

CITY OF OAKLAND

AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
CITY OF OAKLAND

2003 OCT -2 PM 1:40

To: Office of the City Manager
Attn: Deborah A. Edgerly
From: Public Works Agency
Date: October 14, 2003

RE: FOLLOW-UP REPORT IN RESPONSE TO AN UNSOLICITED PROPOSAL FROM CALIFORNIA WASTE SOLUTIONS; RECOMMENDATIONS FOR ESTABLISHING SERVICE PARAMETERS AND SOLICITING PROPOSALS FOR RECYCLING SERVICES IN THE AREA OF THE CITY CURRENTLY SERVICED BY CALIFORNIA WASTE SOLUTIONS; AND RECOMMENDATION TO ENTER INTO NEGOTIATIONS WITH WASTE MANAGEMENT OF ALAMEDA COUNTY TO ADDRESS CITYWIDE RECYCLING SERVICE EQUITY ISSUES

SUMMARY

This report is a follow-up to two previous reports presented to the Public Works Committee concerning recycling services provided by California Waste Solutions (CWS) in the northern half of the City. Staff has considered available options and recommends that a Request For Proposal (RFP) for recycling services be issued for this area of the city. Staff also recommends entering into negotiations with Waste Management of Alameda County (WMAC) to address citywide recycling service equity issues. A map of the service areas is attached as Exhibit A. The existing recycling contracts with CWS and WMAC expire on December 31, 2004 and December 31, 2010 respectively.

Staff recommends approval of a RFP for recycling services in the northern half of the city and entering into negotiations with WMAC to address citywide recycling service equity issues. Staff also recommends notifying the Alameda County Waste Management Authority (Authority) of the City's intent to request one-time funding for a proposed residential food scraps program to be included as part of the citywide curbside recycling program. These actions support the City Council goal to develop a sustainable city.

FISCAL IMPACT

This report recommends issuance of a RFP to provide recycling services in the northern half of the City and to enter into negotiations with WMAC to address citywide recycling service equity issues. It is anticipated that the City will pay CWS approximately \$2,300,000 and WMAC \$1,650,000 to provide curbside recycling services during the 2003 calendar year. While the City pays CWS and WMAC for recycling services, it receives Measure D funds from the Alameda County Source Reduction and Recycling Board (Board) and recycling fees from the WMAC garbage bill to offset these expenditures. Additional program costs resulting from a new contract for recycling services in the area currently serviced by CWS, and/or from a renegotiated contract with WMAC to provide recycling service equity throughout the City, would be passed on to the ratepayers in July 2004 as part of the annual rate adjustment. When staff returns to the City Council in April 2004 with a

Item: 11
Public Works Committee
10114103

recommendation for a service provider in the northern half of the City, and a recommendation on the service equity issues, information will be provided as to the impact the recommendations will have on the 2004-05 garbage rates.

The City can request one-time funding from the Authority of up to \$8.00 per residence for implementation of a residential food scraps recycling program that staff is recommending be included as part of the citywide curbside recycling program. The funds can be used for the purchase of food scrap containers for the approximately 90,000 eligible residences in Oakland and the development of public education materials. The City must notify the Authority of its intent to request the \$720,000 in one-time funds by December 31, 2003. These funds will reduce the cost of beginning the residential food scraps recycling program and also help to offset a rate adjustment in July 2004 for this service.

BACKGROUND

On March 4, 2003 the Public Works Committee heard a report from staff that CWS had submitted an unsolicited proposal to extend their existing contract for recycling services through December 31, 2009 with three one-year extension options. CWS also proposed to change the collection service from the existing blue and yellow 18-gallon tub-style recycling bins to a "single stream" system (one 64-gallon cart for all recyclables) for one to four unit buildings. In addition, CWS proposed that the City pay fifty percent (50%) of the cost of union wage and benefit increases for its employees after 2004, while reducing the annual consumer price index (CPI) adjustment from eighty percent (80%) to seventy-five percent (75%). At the time, staff recommended entering into negotiations with CWS to amend their current contract or to negotiate a new contract ending in December 2009, with the possibility of further extensions.

The Public Works Committee took no action on the staff recommendation and instead requested additional information on the following items:

- Identification of potential qualified, interested service providers;
- Status of complaints regarding CWS' current service;
- Status of CWS' compliance with its land use permits and conditions;
- Review of model contracts; and
- Cost/benefit analysis of CWS' proposal for the City to pay for fifty percent (50%) of its wage and benefit increases after 2004 and the reduction in the CPI escalator from eighty percent (80%) to seventy-five percent (75%).

On June 10, 2003 staff provided the requested information to the Public Works Committee. After presentation of the staff report, the Committee discussed various options that included: negotiating a contract with CWS; rejecting the proposal from CWS and issuing a RFP; issuing a Request For Qualifications (RFQ) instead of a RFP; and entering into negotiations with WMAC to explore resolution of service equity issues regarding a weekly citywide single stream recycling collection program. Staff was directed to meet with the City Manager and to return to the Public Works Committee on October 14, 2003 with a recommendation as to how to proceed with this item. Staff subsequently met with the City Manager to discuss the recommendations contained in this report.

KEY ISSUES AND IMPACTS

History of Awarded Recycling Contracts

In 1992 the City entered into five-year contracts with WMAC, CWS and Karl's Recycling/Pacific Rim Recycling to provide recycling services. In 1995 the City entered into a new franchise agreement with WMAC to provide curbside garbage collection services through December 2010. The agreement also extended the WMAC recycling contract through December 2010. To facilitate the implementation of a citywide bi-weekly yard trimmings recycling program, and to avoid a garbage/recycling rate increase for eighteen (18) months, the City Council approved bi-weekly recycling service in the section of the City serviced by WMAC.

In 1996 the City approved CWS' purchase of the remaining term of the Karl's Recycling/Pacific Rim Recycling contract. Also in 1996 the City Council approved a staff recommendation to combine the two areas serviced by CWS and Karl's Recycling/Pacific Rim Recycling into one service area and to issue a RFP for a seven-year contract for recycling services. CWS was the only company to respond to the RFP and was subsequently awarded a new contract to expire on December 31, 2004. CWS provides weekly recycling service in the northern half of the City.

The current contract with CWS contains a provision that would allow the City at its sole discretion to continue the agreement on a month-to-month basis for up to a maximum of twelve (12) months. The City would have to notify CWS by December 31, 2003 if it intends to exercise this extension option. Staff recommends notifying CWS that the City will extend the existing contract on a month-to-month basis so the City will continue to have a service provider if there is a delay in the RFP process or in the selection of a contractor. It is staff's intention to conclude the RFP process in time for the selected contractor to commence recycling collection service effective January 1, 2005.

CWS' Unsolicited Proposal

In January 2002 CWS sent the City Manager an unsolicited proposal to modify and extend its existing contract for an additional eleven (11) years. In May 2002 CWS revised the original proposal to seek a five (5) year extension with three one-year extension options. Subsequent to the Public Works Committee meeting on June 10, 2003, staff met with the City Manager and is now recommending that a RFP be issued for a company to provide recycling services in the northern half of the City. If this recommendation is accepted, the Public Works Committee and/or City Council does not have to take any action on the unsolicited proposal submitted by CWS.

RFP vs RFQ

At the June 10, 2003 Public Works Committee meeting, members inquired whether it would be better to issue a RFP or a RFQ. If only a limited number of companies were qualified and interested in providing recycling services in Oakland it would expedite the process to issue a

RFQ. However, there are currently at least seven companies providing curbside recycling services in Oakland and the surrounding cities. Staff believes that all of these companies have sufficient experience to submit a competitive proposal to provide recycling services. Issuing a RFQ would not be beneficial in that it would not substantially reduce the number of interested companies and would still require staff to go through another process similar to a RFP to identify and recommend a company for award of a contract.

Staff recommends that a RFP be issued for recycling services in the section of the City currently serviced by CWS. It is anticipated that the RFP will be ready by the end of November 2003, responses will be due by the end of January 2004, and staff will return to the Public Works Committee in April 2004 with a recommendation for award of a contract.

Length of Contract

All of the Measure D funds received by the City are used to pay a portion of the existing recycling contract with CWS. Recycling contracts using Measure D funds are limited in term to five years, without the approval of the Board. In September 1996 the Board authorized the City to award a contract for recycling services for up to eight years. When the City issued its RFP in 1996, staff recommended that the City accept proposals for a seven-year contract term. Staff is again recommending a contract term of seven years. This term matches the equipment amortization schedule used by many recycling firms.

Upon approval of this report by the City Council, staff will submit a request to the Board seeking authorization to enter into a seven-year contract. The Board has approved similar requests in the past for other cities.

Single Stream Recycling Collection

Since 1992 the City's recycling contractors have used blue and yellow 18-gallon tub-style recycling bins to service one to four unit buildings (single family residences). Buildings containing more than five units are serviced as multi-family residences. Most of these buildings have 35, 64 or 96-gallon cart service for recyclables. There is no standard color for these carts. Blue and yellow decals are placed on the carts to identify the type of recycling commodities that can be placed in the carts.

Both CWS and WMAC have requested that the City consider switching to a single-stream recycling system whereby residents place all recyclable materials into one 64-gallon cart similar to the green waste containers currently in use throughout the City. The reasons cited for this change is that it would improve the recycling program as follows:

- Residents will not have to source separate materials (e.g. paper, glass, cans, etc.);
- Residents can roll the cart to the curb rather than carry two bins to the curb with their recyclables; and
- Being containerized, materials do not get wet or scattered by the wind thereby reducing litter in the neighborhood.

Staff is in the process of contacting the cities of San Francisco, Los Angeles, San Jose, Sacramento, San Diego, Richmond and Alameda to review their experience with single stream recycling collection. Of the cities contacted to date, on whole they have been satisfied with their change to single stream recycling though there are areas of program implementation they would have done differently. There have been no definitive studies to show that single stream recycling leads to increased diversion of recyclable materials, however, the cities surveyed do not indicate any noticeable decline in the amount of collected materials.

A recent pilot study of single stream recycling in Central Contra Costa County reported results of 20% more recyclables being collected and 5% more households recycled. Alameda implemented single stream recycling in 1997 and reported a 26% increase in the collection of recyclable materials. In Richmond, single stream recycling was implemented in Spring 2000. There was a 60% increase in recycling tonnage collected in the first year. There was an additional 8% increase in 2001 and another 6% increase in 2002. Staff will update the Public Works Committee on October 14, 2003 with information from the other cities being surveyed.

Service Equity Issues

When the City and WMAC renegotiated the garbage franchise agreement in 1995, it was agreed that WMAC would provide bi-weekly curbside recycling in the southern half of the City. During the week that curbside recycling was not provided, WMAC would provide yard trimmings collection service. WMAC purchased a fleet of one-pass trucks that allowed for the collection of garbage at the same time that either recycling or yard trimming collection was provided.

Staff recommends that the City enter into negotiations with WMAC to explore ways to provide weekly single-stream recycling collection in their service area. As part of these discussions, staff also recommends expanding the yard trimmings program to include the recycling of food scraps and soiled paper products as a way of increasing the diversion of these materials from the landfill. This program enhancement also supports the City's adoption of the Alameda County Measure D goal to reduce waste disposed in landfills by 75% by the year 2010.

Residential Food Scraps Program

The 2000 Waste Characterization Study prepared for the Authority showed that 22% (single family dwellings 17%, multi-family dwellings 5%) of the residential waste stream is comprised of food waste. This is the largest untargeted component of the residential waste stream and a program that can be economically implemented in conjunction with the City's existing yard trimmings program. Currently five of the 13 jurisdictions in Alameda County have implemented residential food scrap collection programs.

Staff has met with representatives from the Authority to discuss the proposed residential food scraps program and the availability of a one-time subsidy for implementation of the program. The City has approximately 90,000 eligible residences and can request up to \$8.00 per residence for purchase of a food scraps container and development of public education materials. The City

must notify the Authority of its intent to request the \$720,000 in one-time funds by December 31, 2003. In order to qualify for funding, Oakland must switch to weekly yard trimmings collection; target pre- and post-consumer residential food scraps and contaminated paper; submit public educational materials for Authority approval; and provide pre- and post-program participation data for three years. Multi-family units (5 or more residences) do not qualify for this funding.

Implementation Plan

The selected contractor will be required to submit an implementation plan and time schedule to show they will have the necessary equipment to commence collection services on January 1, 2005. This will include an equipment acquisition plan for vehicles and carts, as well as delivery guarantees by manufacturers for all new equipment to be purchased. A schedule for the distribution of recycling carts and the collection of old bins will be required as part of the plan. If implementation of a single stream recycling program in the southern half of the City serviced by WMAC, or implementation of a citywide food scraps recycling program necessitates a change in garbage collection day service, WMAC and the selected contractor will coordinate program implementation and public education/customer service information.

Commercial Small Business Recycling

Small businesses frequently have a difficult time attracting a reliable and cost effective recycling service because of the low volume of materials typically generated by these businesses. Since a large number of small businesses are located within or adjacent to the current residential recycling routes, staff recommends continuing to charge small businesses for recycling and that all RFP proposals include a cost for small business recycling. If a small business desires to participate in the program, it would pay for the full cost of the service directly to the provider.

Performance Incentives/Liquidated Damages

Staff recommends that the RFP identify specific performance standards and reporting data that the City expects the contractor to fulfill and provide. The contract will also include liquidated damage assessments for failure to meet specified performance standards. Recent contracts awarded in other cities have required the contractor to provide a "live terminal" for direct access from City offices to the contractor's customer service computer system in order to monitor contract performance.

One city provides a \$50,000 payment to their contractor if they achieve a certain rating on a customer service survey. In several cities the contractor is eligible for a cash incentive if it achieves certain diversion goals from single family and multi-family residences. Staff is continuing to review performance incentives that other cities have developed to reward high materials recovery and minimum disposal of non-recyclable materials.

Customer Service

Customer service is generally best handled through a direct relationship between the collection service provider and the residents who receive the service. Historically, recycling program public education materials have promoted the City's 238-SAVE recycling hotline as the primary point for recycling customer service. Staff recommends that the contractor have the primary responsibility for customer service, and that this be specified in the RFP.

Public Education

Public education is critical to achieving widespread awareness and the proper participation necessary for a successful recycling program. Effective public education is especially important when changing from the tub-style recycling bins to a wheeled cart. A system change of this magnitude will require wide-ranging and repeated public education that extends for several years beyond the initial roll-out of the new system. This change also provides an opportunity to educate our residents about the 75% diversion goal adopted by the City Council and to identify ways they can help us achieve the goal by recycling at home and at work.

Staff recommends that the RFP specify that the contractor have primary responsibility for public education, subject to City review, and that performance incentives be structured to motivate the contractor to ensure maximum effectiveness of the public education materials.

Prevailing/Living Wages and Hire Oakland Program

This contract is subject to the City's Living Wage Ordinance. As of July 1, 2003 all positions must be paid at least \$9.58 per hour with benefits and \$11.02 per hour without benefits. The selected contractor will also be required to comply with the City's Hire Oakland Program.

The selected contractor will be required to pay prevailing wages as set by the agreement negotiated between Teamsters Local No. 70 and WMAC. Current prevailing wages and benefits for recycling truck drivers are approximately \$32 per hour. The RFP would not require that the selected contractor be a union contractor nor would it provide for an adjustment of the contractor's rate due to an increase in prevailing wages in subsequent years. It is assumed that the annual CPI adjustment to be included in the contract should be sufficient to cover future personnel costs.

Local/Small Business Program

Staff recommends that the requirements of the City's Local/Small Business Program for 15% local business participation and 35% small local business participation be waived for this contract. CWS is certified as a local business and is the only company of all of the potential companies that would submit a proposal to be certified. Even with this certification, CWS would not be able to meet the local small business requirements of the program.

Annual Adjustment to Contractor's Compensation

Staff recommends that the per household rate paid to the selected contractor be adjusted annually by 80% of the San Francisco/Oakland/San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners and Clerical Workers, 1982-84=100) compiled and published by the United States Department of Labor, Bureau of Labor Statistics. The index as of January 1995 is 148.2. The amount of the increase would be limited to a maximum of five percent (5%) per year. This is the same formula that is currently in use in the recycling contract with WMAC.

SUSTAINABLE OPPORTUNITIES

Economic: Recycling creates opportunities for local market development of recyclables processing as well as secondary materials reuse and remanufacturing.

Environmental: Increased waste reduction saves natural resources, reduces air and water pollution and protects habitat.

Social Equity: Recycling can provide new living wage jobs for the community.

DISABILITY AND SENIOR CITIZEN ACCESS

This report does not suggest projects or programs that impact disability and senior citizen access. Currently frail senior citizens and the disabled receive back yard recycling service at no additional charge.

RECOMMENDATION

It is recommended that the City Council direct staff to:

- Issue a RFP for a seven-year single stream recycling service contract for the northern half of the City currently serviced by CWS; request approval of the Board to enter into a seven-year contract for recycling services; waive the City's local and small business program requirements; notify CWS that the City will extend its existing contract on a month-to-month basis so the City will continue to have a service provider if there is a delay in the RFP process or in the selection of a contractor; conclude the RFP process in time for the selected contractor to commence recycling collection service effective January 1, 2005; and return to the Public Works Committee in April 2004 with a recommendation for award of a contract;
- Enter into negotiations with WMAC to explore ways to resolve citywide recycling service equity issues and to provide weekly single-stream recycling collection in its service area; to expand the yard trimmings program to include the recycling of food scraps and soiled paper products; to return to the Public Works Committee in April 2004 with a recommendation for coordinated citywide recycling services; and to coordinate implementation of approved program changes with the recycling service provider selected for the northern half of the City; and

- Notify the Alameda County Waste Management Authority by December 31, 2003 of the City's intent to request \$720,000 in one-time funds for the purchase of food scrap containers and the development of public education materials for the proposed residential food scraps program.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council accept this report and direct staff to proceed with implementation of the recommendations.

Respectfully submitted,

**CLAUDETTE R. FORD**

Director, Public Works Agency

Reviewed by:

Raul Godinez II, P.E.

Assistant Director, Public Works Agency

Prepared by:

Harry Schrauth, Interim

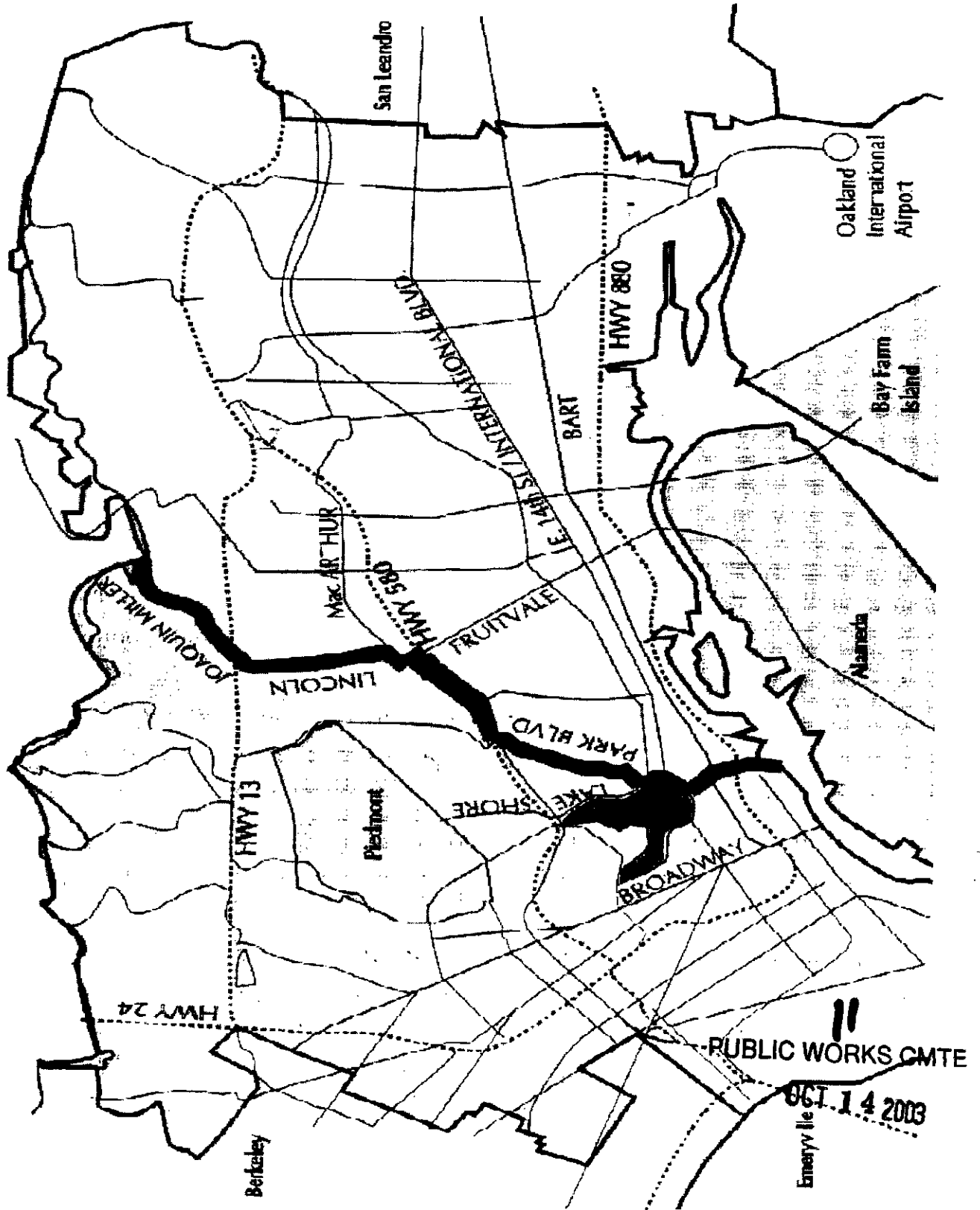
Recycling & Solid Waste Programs Supervisor

APPROVED AND FORWARDED TO
THE PUBLIC WORKS COMMITTEE:


OFFICE OF THE CITY MANAGER

California Waste Solutions

Waste Management of Alameda County



PUBLIC WORKS CMTE

OCT. 14 2003

Emeryville