access service information, make certain service changes, etc. The haulers are also required to maintain a live call answering presence, where customers can report missed collections, register complaints, etc. These “call centers” must operate during normal business hours Monday-Friday.

The City has two different “hotlines” where customers can register (or elevate) complaints regarding hauler service provision. The City has a web-based system for all City services, (Ask Stockton) including garbage, recycling, and street sweeping inquiries or complaints. City staff coordinate responses to customers with representatives from the haulers.

Vancouver, Washington

Results of Document Review and Interview with:

Tanya Gray
Solid Waste Supervisor
City of Vancouver, WA.
360-619-4123
Tanya.Gray@cityofvancouver.us

A. Collection Zone (Franchise) Boundaries

1. How many exclusive collection zones have you established?

1 (with one hauler); prior to 2005 the City had two haulers (Waste Management and Waste Connections) collecting in two "exclusive" zones but each hauler was, in fact, providing services in both zones. In 2003, the City began rationalizing the delivery of services so that each hauler provided a full package of services in its primary zone. In 2004, Waste Management determined it was not profitable to continue operating in the City; the other hauler (Waste Connections) purchased the other hauler's franchise (with the permission of the City) and is now the sole contractor for the City.

2. Approximately how many accounts do you have per zone (SF, MF, and Commercial)?

41k residential (single family)
2600 commercial
457 multifamily complexes (with a total of 23k units)

3. Are those zone boundaries the same for multi-family and commercial collection?

Yes. There is now only on collection zone.

4. What criteria did you use to establish this number?

N/A.

5. Did you conduct any studies or analyses that helped inform your selection of the number of zones? If so, please describe.

City staff indicates that a study may have been conducted in the 1990s but a copy is not available.

6. What criteria or methodologies did you use to draw the boundaries for you collection zones (e.g., distance to the nearest transfer or disposal site?)?

See 5.

7. Did you do any studies or modeling to establish the zone boundaries? If so, please describe. Would you provide us with a copy of that information?

See 5.

8. Did elected official districts impact the selection of district boundaries (i.e., alignment)?

No.

9. What lessons did you learn or what would you do differently in the future?

Would probably have included a commercial recycling service in the current franchise when it was negotiated in 2004-2005; Waste Connections is now offering such a service and participation is continuing to grow; the service is a competitor to privately provided services.

B. Collection Zone (Franchise) Caps

1. What limitations exist, if any, on the number of areas a collection company may have exclusive rights to?

N/A.

2. What was the basis for the limitations you set on the number of zones (see question 1)? Were there specific criteria, or studies and analysis that helped inform how you set this limit? Would you send us a copy of these please?

N/A.

3. How many collection companies were licensed in your City before and after you implemented exclusive franchises? If the number went down, do you have concerns about the future competitiveness for you collection contracts?

N/A.

4. If you had had a chance to revisit your decisions related to number of collection areas, boundaries and caps, would you have made the same decisions?

The City is currently satisfied with a single hauler system.

5. In your RFP for collection services, how many collection areas were proposers allowed to submit bids for?

N/A.

6. Did you place any requirements on the minimum number of zones proposers were required to bid on? If so, please elaborate?

N/A.

7. Would you be willing to provide us copies of your RFP, franchise agreements, and any supporting staff reports?

CH2MHILL has a copy of Waste Connection's franchise agreement. The City has also provided CH2 with a copy of a 1994 RFP for garbage and yard waste service that may be of interest to LA.

C. Rate Structure

1. Please describe the basic approach you use to compensate collection firms? Would you be willing to share a copy of a document that describes that formula, and a copy of the compensation section of your most recent request for proposals?

The City's franchise collection agreement with Waste Connections establishes a first year monthly compensation amount by type of service (garbage and yard waste, and recycling). The amounts are derived based on the sum of collection and disposal payments by level of service (e.g. 1 yard once a week, 1.5 yards twice a week, etc.). The recycling component of rates is flat fee per household (residential) and per unit (residential). Waste Connections does all billing and collecting of payments from customers, keeps the collection and disposal monthly payment amount per the franchise agreement with the City, and remits the balance to the City, which covers the City's solid waste program costs, and the City's utility tax. The collector is responsible for paying the City's disposal contractors. Payments to the haulers escalate from year to year at 80% of a weighted price index (the components include the local CPI and a west coast fuel cost index).

The City establishes the rates for each level of service using an in house developed model and methodology. The collector does not have discretion to establish the proportional differences in rates between different levels of services. The City process for updating the number of accounts and service levels by account is very thorough, and utilizes a combination of in house and contract resources.

The City's franchise agreement requires Waste Connections to contribute $10k over the life of the contract to pilot programs. The City does not compensate the collector for attending public meetings with City staff, collecting from multi-family properties with difficult to access container locations, special services required by Handicapped, Elderly and Low-Income qualified residents (e.g. back yard or carry out service), and several other service related activities. The contractor is required to provide "spring clean event" cleanup services (drop box services) up to a dollar amount of $55k per year (additional services are compensated). The City does not compensate the collector or assistance with special studies (for example, waste composition analyses). Compensation with assistance with pilot programs is negotiated between the haulers and the City.

The hauler did not receive any compensation for initial contract mobilization.

2. ***What "extra services" do you require that collection firms provide that might be outside what many jurisdictions require of their franchise/contract service providers? (e.g., recycling requirements, education, moderate risk waste)? If so, how do you compensate them for providing those services?***

See 1. The City requires that the hauler provide 4.5 staff, at its own expense, to support recycling education and public information.

3. ***Please describe the basic approach you use to set customer rates? For example, do you have common rates throughout the City/County or do your rates differ by zone? Do you set the rates, are they set by the service provider, or some combination of the two approaches? Would you be willing to share a copy of a document that describes the rates that are charged to multi-family and commercial customers?***

See 1. CH2MHILL has a copy of Vancouver's rate model and rate ordinance.

Note that Vancouver has a rate stabilization fund (RSF) that can be used from time to time to mitigate rate increases. The RSF is built into the fee that the City includes in the hauler's rates.

4. ***Did you explore the implications of different contract term lengths on rates and/or costs during your RFP process?***

No. The City does have a practice of extending the agreement's length by 1.5 years for every annexation of 5,000 or more homes (as specified in section 2.1.2 of the comprehensive contract).

5. ***Did you have any "phase-in" period to the new rate structure?***

N/A.

6. Does your rate structure provide any discounts for low income multi-family households, and if so, could you provide us with documentation that describes how they function?

See 1. The discount is for the disabled and elderly only, who meet certain income requirements. VMC 6.12.201 (D) and contract section 2.1.7 of the comprehensive contract.

7. Did you have to address potential rate increases on rent-controlled housing, and if so, was there a mechanism for allowing owners to pass on any increased garbage/recyclable/organic collection cost increases?

N/A.

8. What franchise fee or other payment do you receive from your franchised haulers and how is it assessed? (i.e., x% of revenues or y% annually)

A franchise fee is built into the rates charged by the hauler (the hauler bills and collects customer payments). The fee is a fixed amount per year that the City can change, which covers City solid waste program administration and programs. Also included in rates is a 20% City utility tax (a gross receipt tax), proceeds from which go to the City's general fund.

9. What escalation clauses are in effect in your franchise compensation agreement?

See 1.

D. Waste Exemptions

10. Are there any waste types or generator types that are excluded from your franchise/contract system? (e.g., construction and demolition waste, hazardous waste, recyclables, electronic waste or movie studios, hospitals, universities). If so, could you send us documentation about how you define and administer this exemption?

CDL that includes MSW is included in the contract; any CDL that is substantially recyclable (diminimus amounts of garbage) may be collected as a recyclable material outside the franchise scope. Hazardous waste is outside the contract scope. Certain E-Waste (televisions, monitors, computers, laptops and tablets) are banned from disposal and may be recycled at several convenient recycling drop off locations or a handful of community events held each year. The e-waste program is funded by the electronics industry with the program overseen by the State. The City does not exempt specific industries from having to use the City's hauler.

E. Diversion Requirements

1. Does the contract include requirements for diversion programs?

The collector is required to provide garbage, yard waste and recycling service to all single family customers, garbage and recycling services to all multifamily customers, and may offer yard waste service to multifamily and commercial customers. The City has a limited food waste collection pilot program for non-residential source separated food waste. The pilot has been in place since 2006.

The collector is also required to install recycling signage in all new multifamily dwelling units at no cost to the City, and decals on containers indicating what can/can't go in the container. The collector is required to provide 4.5 FTEs dedicated to recycling outreach at no extra cost to the City.

The County does require Waste Connections to perform a minimum amount of recycling (source separation) at its stations. The minimum is 10% as described in Article 9 of the Contract Regarding Solid Waste Recycling, Transfer, Transport and Out-of-County Disposal between Clark County and Columbia

Resource Company (a Waste Connections company). The City indicates that there is a penalty for not meeting this target, but doesn't believe the penalty has been applied any time recently. Article 9 of this contract describes how to calculate the Minimum Annual Recycling Requirement (MARR) and how to determine if the contractor qualifies for a bonus (exceeding the MARR) or liquidated damages (not meeting the MARR). I confirmed with Mike Davis at Clark County that the contractor has never been penalized due to missing the MARR. They have also not received a bonus to his recollection.

2. What are the benchmarks or diversion targets established for your diversion programs?

50%, with no established year to hit the target by. The City met the target in 2012.

3. How is the performance of your diversion programs measured?

Data are provided by the haulers that allow the City to estimate total diversion, but the State also estimates total diversion using the same and additional data.

One week per quarter (now once a year), the collector is required to collect residential and multifamily recycling and deposit the material in designated bays separate from other incoming recyclables, in order to estimate the share of non commercial recycling attributable to each sector. This data is used to calculate recycling revenue sharing amounts (between the City and Waste Connections and Clark County).

4. Does your program include disposal caps that decrease over time?

No.

5. What penalties of incentives do you enforce for missing or exceeding diversion targets?

See 1 above.

F. Traffic Changes and Collection Efficiency

1. Have you made any attempt to estimate changes in collection vehicle miles traveled that occurred as a result of the change from a "free market" system to your current exclusive collection area system?

N/A.

2. If so, could you share any studies conducted or methodologies used in preparing those estimates?

Not available.

G. Incentives to Exceed Contractual Requirements

1. Has the City/County included any other liquidated damages for non-compliance? If yes, please explain.

Yes. Examples include failure to notify the customer of reasons for not collecting the customer's container, failure to maintain a clean and sanitary vehicle, failure to notify the City when a recycling vehicle is used for a non-recycling purpose, land filling or incineration of recyclables, and failure to perform other collection and customer service related activities. The franchise agreement has a 2.5 page list of events that trigger liquidated damages and the penalty amount per incident.

2. Has the City/County included any incentive provisions to exceed environmental or sustainability requirements? If yes, please explain.

No. However, the County does require transfer stations to become ISO 1400 certificated.

H. Implementation, Staffing, Customer Interface

1. ***How many of your staff members are engaged in administering contracts, auditing, enforcement, or other related functions? (Please provide a breakdown by function)***

Administering contracts	.5 FTE
Auditing (contract compliance)	.25 FTE
Enforcement	.5 FTE
Customer Service/Program support	.25 FTE

2. ***Do you have an old implementation schedule you could share that outlines your primary tasks and timelines as you planned the system, went through the RFP process, and implemented/phased in the system?***

Not available.

3. ***Do you have any readily available information about staff/consultant/legal resources that were required as you progressed through these implementation steps?***

N/A. The City has not conducted an RFP in the recent past.

4. ***How do customers interact with you and/or the haulers for service issues, new programs? (e.g., phone, web-system, personal contact)***

City maintains a web site and phone line, which are primarily intended to provide answers to questions about recycling and waste reductions programs. The City and Company make joint presentations at community events regarding recycling programs, etc., at no extra cost to the City.

www.cityofvancouver.us/solidwaste

Waste Connections also maintains a web site where customers can get service related information, register complaints, pay bills, and make service changes. The company also maintains a 24/7 phone line (call center) allowing the customer to get live service. Waste Connections is now able to send targeted phone messages to customers (for example to notify customers in an area that may not be collectable due to bad weather) and is planning to implement a “notification of collection day” messaging service for customer who want a reminder (e.g. one day prior to collection day. Waste Connections uses the telephone number on the customer’s account record to support “push” phone messaging.

www.wcnorthwest.com