

REQUEST FOR COUNCIL ACTION

Date: 8/26/2013
Item No.: 13.a

Department Approval



City Manager Approval



Item Description: Authorize Staff to Negotiate a Five-Year Recycling Services Contract

BACKGROUND

Roseville has contracted for curbside recycling service since 1992 and multi-family recycling service since 2003. The current contract expires at the end of 2013. At the July 1 meeting, the Council directed staff to issue a Request For Proposals (RFP) for recycling services.

Three companies submitted proposals: Allied Waste, Eureka Recycling, and Waste Management. All proposals included pricing on four different scenarios:

- Three year contract, vendor owns the carts
- Three year contract, city owns the carts
- Five year contract, vendor owns the carts
- Five year contract, city owns the carts

Pricing proposals were reviewed by Foth Infrastructure & Environment, LLC who's services were provided by Ramsey County at no charge to Roseville.

A proposal review committee of Public Works Director Duane Schwartz, Finance Director Chris Miller, Public Works Commission Member Jim DeBenedet, Recycling Coordinator Tim Pratt, and Ramsey County Environmental Health staff member Rae Frank evaluated the proposals on Project Capability, How Well Proposals Meets Community Values (established by the Public Works Commission), and Value Added Plan.

Evaluation Criteria and Weighting	
RFP Base Specifications	Pass/Fail
Category	Weight
Project Capability	20%
How Well Proposal Meets Community Values	20%
Price	40%
Past Performance (Survey of Other Cities)	10%
Value Added Plan	10%
Subtotal	100%
Finalists	
Interview – clarification phase	
Total	100%

Results

All proposals received were for single-stream collection in wheeled carts with collection occurring every other week and collection would be expanded to include rigid plastic containers #1-#7. All proposals received for a five-year contract were less expensive per year than their proposals for a three-year contract.

There was a substantial difference in price (see Attachment A) between companies. Proposer One (Waste Management) and Two (Allied Waste) both proposed price increases while Proposer Three (Eureka Recycling) offered a substantial price decrease from the current contract. Currently the City pays \$2.63 per household per month for service. Proposer three offered \$2.22 per household per month for a three-year contract or \$2.05 per household per month for a five-year contract if the vendor owns the carts. If the City owns the carts the costs would be \$1.77 per household per month for a three-year contract and \$1.71 per household per month for a five-year contract (see Cart Ownership section below for more detail).

Proposer Three also scored best for Project Capability, meeting Community Values and Added Value to the Contract (see Added Value section below).

Proposer Two scored highest for Past Performance Surveys. Proposer One scored last in all categories.

Among highlights from Eureka Recycling's proposal and verified in the interview:

- They will continue to collect items that no other companies collect: pizza boxes and clothes and textiles.
- They will sell recyclables to more Minnesota manufacturers than the other proposers offered to do.
- They will expand their communications programs which include translations of educational material into different languages. (No other proposer offered translations.)
- They will do outreach to businesses allowing them to opt in to the program.
- Each solid waste/recycling zone would be bisected with half receiving service in week one and the other half receiving service in week two.
- While #3 and #6 plastics would be collected, they would be sorted out at the materials recovery facility (MRF) and trashed. According to Wayne Gjerde, Recycling Market Development Coordinator at the MPCA, there are no known American markets for these plastics.
- All remaining plastics will be sold to domestic manufacturers trying to achieve highest and best use.
- Their fleet will run on biodiesel.
- They will update their fleet to include trucks automated cart dumping equipment by the start of the contract period..
- They will allow customer flexibility in selecting cart size.

Cart Ownership

Option one, vendor owned carts

The City received a very favorable proposal for the vendor owned cart option from Eureka Recycling. They appear to be recovering approximately 50% of the cost of the carts in the five year contract option. They also maintain and rollout the carts to residents within their proposed fee. In the Foth analysis the vendor owned cart in the five year contract option is \$0.16 per month less than the city owned cart option. The city would not have to fund cart purchase from reserves and bear the lost revenue from interest earnings from the reserve funds with this option. This was not factored into the Foth analysis. With the carts owned by the vendor they carry the risk of industry change of collection methods rather than the city.

Option two, city owned carts

Some cities have bought their own garbage and recycling carts. Cart rollout and maintenance are handled by private companies. Other cities cite cost savings and creating a level playing field for future bidding as the main reasons for city owned carts.

Cart manufacturers guarantee their carts for a minimum of 10 years.

Roseville has joined the joint purchasing cooperative HGACBuy which would allow the City to make a bulk purchase of carts at a pre-negotiated group rate. Previous vendor-provided pricing information indicated carts would cost approximately \$46-56 each including assembly and distribution. Prices on HGAC buy begin approximately \$3 per cart cheaper. The total cost for cart purchase is estimated to be approximately \$600,000. The higher price was what was used by Foth when it conducted the cost analysis. According to that analysis the five-year cost with the City owning the carts is \$0.16 per month per resident more expensive than if the vendor owned the carts. This additional cost is nearly \$150,000 over the five year contract. The also does not recover the entire investment in the carts over the life of this contract in this analysis. Ramsey County has a grant program that the city would be eligible for \$100,000 of assistance toward cart purchase. This was not factored into the Foth analysis as we learned of the eligibility after the analysis was completed.

According to Finance Director Chris Miller, the City could purchase the carts using reserves from the Recycling account and an internal loan that would be amortized over a five year to ten year period. With city owned carts the proposers should have a level playing in bidding the next contract. The City should realize a cost savings to apply toward its investment in carts although there is no guarantee this will happen.

If the Council elects to purchase carts the process will need to commence soon. Purchasing and deploying carts will take a significant amount of time. Cart manufacturers have told the City, whether the City or the Contractor orders the carts, to expect it to take 8-10 weeks from the time of order until the carts are delivered. Assembly and delivery can take another 4-6 weeks. All the carts will need to be delivered to residents before the next contract goes into effect on January 1, 2014.

Added Value

Eureka Recycling is offering two significant items to add value to the contract. First they would offer more help conducting zero waste events since City staff will no longer be available to coordinate zero waste activities. Most significantly they are offering to partner with the City and the Rotary Club of Roseville to make Taste of Rosefest a zero waste event. These zero waste activities would be included in the offered price.

The second item is: *Zero Waste Composting Program—Curbside Co-Collection of Compostable Material with recyclables (in a separate compartment on the same truck).*

Ramsey County is mandating that all cities in the county have a program for collection of residential compostable material (aka organics) by the end of 2016. Current practice in the metro area is to co-collect organics either in a garbage truck or a recycling truck. Because Roseville does not have organized garbage collection, the City would need to provide for organics collection through the recycling program. A five-year contract would run through 2018 thus allowing the program to expand to include collection of organics.

Eureka Recycling has asked that if the City is interested in meeting Ramsey County's mandate that it is willing to negotiate an expansion of the recycling service. In order to co-collect recycling and organics Eureka Recycling would need to order split body trucks which have separate compartments – one for recycling, one for organics. The price of split body trucks would be included in the offered price. However, Eureka Recycling asks that the Council agree now that the City will discuss expansion of the program so that it could be completed by the end of 2016. Both Eureka Recycling and the City agree this discussion would not commit the City to actually expanding the recycling program to include organics collection.

POLICY OBJECTIVE

Meet the Imagine Roseville 2025 goal that Roseville is an environmentally healthy community by providing recycling service for residents.

To competitively bid for contracted services.

BUDGET IMPLICATIONS

The Recycling Program is operated as an enterprise fund. Income to the fund comes from three sources: resident fees, revenue share from the sale of material and an annual SCORE grant of approximately \$65,000. Any change in costs associated with the program would need to come from increased resident fees. The rates are typically set by the Council in November.

The proposed five year contract option with vendor owned carts is expected to decrease the residential recycling fee to residents approximately 20%. Currently the resident recycling fee is \$6.00 per quarter and the Finance Director estimates the new fee will be less than \$5.00 per quarter based on preliminary fee analysis. He will do a more detailed analysis on the rate later this year prior to the Council setting 2014 fees.

If the Council chooses the city owned cart option the cost of the carts would need to be funded with reserves and recovered in the rate structure over time.

STAFF RECOMMENDATION

Staff recommends the Council authorize staff to negotiate a five-year recycling services contract with Eureka Recycling with vendor owned carts. Much of the agreement is already contained in the RFP and the response.

Discuss the cart ownership options and financial implications.

Authorize staff to conduct discussions with Eureka Recycling about possibly adding curbside organics collection to the contract at a future date. Both Eureka Recycling and the City agree this discussion would not commit the City to actually expanding the recycling program to include organics collection.

144 **REQUESTED COUNCIL ACTION**

145 Authorize staff to negotiate a five-year recycling services contract with Eureka Recycling with
146 vendor owned carts and return the final agreement to the Council for approval.

147 Authorize staff to conduct discussions with Eureka Recycling about possibly adding curbside
148 organics collection to the contract for approval at a future date.

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Prepared by: Duane Schwartz, Public Works Director
Attachments: A: Rankings

1 **Financial Analysis Performed by Foth Infrastructure & Environment, LLC**

Annual Net Cost to City							
Proposer	Cart Owner (check one)		Contract Term (check one)		Average Annual Collection Cost	City's Annual Revenue Share	Annual Net Cost to City
	Vendor	City	3-Year	5-Year			
Proposer 1 - Proposal A & E	X		X		(\$853,034)	\$175,315	(\$677,719)
Proposer 1 - Proposal B & F		X	X		(\$745,029)	\$175,315	(\$569,713)
Proposer 1 - Proposal C & G	X			X	(\$765,496)	\$175,315	(\$590,180)
Proposer 1 - Proposal D & H		X		X	(\$683,566)	\$175,315	(\$508,250)
Proposer 2 - Proposal A & E	X		X		(\$552,659)	\$130,643	(\$422,015)
Proposer 2 - Proposal B & F		X	X		(\$574,748)	\$130,643	(\$444,105)
Proposer 2 - Proposal C & G	X			X	(\$535,950)	\$130,643	(\$405,306)
Proposer 2 - Proposal D & H		X		X	(\$571,629)	\$130,643	(\$440,985)
Proposer 3 - Proposal A & E	X		X		(\$421,804)	\$142,364	(\$279,440)
Proposer 3 - Proposal B & F		X	X		(\$431,313)	\$142,364	(\$288,948)
Proposer 3 - Proposal C & G	X			X	(\$397,398)	\$142,364	(\$255,033)
Proposer 3 - Proposal D & H		X		X	(\$426,497)	\$142,364	(\$284,133)

2nd lowest annual
price

Lowest annual price

3rd lowest annual
price

2
3

Recycling Services Evaluation Grid

Respondent	Past Performance Surveys 10%		Added Value 10%		Community Values 20%		Project Capability 20%		Overall Score w/out Fees	Fees 40%	Overall Score with *Fees Included (100 pts possible)
	Avg (Out of 10)	Score	Avg (out of 9)	Score	Avg (Out of 171)	Score	Avg (Out of 45)	Score			
Proposer 1	8	8	4.2	4.6	64.6	7.6	21	9.4	29.6	22.2	51.8
Proposer 2	9.3	9.3	4.2	4.6	91	10.6	27.4	12.2	36.7	22.2	58.9
Proposer 3	8.2	8.2	5.8	6.4	107	12.6	31.4	14.0	41.2	40.0	81.2

*Fees were scored out of a 1-5-9 rating and based off the analysis provided by Foth Infrastructure & Environment, LLC (Foth). Price sheets were given to consultants at Foth to analyze all scenarios outlined in each proposal. Foth determined Proposer 3 to provide the least cost scenario by about \$255,000 per year. Proposer 3 was given a 9 for a dominant price. Conversely, the other two proposers were each given a 5 for the prices proposed.

(Proposer 1 was given a 5, 5/9 Pts total=55% x 40pts total for the category= 22.2 pts for the category)