



Item No. 20 Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: GEORGE RODERICKS, CITY MANAGER

DATE: JANUARY 15, 2020

SUBJECT: REVIEW, DISCUSS AND PROVIDE DIRECTION ON NEXT STEPS FOR SOLID WASTE COLLECTION AND POST-COLLECTION SERVICES

RECOMMENDATION

Review, discuss and provide direction on next steps for solid waste collection and post-collection services.

BACKGROUND/ANALYSIS

The Town engaged R3 Consulting Group, Inc. (R3) to evaluate the opportunity for use of a different service provider for solid waste collection, recycling, processing and disposal services. This effort was undertaken in support of the Town's objective to reach a decision regarding extension of its contract with Recology San Mateo County (Recology) vs contracting with a new service provider.

On August 26, the Town issued an RFP for solid waste collection services only, and for collections, recycling, processing and disposal services together. Seven local companies were notified of the RFP's release: GreenWaste Recovery, Mission Trail Waste Systems/Garden City Sanitation, Republic Services, California Waste Solutions, Waste Connections/GreenTeam, Waste Management of Alameda County, and incumbent Recology. A pre-bid meeting was held on September 10 to invite potential proposers to ask questions and learn more about the RFP, which was attended by GreenWaste Recovery, Waste Connections, and Recology. The Town received one proposal from GreenWaste Recovery (GWR).

The Ad Hoc Subcommittee of Council Members Wiest and Widmer reviewed the response(s) from GWR along with analysis provided by R3. That analysis identifies current services and costs; evaluates those services against the proposal(s) provided by GWR; and provides analysis of next steps (attached).

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The Subcommittee is prepared to answer any questions the Council may have. Should the Council desire, R3 can attend the February 19 City Council meeting to provide an in-depth discussion of the results and recommendations.

A decision on next steps would need to be made by March 2020 so that appropriate actions may be taken to exit the SBWMA, if desired.

POLICY ISSUES

Policy issues related to this item involve a discussion of whether to proceed with the Amended and Restated Franchise Agreement with Recology or move forward with an alternate service provider. The City Council can opt, at any time prior to its expiration in December 2020, to execute the Amended and Restated Franchise Agreement. However, if the Town opts to exit the SBWMA and continue services with an alternative service provider, appropriate notice must be provided to the SBWMA and Recology and the Town must comply with the exit provisions of both the JPA Agreement and the Franchise Agreement.

A Notice of Intent to Withdraw must be submitted at least six months prior to the end of the current rate year, specifying the exact date of withdrawal. To coincide with the end of the Franchise Agreement, the Notice of Intent would need to be sent by June 2020. Other issues related to withdrawal will also be necessary, to include a vote of the SBWMA member agencies and liquidation of all existing debts, obligations, and liabilities. Should the Council opt to move forward with an alternate service provider, staff will finalize the exit costs with the SBWMA. Initial projections by the SBWMA place the cost to exit the SBWMA at approximately \$1.9 to \$2.1 million; however, some of these costs may be subject to further discussion.

FISCAL IMPACT

None at this time.

PUBLIC NOTICE

Public notification was achieved by posting the City Council agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power and sewer), and regional elected officials.

COMMISSION/COMMITTEE FEEDBACK/REFERRAL

This item ___ has or X has not been before a Town Committee or Commission.

___ Audit/Finance Committee (meets every other month)

___ Bicycle/Pedestrian Committee (meets as needed)

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- ___ Civic Center Advisory Committee (meets as needed)
- ___ Environmental Programs Committee (meets every other month)
- ___ Park and Recreation Committee (meets each month)
- ___ Planning Commission (meets each month)
- ___ Rail Committee (meets every other month)
- ___ Transportation Committee (meets every other month)
- ___ Tree Committee (meets each month)

ATTACHMENTS

Report from R3 Consulting

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To: George Rodericks, Atherton City Manager
From: Emily Ginsburg, R3 Consulting Group
Date: January 9, 2020
Subject: Town of Atherton Solid Waste RFP Update

The Town of Atherton (Town) engaged R3 Consulting Group, Inc. (R3) to evaluate the opportunity for the Town to use a different service provider for solid waste collection, recycling, processing and disposal services. This effort was undertaken in support of the Town's objective to reach a decision regarding extension of its contract with Recology San Mateo County (Recology) vs entering a new contract. This memorandum is a status update on the effort thus far.

Solid Waste Services RFP

On August 26th, the Town issued an RFP for solid waste collection services only, and for collections, recycling, processing and disposal services together. Seven local companies were notified of the RFP's release: GreenWaste Recovery, Mission Trail Waste Systems / Garden City Sanitation, Republic Services, California Waste Solutions, Waste Connections / GreenTeam, Waste Management of Alameda County, and incumbent Recology. A pre-bid meeting was held on September 10th to invite potential proposers to ask questions and learn more about the RFP, which was attended by GreenWaste Recovery, Waste Connections, and Recology. The Town received one proposal from GreenWaste Recovery (GWR); the other companies declined to submit a proposal in order to focus on their current core business and/or they could not provide cost-effective services from their existing locations in the region.

GreenWaste Recovery Proposal

R3 has reviewed GWR's proposal and found that it is comprehensive and complete, presenting three alternatives to the current system utilizing Recology (solid waste collection service) and SBWMA (solid waste post-collection services) for the Town's consideration:

1. **GWR Collection and SBWMA Post-Collection Compensation:** In this first scenario, GWR would replace Recology as Atherton's solid waste hauler, and the processing and disposal of Atherton's waste would continue to be managed through SBWMA. The combination of GWR's collection-only proposed compensation plus conservative projections of SBWMA Post-Collection and Authority (SBWMA) costs, averaged over 2021-2023, is 3.8% higher than the sum of conservative projections of Recology's compensation plus conservative projections of SBWMA's costs averaged over the same time period.

2. **GWR Collection and GWR Post-Collection Compensation – Food Scraps in Green Bin:** In a second scenario, GWR would become Atherton’s solid waste collector and also replace SBWMA in managing the processing and disposal of Atherton’s waste. Food scraps would continue to be accepted in the green container for composting. Averaged over 2021-2023 GWR’s combined collection and post-collection compensation (which would require SBWMA withdrawal) is estimated to be 0.48% lower than conservative estimates for the combined Recology and SBWMA figures averaged over the same period. This is due to lower proposed post-collection compensation due to GWR compared to SBWMA.
3. **GWR Collection and GWR Post-Collection Compensation – Food Scraps in Black Bin:** In an alternative third scenario, GWR would become Atherton’s solid waste collector and manage its processing and disposal—however, food scraps would be placed in the garbage in order to be sorted through potentially achieving higher landfill waste diversion. GWR estimates processing all three streams (as opposed to the current two, recycling and organics) would come at a minimal additional cost per year. Averaged over 2021-2023 GWR’s combined collection and post-collection compensation (which would require SBWMA withdrawal) is estimated to be 0.22% lower than conservative estimates for the combined Recology and SBWMA figures averaged over the same period. This is again due to lower proposed post-collection compensation due to GWR compared to SBWMA.

It is important to note that the cost savings/cost increase margins in comparing these different scenarios will shift pending completion of R3’s financial model. Specifically, R3’s analysis and these initial findings will continue to be adjusted and refined over the next few weeks, as a number of key factors remain to be resolved:

- Further clarification from GWR regarding assumptions and compensation figures presented in its proposal and its SB 1383 Short-lived Climate Pollutants compliance plan for Atherton, particularly its proposed food scraps in black bin program option.
- Exploration of potential, additional cost savings derived from further service refinements and a streamlined contractor compensation methodology.
- Evaluation of Recology compensation figures regarding its bulky item collection service, overage charges, and rising fuel expenses. R3 is further evaluating Amendments A and B to the Extended and Restated Franchise Agreement regarding these operating costs. It is anticipated that the rough projections of costs associated with the Extended and Restated Franchise Agreement will increase; further increasing the potential savings over time with GWR.
- The high degree of uncertainty in modeling SB 1383 associated costs, a comprehensive piece of state legislation targeting the reduction of greenhouse gas emissions from landfilled organic waste. SB 1383 is an unfunded state mandate still in the rulemaking process— implementation costs cannot be estimated with more certainty until the regulatory text has been finalized. An initial estimate of the Town’s share of implementation costs via SBWMA is included in R3’s modeled based on a study conducted by HFH Consultants; an initial estimate of the Town’s implementation costs if it were to withdraw from SBWMA has yet to be determined. The proposal submitted by GWR incorporates the Town’s compliance with SB 1383 into the cost-model. It is anticipated that the rough projections associated with remaining with the SBWMA and the Extended and Restated Franchise Agreement will increase; further increasing the potential savings over time with GWR.

Mr. George Rodericks

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Next Steps

R3 will work with staff to further evaluate Atherton's solid waste system collection and post-collection compensation figures, including GWR proposal, to produce a final set of findings and recommendations. Finalized analysis will be presented at a future Council meeting to inform the Town's decision regarding extension of its contract with Recology vs proceeding to negotiate a new contract with GWR.