Proposed Waste Hauler Agreement with Waste Management

City Council Study Session
July 13, 2022
Background

• Waste Management (WM) and predecessor companies have provided residential collection service in WLV for many years

• Agreement most recently renewed in 2015 and will expire August 22, 2022

• WM submitted request in July 2021 to extend agreement for 10 years with lower rates

• City requested comprehensive proposal including compliance with SB 1383 organic waste recycling

• WM submitted comprehensive proposal in October 2021
Background

• Staff and City’s expert consultant R3 evaluated WM’s proposal
• Proposed rates are competitive and represent a decrease for most WLV households
• Most residents are generally satisfied with WM’s service, and changing haulers is an arduous process

• Given current economic climate and WLV’s small size, WM’s rates are as good or better than what could be obtained through RFP process
• Staff and R3 concluded that negotiating with WM was the best course of action for the City, rather than competitive procurement process
Overview of Agreement

- 10-year term, with two optional 5-year extensions
  - WM must meet specified performance standards to be eligible for extensions
  - Extensions subject to City Council approval “at its sole discretion”
- Continued exclusive agreement for residential service

- New exclusive agreement for commercial service

- For compliance with SB 1383:
  - Organic waste collection service for all customers
  - Reporting and compliance provisions
  - Inspection and route reviews
  - Containers and labeling
  - Education and outreach
## Rate Comparison

<table>
<thead>
<tr>
<th>Rate</th>
<th>Existing Agreement</th>
<th>Proposed Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential service rate</strong></td>
<td>$37.47 for 3-cart service</td>
<td>$29.35 for 3-cart service</td>
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<tr>
<td><strong>Residential service rate annual increase</strong></td>
<td>5% cap not tied to any index</td>
<td>Rate frozen for 3 years; then 4% cap tied to CPI Garbage &amp; Trash; excess increase can be carried over up to 2 years</td>
</tr>
<tr>
<td><strong>Commercial service rate</strong></td>
<td>Varies due to open market</td>
<td>$212.06 (includes equal capacity of recycling service and one 64-gallon organic waste cart)</td>
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<tr>
<td><em>(3 cubic yard bin, 1x per week)</em></td>
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Revenue to City

• Procurement Reimbursement Fee
  - One-time payment of $25,000

• Annual Reporting Program Fee
  - $30,000
  - Will increase over time by same percentage as rates

• Solid Waste User Fee
  - $1 per account per month
  - Estimated annual revenue $39,000

• Franchise Fee
  - 10% of gross revenue
  - Estimated annual revenue $120,000
  - Will increase over time as rates increase
Existing Services to Continue

• 10% senior discount (62+)

• Free home compost bins on request
  - Current $25 delivery fee will no longer be charged

• Backyard valet service on request
  - Free for disabled households, monthly fee for others

• Free bulky item pickup on request, 2x annually
  - Increasing from 2 items per pickup to 6 items total per year

• Collection service for City facilities

• Waste collection, portable toilets, and portable handwash stations for all City events

• Monthly Household Hazardous Waste collection on request
  - Increasing from 17 to 25 locations per month
New Services

• 10% low-income discount
• All new carts to be provided
  - Including organic carts for those that currently have 2 carts
• New kitchen food waste pails on request
• Annual curbside holiday tree collection
• Roll-off containers for City removal of fallen trees
• Abandoned waste and illegal dumping cleanup
• Free landfill days for residents at Simi Valley Landfill, 3x annually
• Mulch and compost giveaways, 2x annually
• Free paper shredding events, 2x annually
Townhome/Condo Organic Waste Service

• Townhome and condo neighborhoods currently have 2-cart service
  • Have not traditionally had a need for green carts because all landscaping is maintained by HOA
• In some neighborhoods, residents do not have space for third cart

• Waste Management is working with each HOA individually to look at alternatives including shared carts or bins
• Residents may also downsize to smaller bins to take up less space and reduce service rate
HOA Special Rates

- Neighborhoods where HOA pays for service on behalf of residents pay different rates that were individually negotiated in the past.
- Households in most of these neighborhoods will experience a rate increase to be in line with negotiated Citywide rate.

- Rate increases will be phased in three steps.
- Highest increase is less than $5 per month.
- Staff has been communicating with affected HOAs and hosted two meetings.
Commercial Exclusivity

• Agreement terms are based on exclusive commercial service
• WM already services 107 out of 114 commercial accounts

• Inconsistent service levels and rates in the open market prevent apples-to-apples rate comparison
  • Affect on customer rates varies widely: some increase, some decrease, some will remain about the same
Right-Sizing Commercial Customer Rates

• New bundled service (trash, recycling, and organics) will be provided to all commercial customers
• Bundled service options will provide more disposal capacity
• WM will work with businesses to right-size their service levels
• Businesses can limit rate increases by increasing recycling capacity and decreasing trash
OPTION 1
(current service level)
2x per week
9.3 CY for $377.15

OPTION 2
2x per week
8.3 CY for $337.48

OPTION 3
1x per week
8.3 CY for $319.95
Commercial Exclusivity Benefits

- WM can offer lower rates, including residential, due to economies of scale and revenue certainty with commercial accounts
  - $29.35 with exclusivity
  - $40.85 without exclusivity

- Rate stability for commercial customers due to agreement protections
- Fewer waste collection trucks on City streets
- Streamlined compliance and reporting for recycling and organics with fewer staff and consultant resources required
Communication and Education

What information will be communicated:
• Rate adjustments
• What is organic waste?
• First-time green cart customer information
• Commercial recycling and organic waste requirements

How it will be communicated:
• Website, social media, newsletter
• Postcards to all customers
• Kitchen food waste pail request form
• Brochure with all services
• New cart notices
Is This a Good Deal?

• Negotiation vs. competitive procurement
  • No two contracts are alike
  • Exclusivity vs. non-exclusivity
  • Many unknowns with competitive process; no guarantees

• New agreement includes:
  • Rate decrease for most residential customers
  • Compliance with regulatory requirements, specifically SB 1383
  • Added industry standard performance measures (performance reviews, reporting requirements, and liquidated damages for failure to comply with contract requirements)
Next Steps

• City Council provides direction on proposed/draft agreement
• Current agreement expires August 22\textsuperscript{nd}
• City Council must act on July 27\textsuperscript{th} to either:
  • Approve the new agreement with WM and
  • Adopt an ordinance to amend the Municipal Code to provide for commercial exclusivity
    or
  • Approve a month-to-month extension of the current WM agreement pending a new agreement