Agenda Report

Date: March 8, 2016

To: Jeffrey W. Collier, City Manager

From: Christopher L. Magdosku, Acting Director of Public Works

Subject: Solid Waste Collection Options

RECOMMENDATION

It is recommended the City Council consider options for collection of solid waste beginning in July 2016 and provide direction to staff.

BACKGROUND

At the May 12, 2015 meeting, the City Council received and filed an agenda report detailing the solid waste collection procurement process and approved issuing a Request for Proposals (RFP) to enter into an exclusive solid waste franchise agreement. On June 3, 2015 RFPs were issued to five qualified providers (both publicly traded and privately held) of sufficient size and financial strength with good track records in the region that could meet the City's long term needs. Those providers were Republic, Waste Management (WM), Burrtec/EDCO, CR&R and Athens Services (Athens). All but one of the collectors submitted responsive proposals by the deadline of July 28, 2015. Waste Management did not submit a proposal.

On October 13, 2015 the City Council considered the four proposals at length but did not come to a consensus to select a firm for negotiations. The regular meeting of October 13, 2015 was adjourned to October 20, 2015 to complete deliberations and render a decision. At the October 20, 2015 meeting, the City Council selected Arakelian Enterprises, Inc. (dba Athens Services) and directed the City Manager to negotiate the final terms of the franchise agreement.

At the December 8, 2015 meeting, the City Council adopted Resolution No. 8747 declaring its intent to grant Arakelian Enterprises (dba Athens Services) a franchise to provide solid waste and recycling services. The City Council also introduced and conducted a first reading of the franchise ordinance, and set a public hearing for January 12, 2016. At the January 12, 2016 meeting the City Council considered public input and adopted Ordinance No. 3047.

Referendum Petition

The City Charter allows for a voter referendum to halt the implementation of the franchise agreement granted by Ordinance No. 3047 by submitting a petition that includes 10% of Whittier registered voters. A referendum petition was submitted to the City Clerk-Treasurer's office and the County of Los Angeles is now verifying signatures.

Agenda Item: 10.A

If enough valid signatures have been submitted, the City Council may repeal the ordinance or submit it to the voters. A majority vote of the voters would determine whether the referendum passes or fails. In the interim, Ordinance No. 3047 is suspended.

The franchise agreements with Consolidated Disposal Service (CDS), a subsidiary of Republic Services, and Waste Management expire on June 30, 2016. Ordinance No. 3047 and its franchise agreement contemplate Athens beginning solid waste collection and recycling service to the entire City on July 1, 2016. If the referendum is successful and the ordinance is repealed or continues to be suspended pending an election, a plan is needed to ensure uninterrupted solid waste collection and recycling service for the period between the expiration of the current franchise agreements and the effective date of a new solid waste franchise agreement.

DISCUSSION

If the referendum contains sufficient signatures to trigger City Council action and the City Council chooses not to repeal the ordinance awarding the franchise to Athens, there are several options for providing solid waste collection and recycling service after June 30, 2016 when the existing solid waste franchise agreements expire. The City Council may wish to consider the relative merits of six potential service delivery methods outlined below to preliminarily plan for the possibility that the recently approved franchise agreement may not be implemented.

The Whittier Municipal Code (Section 8.12.020) allows the City Council to establish by resolution sanitary zones for the purpose of regulating, collecting and disposing of trash and refuse. In 1992 the Council adopted Resolution No. 6291 establishing three zones which remain to this day (Attachment A). Waste Management has an exclusive franchise for a very small Zone 2 for only residential solid waste collection service. CDS has an exclusive franchise for Zone 1 for both residential and commercial accounts, and CDS has an exclusive franchise for commercial accounts in Zone 2, where Waste Management collects residential waste. In Zone 3 City employees exclusively collect solid waste, and CDS is paid to collect green waste and mixed recyclables as a contract service provider for the City (different from an exclusive franchise).

Option 1. New Agreements with WM and CDS in Zones 1 and 2; Continued City Service in Zone 3

Pros

- Ease of temporary transition as containers, collection routes, pickup days, drivers, and billing likely remain unchanged.
- Outreach/education to customers not necessary.
- City employees earn additional time in the Public Employees Retirement System.

Cons

- Solid waste collection provider may not be incentivized to offer a reasonable service rate if unlikely to be awarded a franchise agreement.

- Solid waste collection provider may not be incentivized to provide excellent service if unlikely to be awarded a franchise agreement.
- City does not have the staff, equipment or facilities to collect recycling or green waste.
- City does not have the capability to comply with the State's new food waste processing regulations.
- Several full-time solid waste workers have transitioned to other City positions or jobs with other companies since the solid waste collection procurement process began. Difficult to maintain an acceptable service level in the City service area with primarily temporary employees.
- No benefit from economies of scale by continuing three separate service areas.
- It is alleged that the current Zone 1 provider is funding efforts to oppose the new franchise and could easily cost the City $500,000.

Option 2. New Agreements with One or Both WM and CDS Citywide

Pros

- Ease of temporary transition as containers, collection routes, pickup days, drivers, and billing likely remain unchanged.
- Eliminates concern over staffing levels to maintain City service.
- Minimal outreach/education to customers necessary.

Cons

- Solid waste collection provider may not be incentivized to offer a reasonable service rate if unlikely to be awarded a franchise agreement.
- Solid waste collection provider may not be incentivized to provide excellent service if unlikely to be awarded a franchise agreement.
- No benefit from economies of scale if two separate service areas continue.
- Displaced City staff has no guarantee of employment, matching salary, signing bonus, etc. like benefits in the Athens franchise agreement.
- It is alleged that the current Zone 1 provider is funding efforts to oppose City and could easily cost the City $500,000.

Option 3. New Agreement with Athens in Zones 1 and 2; Continued City Service in Zone 3

Pros

- Ease of transition if Athens is eventually awarded a franchise agreement.
- Athens incentivized to provide excellent service if likely to be awarded a franchise agreement.
- Athens incentivized to charge reasonable service rates if likely to be awarded a franchise agreement.
- City employees earn additional time in the Public Employees Retirement System.

Cons

- City does not have the staff, equipment or facilities to collect recycling or green waste.
- Several full-time solid waste workers have transitioned to other City positions or jobs with other companies since the solid waste collection procurement process began. Difficult to maintain an acceptable service level in the City service area with primarily temporary employees.
- No benefit from economies of scale by continuing two separate service areas.
- Substantial outreach and education to customers would be necessary.
- Could be more than one transition period if Athens is not eventually awarded a franchise agreement.

Option 4. New Agreement with Athens Citywide

Pros

- Ease of transition if Athens is eventually awarded a franchise agreement.
- Athens incentivized to provide excellent service if likely to be awarded a franchise agreement.
- Athens incentivized to charge reasonable service rates if likely to be awarded a franchise agreement.
- Benefit to customers throughout the City having the same service provider with uniform citywide fees, billing system, scope of services, and customer service representatives.
- Benefit of economies of scale by having one service area.
- Eliminates concern over City staffing levels to maintain City service.

Cons

- Displaced City staff has no guarantee of employment, matching salary, signing bonus, etc. like benefits in the Athens franchise agreement – unless Athens chooses to honor these terms on their own.
- Could be more than one transition period if Athens is not eventually awarded a franchise agreement.
- Substantial outreach and education to customers necessary.

Option 5. New Agreement with another Provider in Zones 1 and 2; Continued City Service in Zone 3

Pros

- City employees would earn additional time in the Public Employees Retirement System.

Cons

- Likely to require more than one transition period.

- Solid waste collection provider may not be incentivized to offer a reasonable service rate if unlikely to be awarded a franchise agreement.
- Solid waste collection provider May not be incentivized to provide excellent service if unlikely to be awarded a franchise agreement.
- No benefit from economies of scale by continuing two separate service areas.
- Significant outreach/education to customers would be necessary.
- City does not have the staff, equipment or facilities to collect recycling or green waste.
- Several full-time solid waste workers have transitioned to other City positions or jobs with other companies since the solid waste collection procurement process began. Difficult to maintain an acceptable service level in the City service area with primarily temporary employees.
- It is alleged that the current Zone 1 provider is funding efforts to oppose the new franchise and could easily cost the City $500,000.

Option 6. New Agreement with another Provider Citywide

Pros

- Benefit to customers throughout the City having the same service provider with uniform citywide fees, billing system, scope of services, customer service representatives.
- Eliminates concern over City staffing levels to maintain City service.
- Benefit from economies of scale with one large service area.

Cons

- Likely to require more than one transition period
- Another provider may not be incentivized to offer a reasonable service rate if unlikely to be awarded a franchise agreement.
- Another provider may not be incentivized to provide excellent service if unlikely to be awarded a franchise agreement.
- Displaced City staff has no guarantee of employment, matching salary, signing bonus, etc. like benefits in the Athens franchise agreement.
- Significant outreach/education to customers necessary.

FISCAL IMPACT

There is no fiscal impact at this time. In the case that an interim service agreement is negotiated at a rate exceeding current rates, then a new Prop. 218 notice and hearing process would be required. Furthermore, if the City enters into an agreement(s) to provide trash service outside of a franchise agreement, the fiscal impact will likely cost the City approximately $90,000 per month in lost franchise revenues. If the referendum qualifies and is placed on the ballot at a special election, the special election will cost the City approximately $300,000.

Submitted by:

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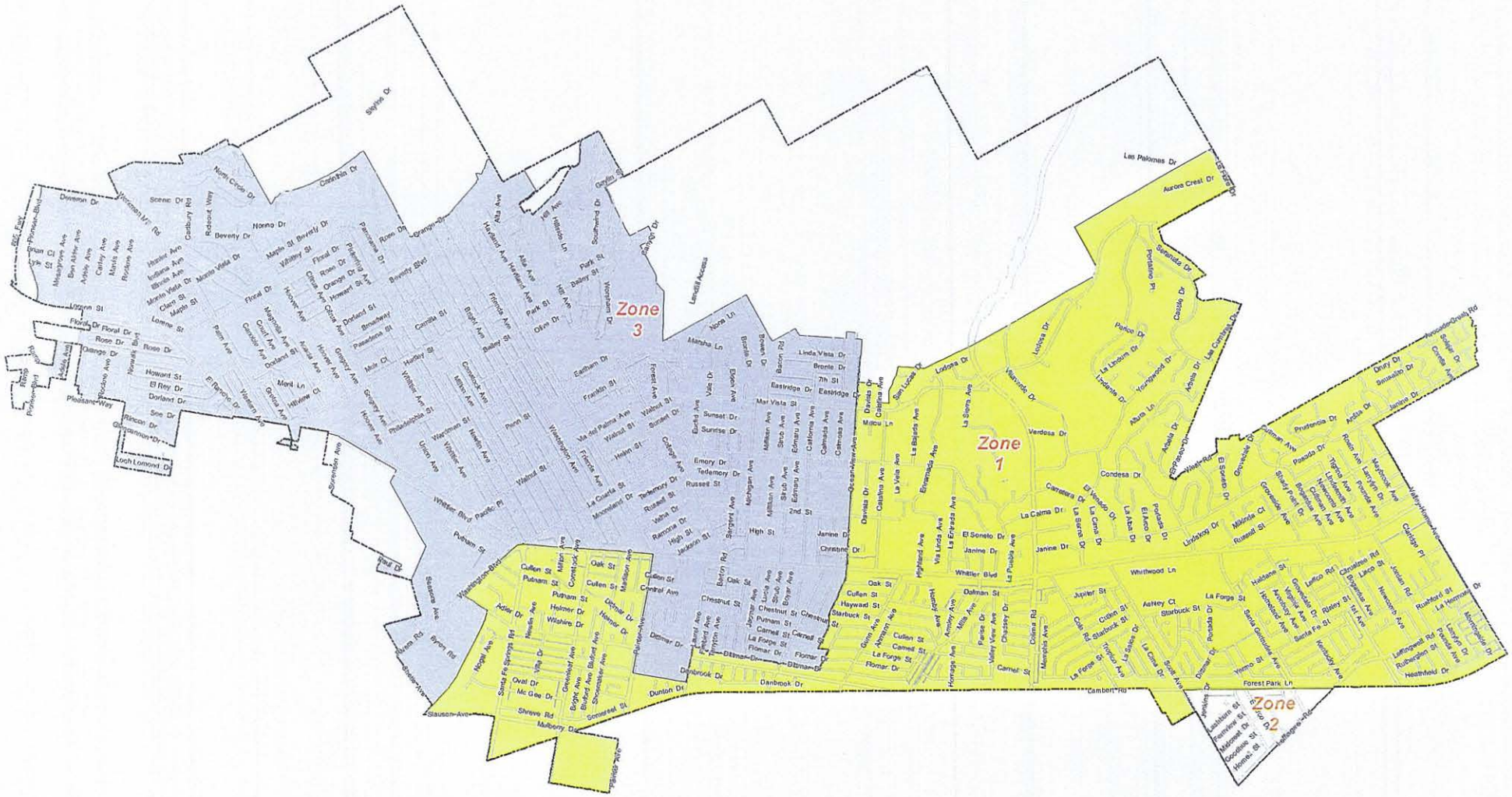
Prepared by:

Vicki L. Smith
Public Works Manager

Attachment: A – Map of Current Refuse Collection Zones

ATTACHMENT E - REFUSE COLLECTION SERVICE ZONE MAP



Refuse Collection Zones

- CDS - Zone 1
- WASTE MGMT - Zone 2
- CITY OF WHITTIER - Zone 3

ATTACHMENT A