

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **September 5, 2017**

TO: Honorable Mayor and City Council

VIA: Magda Gonzalez, City Manager

FROM: John T. Doughty, Public Works Director
Jennifer Chong, Management Analyst

TITLE: SOLID WASTE FRANCHISE AGREEMENT ADOPTION

RECOMMENDATION:

- 1) Adopt a resolution authorizing the Mayor to sign and execute a new, 10-year Franchise Agreement with Republic Services, Inc. for Residential and Commercial Garbage, Recyclable Material and Organic Waste Collection Services starting on April 1, 2018; and
- 2) Adopt a resolution authorizing the City Manager to execute Amendment No. 4 to the current Franchise Agreement extending the expiration date to March 31, 2018.

FISCAL IMPACT:

There is no General Fund fiscal impact associated with the requested action. The cost for providing solid waste services to the City's residents and businesses are covered by the customer rates established by the City's franchised hauler and paid by those receiving the services. Based on the proposed customer rates and estimated revenue as provided by Republic Services, the estimated annual revenue received by Republic for the first year of the contract will be approximately \$3.6M. The Franchise Agreement includes a Consumer Price Index (CPI) annual rate adjustment of 1-4%.

STRATEGIC ELEMENT:

This recommendation supports the Infrastructure and Environment, Healthy Communities and Public Safety, and Inclusive Governance Elements of the Strategic Plan.

BACKGROUND:

Republic Services, Inc. (aka Allied Waste Services) currently has an exclusive franchise to provide solid waste, recyclables, green waste, and street sweeping services in Half Moon Bay. The current franchise agreement expires December 31, 2017.

At the direction of the City Council, staff and R3 Consulting Group, Inc. (R3), the City's solid waste consultant, prepared and released a Request for Proposals (RFP) for Residential and Commercial Garbage, Recyclable Material, and Organic Waste Collection Services. The RFP was

released on January 31, 2017 with a due date of April 4, 2017. On April 4, 2017, the City received formal proposals from Recology of the Coast (Recology) and Republic Services (Republic).

At the request of the City Council, staff and R3 issued a request for Best and Final Offers (BAFOs) inclusive of residential food scraps to both proposers on June 21, 2017 with a due date of July 5, 2017. City staff and R3 met with each of the proposers on June 22, 2017 to discuss the request for BAFOs and provide any necessary clarifications.

On July 5, 2017, the City received BAFOs from Recology and Republic. The evaluation team, consisting of one (1) City staff member and two (2) representatives from R3, scored each proposal (inclusive of the original proposal, answers to clarifying questions, an interview, and the BAFO) independently out of 100 points. The cumulative scores from the evaluation team are displayed in Table 1.

TABLE 1		
Proposers' Cumulative Scores Per Evaluation Criteria		
RFP Criteria	Recology	Republic
Qualifications (45 points)	34	37
Technical Approach (75 points)	51	67
Sustainability Programs (75 points)	54	57
Service Recipient Rates (105 points)	105	104
Total (300 points)	244	265
* All total scores have been rounded to the nearest whole number		

On July 12, 2017, the Finance Subcommittee (Subcommittee) recommended that the City Council authorize staff to enter into negotiations with Republic Services for a ten (10) year franchise agreement for solid waste services inclusive of Alternative #3 (two annual Household Hazardous Waste drop-off collection events). On July 18, 2017, the City Council unanimously voted to support the Finance Subcommittee recommendation and authorized staff to commence negotiations with Republic Services.

On August 3, 2017, the Subcommittee met to receive an update on negotiations for the new Franchise Agreement including a request to consider modifying the start date of the Franchise Agreement to improve effectiveness of rollout of new/modified programs and services. The Subcommittee is recommending extension of the current Franchise Agreement through March 31, 2018 and start new services on April 1, 2018.

Staff, R3, and Republic engaged in extensive negotiations and conversations, which resulted in the proposed Franchise Agreement.

DISCUSSION:

In December of 2015, the City Council, in response to community calls for transparency, directed staff to commence formal and open solicitation for solid waste and street sweeping services in Half Moon Bay. The process identified by staff and affirmed by the City Council included: 1) solicitation and contracting of professional services to assist staff and City Council; 2) preparation and release of a Request for Proposals (RFP); 3) review of proposals; 4) negotiation of a Franchise Agreement with chosen firm; and 5) implementation of new/modified programs and services. As noted earlier, R3 has provided direct assistance to staff, including community outreach and preparation of the RFP and draft Franchise Agreement.

The process itself was developed and implemented with community transparency in mind. The process included a community meeting, a City Council Study Session, several publicly noticed meetings of the Finance Subcommittee as well as a series of publicly noticed City Council action items. Additionally, the City offered a survey opportunity for customers prior to the release of the RFP. The survey results helped to form the scope of services of this Agreement which includes curbside organics for all customers.

There are two actions being requested of the City Council. These are described below:

A. Approval of New Ten-Year Franchise Agreement

To complete negotiations of the Franchise Agreement, staff, consultants, and Republic restructured the rates and negotiated agreement terms. The rate structure was presented to the Finance Subcommittee and the City Council. On July 18, 2017, the City Council affirmed the rate structure which are included in Tables 2, 3 and 4 below. Since July, staff and the consultant team have been in discussions with Republic to finalize all terms. Exhibit A to the Resolution includes the Franchise Agreement. The following is a brief synopsis of the agreement.

- **Exclusive Franchise:** The Franchise Agreement provides Republic the exclusive right and privilege to use City streets to collect, transport, recycle, process and dispose of all garbage, recyclable materials, food waste, green waste, and bulky waste within the City of Half Moon Bay.
- **Term:** The agreement is for 10 years starting on April 1, 2018, with a five-year extension option.
- **Customer Rates:** Through the agreement, the City is regulating the maximum rates that the service provider may charge. Rates are set through March 31, 2019. Consumer Price Index (CPI) will be applied to the rates after March 31, 2018 (see Future Rate Adjustment Methodology section below). Garbage rates include basic trash, recycling, and organics collection. The rate structure includes other additional services based on the customer type as affirmed by the City Council on July 18, 2017.

Single-Family Dwellings (SFDs) are residential premises containing no more than four (4) Dwelling Units. SFD garbage rates (see Table 2) includes a 64-gallon recycling cart; a 96-gallon organic waste cart (inclusive of food scraps); weekly curbside collection of used motor oil, household batteries, and cell phones; curbside Christmas tree collection; and two (2) annual bulky waste collections.

Table 2	
Single-Family Dwelling (SFD) Rates	
Container Size	Garbage Rates
20-Gallon	\$23.01
32-Gallon	\$36.99
64-Gallon	\$67.34
96-Gallon	N/A

Multi-Family Dwellings (MFDs) are residential premises containing five (5) or more Dwelling Units. MFD garbage rates (see Table 3) include 32 gallons of recycling per unit; 20 gallons of organic waste per unit (inclusive of food scraps); curbside Christmas tree collection; and two (2) annual bulky waste collections.

Table 3		
Multi-Family Dwelling (MFD) Rates		
Container Size	Garbage Rates	Organic Rates (Yard Trimmings & Food)
20-Gallon	\$34.66	\$27.18
32-Gallon	\$36.13	\$28.36
64-Gallon	\$72.20	\$56.68
96-Gallon	\$108.31	\$85.01
1-Yard	\$177.79	\$139.65
1.5-Yard	\$266.70	\$209.48
2-Yard	\$355.68	\$279.37
3-Yard	\$533.51	\$419.05
4-Yard	\$711.38	n/a
6-Yard	\$1,173.73	n/a

Commercial garbage rates (see Table, page 5) include 96 gallons of recycling per Service Recipient and 32 gallons of organic waste (inclusive of food scraps) per Service Recipient.

Table 4 Commercial Rates			
Container Size	Garbage Rates	Organic Rates (Yard Trimmings & Food)	Organic Rates (Yard Trimmings ONLY)
20-Gallon	\$33.98	\$27.18	\$23.78
32-Gallon	\$35.45	\$28.36	\$24.82
64-Gallon	\$70.85	\$56.68	\$49.59
96-Gallon	\$106.27	\$85.01	\$75.13
1-Yard	\$174.56	\$139.65	\$122.19
1.5-Yard	\$261.85	\$209.48	\$183.29
2-Yard	\$349.21	\$279.37	\$244.45
3-Yard	\$523.81	\$419.05	\$366.67
4-Yard	\$698.45	n/a	\$488.91
6-Yard	\$1,152.09	n/a	\$806.46

Republic Services will pay the City a franchise fee at a negotiated rate of fourteen percent (14%) of their annual revenue. The franchise fee will off-set costs and impacts associated with Republic’s use of streets, roadways and related services, and will be paid by Republic for the exclusive privilege of using City streets and providing the subject services over the next ten years. Additionally, rates include a monthly administrative support payment of \$6,000 for the City’s cost of managing the solid waste program with CalRecycle and monitoring/managing the Franchise Agreement itself.

- **Future Rate Adjustment Methodology:** Rates, beginning April 1, 2019, are subject to annual adjustments based on the Consumer Price Index (CPI). Annual rate adjustments have a ceiling of four percent (4%) and a floor of one percent (1%).
- **Additional Services:** Republic must provide garbage, recycling, organic waste, and debris box collection service at all City buildings, facilities, and City-supported events at no cost. Republic must also provide other “value added” services including compost giveaways, shred events, Household Hazardous Waste (HHW) collection events, school tours of Ox Mountain, Poplar beach clean-ups, City code enforcement clean-up, and an annual scholarship award.
- **Street Sweeping Services:** Republic must provide street sweeping services as part of this exclusive franchise. Street sweeping includes weekly sweeping of downtown streets and City parking lots, every other week sweeping of Lewis Foster Drive while school is in session, and monthly sweeping of all other streets in Half Moon Bay.
- **Hauler Diversion Requirements:** Republic shall meet diversion requirements that either meet or exceed state mandates AB 341 and AB 1826 phased in over three to five years. AB 341 sets a minimum requirement for recycling for Commercial and MFDs. Similarly, AB 1826 sets minimum requirements for organics for Commercial and MFDs.

- **Public Education and Outreach:** Republic will provide public education and outreach to increase customer knowledge and buy-in of the new programs, and to assist in meeting the diversion and sustainability goals of the City. Republic's public education and outreach plan includes:
 - Robust residential outreach: quarterly newsletters, brochures, bill inserts, in-molded graphics on carts;
 - Robust commercial outreach: expanded waste assessments, technical support and outreach materials with focus on AB1826 and furthering AB341 compliance;
 - Proprietary tablet based apps for real-time diversion planning and reporting – Eco-Diversion Calculator®;
 - Multilingual outreach materials; and
 - Strong community partnership and events.

- **Recycling Specialist:** Republic must provide a Recycling Specialist to work on Half Moon Bay programs. Republic's Recycling Specialist must spend an average of 20 hours per week on Half Moon Bay projects throughout the duration of the contract; with the understanding that the hours will be frontloaded during the first three years of the contract and decrease during the latter years. During the first two years of the contract, Republic's Recycling Specialist is to spend, on average, at least ten (10) hours per week conducting field work within the City limits of Half Moon Bay (e.g. site audits, community meetings, trainings). From year three and onwards, the Recycling Specialist must spend, on average, five (5) hours per week conducting field work within the City limits of Half Moon Bay.

- **Reporting:** Republic is required to submit quarterly and annual reporting. At a minimum, the reports must include: tonnage collected, processed, marketed and disposed divided by customer type; AB 341 and 1826 compliance data; street sweeping summary; operational problems and actions taken; summary of payments to City; and public education and information activities (historical and proposed).

- **Liquidated Damages:** Republic agrees that the intent of entering an exclusive franchise agreement is to ensure high quality collection service, meet required diversion levels, and divert materials collected to their highest and best use. As such, Republic will pay liquidated damages for failure to meet contract requirements. The City may assess liquidated damages for failures including, but not limited to: failure to submit payments and reports to the City on time; failure to repair damaged customer property, City property or City streets caused by Contractor or its personnel; disposal of separated recyclable materials or organic waste in disposal facility; failure to deliver garbage to the disposal facility; and failure to meet the minimum diversion requirements.

- **Equipment:** Republic will continue to use the vehicles currently in service at the beginning of the contract and will replace them with new vehicles during years two through five of the agreement. A street sweeper and rear-end lad truck will be

purchased for the start of the agreement. New carts and/or new or refurbished bins will be provided for all customers with labeling and/or graphics instructing on proper use.

- **RFP Reimbursement:** Republic is required to submit \$150,000 to the City as reimbursement of the General Fund for the cost of the solicitation process. This payment was included as part of the released RFP.

B. Extension of Existing Franchise Agreement

As part of initial negotiations, staff, consultants and Republic Services agreed that a start date of January 1, 2018 did not afford the best opportunity for a seamless transition in programs and services. For example, the ideal transition plan would include a mail announcement for Single-Family Dwellings (SFDs) that would request return service from the customer with their preferred garbage cart size. This would allow Republic to collect data from the SFDs so that they could order the appropriate amount of garbage carts with enough surplus to cover transition requests throughout the term of the Agreement. Due to the extended lead time required to purchase carts, the final cart order would have to be placed in early October in order to meet the January 1, 2018 deadline. Consequently, the mail announcements for SFDs would have to be developed and sent out in early September, leaving little to no window for SFD customers to respond.

Furthermore, Republic proposes to perform site visits and assessments of each Commercial customer in Half Moon Bay as part of the implementation process of the new Franchise Agreement. Completing this task before January 1, 2018 would require 100% cooperation and response from the customers and assumes that they would have time to meet with Republic before this date. It is further complicated when considering businesses that have corporate offices that require notification to be routed through a chain of command, often causing significant delays.

Additional delays could likely result from the transition period falling within the holiday season (November-December). Based on previous experiences, many customers either go out of town or are so focused on the holiday season that any educational messaging conducted for the new programs and services are completely lost. Even if the customers remain in the area, they are often reluctant to respond to requests or take on new projects before the start of the New Year.

Successful implementation of the new Franchise Agreement will be heavily dependent on the foundation laid before the services begin. For all the reasons stated above, staff and the consultant team recommend a three (3) month extension of the current Franchise Agreement through March 31, 2018. It is important to note that outreach and education for the services in the new Franchise Agreement will begin immediately.

As part of the proposed Amendment No. 4 to the current agreement, staff and Republic have negotiated additional street sweeping to compensate for deferred street sweeping due to

PG&E construction throughout much of the City. The expanded street sweeping services have been included in the new Franchise Agreement in addition to Amendment No. 4 to the current Franchise Agreement.

Conclusion

The City Council directed staff to initiate an open, public solicitation of solid waste services to ensure that services were aligned with current and anticipated State laws and regulations, services provided to customers are better aligned with their service wants, and that customer rates are fair. Following an extensive solicitation process that included detailed evaluation and review of two proposals (inclusive of interviews, site visits, three rounds of follow-up questions and a request for Best and Final Offers (BAFOs)) and 45-days of negotiations, staff believes the proposed Franchise Agreement achieves the objectives of City Council.

Next Steps

Staff and Republic are very excited to begin promoting the new programs and services of the new Franchise Agreement. Upon City Council's approval of Amendment No. 4 and the new Franchise Agreement, staff, R3, and Republic will immediately begin the implementation process of the new Franchise Agreement. The implementation process will include design and distribution of various education material including the aforementioned mailed announcement for single family customers, notices reminding customers of the bulky waste collection service, and posters for Multi-Family Dwellings (MFDs) and Commercial customers displaying appropriate use of the new carts and bins.

Republic will schedule and conduct site visits and audits of MFDs and Commercial sites to provide educational materials, training, and recommendations for appropriate service levels under the new Franchise Agreement. Furthermore, Republic will attend community meetings, conduct presentations, and promote the new programs and services via newspaper ads.

Staff will be heavily involved in the roll-out process of the new Franchise Agreement. In addition to having weekly check-in meetings with Republic throughout the implementation phase of the contract, staff will also be assisting with the design and review of all education and outreach material and will participate in site visits and audits.

Staff and Republic look forward to beginning the education and outreach process for the new Franchise Agreement and are excited about the opportunity to continue to work in partnership to bring quality services to the constituents of Half Moon Bay.

ATTACHMENTS:

- 1) Resolution authorizing the Mayor to sign and execute a new, 10-year Franchise Agreement with Republic Services, Inc. for Residential and Commercial Garbage, Recyclable Material and Organic Waste Collection Services starting on April 1, 2018.
- 2) Resolution authorizing the City Manager to execute Amendment No. 4 to the current Franchise Agreement extending the expiration date to March 31, 2018.

Residential and Commercial Garbage, Recyclable Material and Organic Waste Collection Services



PRESENTATION TO:

City of Half Moon Bay
City Council

September 5, 2017



R3

Recommendation

- ❑ Adopt a resolution authorizing the Mayor to sign and execute a new, 10-year Franchise Agreement with Republic Services, Inc. starting on April 1, 2018

- ❑ Adopt a resolution authorizing the City Manager to execute Amendment No. 4 to the current Franchise Agreement extending the expiration date to March 31, 2018.



R3

Background

- ❑ **July 18, 2017:** City Council affirmed the rate structure and unanimously voted to authorize staff to commence negotiations with Republic Services
- ❑ **August 3, 2017:** Finance Subcommittee met to receive update on negotiations and supported staff's recommendation to start new services on April 1, 2018 and extend the current agreement until March 31, 2018.
- ❑ **September 1, 2017:** City and Republic agreed to the terms of the Franchise Agreement



R3

Key Points of Franchise Agreement

- Exclusive Franchise
- Term
- Customer Rates
- Additional Services
- Street Sweeping Services
- Hauler Diversion Requirements
- Public Education and Outreach
- Reporting



R3

Benefits to Starting New Services

April 1, 2018

- ❑ Additional time to transition
- ❑ Robust education and outreach
- ❑ Avoid holiday season



R3

Next Steps

- Site visits, audits, and trainings
- Community meetings and presentations
- Update website
- Outreach



R3

QUESTIONS & ANSWERS



R3

THANK YOU!



R3