TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: DECEMBER 17, 2007

DEPARTMENT: PUBLIC WORKS
CMR:459:07

SUBJECT: APPROVAL OF THE SUMMARY SCOPE OF SERVICES AND REVIEW OF EVALUATION PROCESS FOR THE DEVELOPMENT OF THE REQUEST FOR PROPOSALS FOR THE NEW SOLID WASTE AND RECYCLING COLLECTION AND PROCESSING SERVICES AGREEMENT

RECOMMENDATION
Staff recommends that Council approve the summary scope of services (Attachment A) and provide feedback on the evaluation process proposed for the upcoming Request for Proposals (RFP) for the new solid waste and recycling collection and processing services agreement.

BACKGROUND
The current agreement with the Palo Alto Sanitation Company (PASCO) to collect and transport solid waste within the City of Palo Alto is in effect until June 30, 2009. City staff, including a cross-departmental committee and consultants, have been working on the process to solicit proposers for a new solid waste and recycling agreement. The procurement process is expected to begin in February 2008, with August 2008 as the projected date for awarding a new contract, and new services beginning July 1, 2009. The key milestones and dates are included in the project timeline (Attachment B).

At the Council study session on October 1, 2007, staff provided an overview of the upcoming procurement process for the new solid waste and recycling contract; highlighted key policy issues relating to the new contract, and presented the challenges, options and preliminary approaches to the key RFP components.

On October 29, 2007, Council voted to approve staff's twelve preliminary recommendations regarding key issues in the development of the RFP for the new solid waste and recycling collection and processing services. The recommendations focused on three major components of the upcoming RFP: services, facilities, and certain agreement terms. A comprehensive list of the recommendations and related information can be found in CMR:373:07 (Attachment C).

DISCUSSION
This report focuses on the summary scope of services for the new agreement and the evaluation process for proposals received. It also provides an update on employee relations for the new agreement.
Scope of Services
Pursuant to Council’s earlier direction, the RFP will solicit proposals for baseline services as well as zero waste, and other innovative programs. The goal of the broad scope is to collect detailed technical and cost information so that the Council can perform a thorough cost benefit analysis of all proposed programs. Below is a summary of the three general service levels which will be included in the RFP scope of services. Additional details on these three service levels are included in the summary scope of services (Attachment A).

- Baseline services – These for the most part consist of the basic collection, disposal and recycling services currently being provided by PASCO. There are some modifications of the current services such as: the standard location for collection of containers will be curbside, although residential backyard/side yard pickup will be offered at an additional charge to customers; collection service on private streets or alleys may be offered at an additional fee depending on the proposal bid costs received through the RFP; additionally, the responsibility of operating a recycling center has been removed from the baseline services until further direction from Council.

- Zero waste services - Includes the proposer’s approach to the six specific additional services that are intended to implement elements of the City’s Zero Waste Operational Plan. These include:

1. Expanding organics materials;
2. Expanding single stream materials;
3. Expanding bulky item collection for reuse and recycling;
4. Enhancing recycling through mandatory participation;
5. Increasing construction and demolition (C&D) diversion; and
6. Enhancing commercial recycling.

The cost of these six services will be presented separately in the cost proposals so the Council has the necessary information with which to choose all, some, or none of these services.

- Other service innovations - This will include the proposer’s approach to maximizing the diversion of materials from landfill disposal in furtherance of the City’s Zero Waste Policy and Zero Waste Operational Plan.

Evaluation Process
The selected proposer will be chosen based on the outcome of an evaluation. The evaluation and scoring will be performed by an evaluation committee and overseen by the steering and advisory committee. The evaluation committee will be responsible for making a professional recommendation to Council who will ultimately select the successful proposer. Additional information regarding the evaluation structure can be found in Attachment D.

Staff has identified two viable approaches that can be used for the evaluation process. Staff recommends the following six step process for evaluating the proposals and selecting a contractor.
1. Initial evaluation: Upon receipt, the proposals will be evaluated for: compliance with the procedures described in the RFP; completeness; and acceptability (achievement of minimum requirements for comparable experience, financial ability, and agreement with the proposed terms of the draft agreement). Those proposals that fail to pass the initial evaluation will not be considered for further review.

2. Cost proposal evaluation: The cost proposals for each service level ("Baseline", "Zero Waste" and "Other Service Innovations") of those proposals that pass the initial evaluation will be reviewed. Clarifications and answers to any questions will be obtained from the proposers.

3. Council selects service level: Staff will report to Council in May 2008 the ranges of program costs and the estimated diversion results without identifying the proposing companies for each of the service levels. Based on this information, Council will select the service level that it desires. (Note that this step is optional depending on number of proposals, cost of new programs and price variance.)

4. Ranking of proposals: The evaluation committee will complete the evaluation and ranking of the proposals based on the weighting of the following criteria in addition to any input (if applicable) regarding service levels discussed in Step 3 above:

   • Administrative. Financial and Contractual (maximum 35 points). The following types of items will be considered:
     a. Solid waste and diversion experience of firm and key staff, municipal agency references and regulatory record.
     b. Financial ability to perform its obligations under the agreement including securing facilities and equipment.
     c. The number and significance of exceptions to the draft agreement.

   • Technical and Environmental (maximum 45 points). The following types of items will be considered:
     a. Reasonableness of transition and operational plan; effectiveness of collection and processing services and facilities (including marketing of materials); effectiveness of public outreach, education and customer services programs.
     b. Steps to minimize adverse environmental impact (including air and traffic) of operations, vehicles and facilities (including miles traveled and emissions); and, beneficial impacts (diversion and highest and best use of materials).

   • Cost (maximum 20 points). The following types of items will be considered:
     a. Reasonableness and predictability of future costs.
     b. Relative competitiveness of costs.
5. Contractor selection: In June 2008, staff will report to Council the ranking of the proposals and provide a recommendation on the company with whom staff is to negotiate a final agreement. At this time Council can provide direction, as applicable, for the negotiations (e.g., changes, elimination or additions to proposed programs and services and/or directions regarding costs).

6. Contract Approval and Execution: Staff will return to Council in August 2008, recommending approval and execution of the final agreement. An environmental assessment of any new operational aspects of the proposed agreement will be conducted prior to Council’s final action.

An alternative approach to staff’s recommendation on the evaluation process is to eliminate step 3 and present Council at one time information on the qualification, technical and cost proposals for all proposers and each service level. This alternative approach would eliminate Council’s early input on the cost aspects of the zero waste programs and other service innovations. If there are multiple proposers with diverging costs staff believes this intermediate step would be helpful to the overall selection process and would allow Council to better consider the cost benefit of the new programs. Therefore, if there are several proposers or if there is significant price divergence for the zero waste and other innovative programs, staff recommends the multi-stage step evaluation process for the following reasons:

- Maximize compliance with the RFP process;
- Minimize exceptions to the draft agreement;
- Facilitate Council’s decision on the service level it wants, separate from the company who will provide the service, and avoid the pressure to select the proposer with the lowest cost proposal;
- Facilitate Council’s selection of the best qualified contractor (rather than lowest cost); and
- Create the timely opportunity for the Council to direct staff and the contractor as to any modification of the proposed services to best meet the needs of the City, its residents and businesses.

Employee Relations Issues
One of the key issues raised at the October 29, 2007 public meeting was the retention of current PASCO employees and the incorporation of employee relations language into the RFP. Pursuant to Council’s direction, the RFP will require the proposers to offer employment to displaced PASCO employees. As part of that effort, the new contractor will be required to compensate its employees in accordance with the wages and benefits then in effect at the current contractor. In addition, the RFP requires the proposers to provide detailed information regarding existing human resources programs, employee grievance procedures and procedures for dealing with employee absenteeism. A more detailed list of these RFP requirements relating to personnel and employee relations is contained in Attachment A.

RESOURCE IMPACT
Resource impacts will be evaluated as part of the RFP process.
POLICY IMPLICATIONS
These recommendations are consistent with existing policies and previous Council direction.

ENVIRONMENTAL REVIEW
This report is not a project for the purposes of the California Environmental Quality Act. The City will perform an environmental assessment in connection with the final award of the new contract.

ATTACHMENTS
Attachment A: Summary Scope of Services
Attachment B: Project Timeline
Attachment C: CMR:373:07
Attachment D: Evaluation Structure

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DEPARTMENT HEAD: GLENN S. ROBERTS
Director of Public Works

CITY MANAGER APPROVAL: EMILY HARRISON
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Attachment A
Draft RFP

Summary Scope of Services

The City is requesting proposals to provide residential single-family, residential multi-family, and commercial solid waste, recyclable materials, and organic materials services and other services commencing July 1, 2009 for a base term of 8 years and a maximum term of 12 years as described in the Agreement (Attachment 4). The scope of services is summarized in this section.

Three Scenarios

The City is seeking proposals for three different scenarios. Each scenario is identified in the list below and then described in more detail.

- Scenario 1: Baseline Services – these include services being provided by the current contractor.
- Scenario 2: Zero Waste Services – this scenario includes the six specific additional services (described below) that are intended to implement elements of the City’s Zero Waste Operational Plan.
- Scenario 3: Other Service Innovations – these are to include the proposer’s approach to maximizing the diversion of materials from landfill disposal in furtherance of the City’s Zero Waste Policy and Zero Waste Operational Plan.

Scenario 1: Baseline Services

The contractor shall collect from residential single-family, residential multi-family, and commercial customers solid waste, recyclable materials, and yard trimmings placed in contractor provided containers. The standard location for collection of containers from residential single family customers shall be curbside, although such customers may receive sideyard/backyard service at an additional fee. Similarly, customers requesting service on private streets and alleys, may pay an additional fee depending on the proposal bid costs received through the RFP. The contractor shall deliver all the solid waste loads to the SMaRT Station but the City reserves the option to redirect the loads when appropriate to the City landfill located at 2380 Embarcadero Road. The City’s landfill is currently projected to close in January 2011. The contractor shall collect yard trimmings and transport them, to the City’s composting facility at the City landfill, until that operation ceases. Thereafter the yard trimmings can be delivered to the SMaRT Station unless the City directs that the material processing would stay local. In addition, the contractor shall collect and transport recyclable materials to a contractor proposed and City approved processing site.

In addition to the collection and transportation of solid waste, single stream recyclable materials and yard trimmings from residential single-family, multi-family and commercial accounts, the contractor shall provide the following services:

- Backyard/side yard collection services for recycling, solid waste and yard trimmings for individuals with physical limitations.
- Collection of solid waste using debris boxes (7, 15, 20, 30 and 40 cubic yard).
Attachment A
Draft RFP
Summary Scope of Services

- Collection of construction and demolition debris using debris boxes (7, 15, 20, 30 and 40 cubic yard) and transportation of these materials to an appropriate processing facility. For purposes of this RFP, an appropriate processing facility is one which is capable of recovering a minimum of 70% of the materials for reuse and/or recycling.
- Collection of single stream recycling materials twice per month from different locations at 26 City parks.
- Collection of recyclables once per week from public receptacles at City Hall and four other downtown locations.
- Collection of solid waste from approximately 208 public receptacle locations and 17 bus stop locations.
- Collection and recycling of pallets from commercial businesses.
- Collection and marketing for reuse or recycling of polystyrene at City Hall.
- Collection of single stream recycling to all occupied City buildings.
- Collection of single stream recyclables in one to four cubic yard bins and in carts for multi-family and commercial customers.
- Cleaning of public receptacle containers located in the downtown business district (approximately 50) twice per month.
- Planning, delivery, transportation, collection and processing of recycling, solid waste and organic service at all special events (approximately 16 annually) in the City using contractor provided containers.
- A 30 cubic yard debris box for garbage and a 4 cubic yard bin for cardboard collection at the City’s Household Hazardous Waste events (approximately 12 annually).
- Performance of waste audits of not less than twelve commercial businesses annually.
- On-call Recycling Cleanout Service with not less than two 2-cubic yard bins on a first-come first-serve basis for businesses and schools.
- One change out of cart sizes per year for no additional charge.
- Continue shared, slotted and locked bins for recycling in the commercial sector (approximately 15 locations)
- Purchase and distribute “recycling buddies” for multi-family customers.
- Review construction and remodel blueprint plans for adequate storage of solid waste containers and for collection vehicle access (approximately 50 annually).
- Clean-up Day – Curbside collection of excess debris, bulky items and household items for single family homes and multi-family complexes with four units or less. Contractor shall provide one appointment (on the regular refuse collection day) per calendar year.

In addition to the direct services described above, the contractor shall provide the following additional customer service, reporting and contract management activities:

- A local business office.
Attachment A
Draft RFP
Summary Scope of Services

- Monthly, quarterly, and annual reporting to the City, describing operations and providing service information in a format approved by the City.

Scenario 2: Zero Waste Services

In support of its “Zero Waste Policy”, on September 17, 2007, the City Council adopted its Zero Waste Operational Plan (ZWOP). The ZWOP included the following six specific programs, and proposals for these services are being requested:

2.1 Expanding Organics Materials

Commencing July 1, 2009, the contractor shall collect organics (food scraps, compostable paper, untreated wood, untreated wallboard and other compostables) placed in both carts and bins from commercial customers (includes multi-family). The contractor may propose its or a subcontractor’s processing site which shall be subject to City approval.

Commencing July 1, 2010, the contractor shall collect organics (food scraps, compostable paper, untreated wood, untreated wallboard and other compostables) placed in carts from residential customers. The contractor may propose its or a subcontractor’s processing site which shall be subject to City approval.

2.2 Expanding Single Stream Materials

Commencing July 1, 2009, the contractor shall:

- Add textiles and hardcover books to the materials included for single stream collection.
- Add milk and juice containers (gabled tops) to the materials included for single stream collection.

2.3 Expanding Bulky Item Collection for Reuse and Recycling

Commencing July 1, 2009, the contractor shall expand the bulky item reuse recycling program by collecting from customers once annually (on an on-call basis) separated materials for reuse or recycling from customers.

2.4 Enhancing Recycling Through Mandatory Participation

To reach the City’s Zero waste goals the City’s Zero Waste Operational plan recommended to require residents, commercial and multi-family customers to participate in the recycling and composting collection programs. The City is asking the contractor to implement this mandatory participation program starting in July 1, 2009 which requires customers to place recyclables and compostable materials in the appropriate collection containers and to ban these materials from disposal. Program elements of the mandatory participation program include:
Attachment A
Draft RFP
Summary Scope of Services

- In the first year, commencing July 1, 2009, the contractor shall notify customers of the requirements;

- In the second year, commencing July 1, 2010, the contractor shall provide customers with a warning for failure to comply;

- In the third year, commencing July 1, 2011, the contractor shall penalize customers for non-compliance.

The contractor shall submit a plan and cost to implement this program starting with suggested types of materials, planned education tools to be used for first year, warning system plan for the second year and then a plan for penalizing the violators after the third year.

2.5 Increasing C&D Diversion

Commencing July 1, 2009, collect and transport all roll-off boxes (including those generated from City crews), with less than 30% contamination, in construction and demolition debris to a proposer-selected and City-approved processing facility(ies).

2.6 Enhancing Commercial Recycling

Commencing July 1, 2009, provide public education and roll-out single stream recycling services to all commercial customers. Commercial customers will be allowed to opt out of the program if they fill out an appropriate City approved form prior to delivery of containers.

- Improve recycling in public areas (grocery stores, convenience stores, hospitals and schools)

Scenario 3: Other Service Innovations

The City of Palo Alto reached a 63 percent diversion rate in 2005. The ZWOP goals are 73 % diversion by 2011 and to strive for zero waste by eliminating materials sent to the landfills by 2021. The City is seeking proposals that include additional services that the proposer believes would increase the City’s diversion levels (above 63% between 2009-2011 and above 73% after 2011) for contractor-controlled streams of materials. These may include, but are not be limited to, proposed policies/ordinances for adoption by the Council, alternative business terms, additional or alternative programs, services and/or facilities.
Attachment A
Draft RFP
Summary Scope of Services

Other Scope Strategies

Processing Proposals

Proposers shall include in their proposal a description of their arrangements for the single stream recyclable processing, expanded organics program processing, and construction and demolition debris processing. The City prefers one agreement for all services. However, the City will consider proposals with separate contracts and terms for processing facilities.

Disposal Services

Contractor shall be responsible for delivering solid waste to landfills and/or transfer stations as directed by the City. It will be the City’s responsibility to identify and secure disposal capacity. At the commencement of the Agreement, the contractor shall deliver the waste materials to the SMArt Station in Sunnyvale unless redirected by the City which will then be to the City landfill at 2380 Embarcadero Road.

Environmental Impact

The City wishes to minimize the environmental impacts of the collection fleet including efficient routing of vehicles, minimizing hauling distances, reducing traffic congestion and minimizing noise. As one element of mitigating adverse environmental impacts, proposers are directed to consider the use of clean alternative fuel vehicles and provide separate costs from proposers for use of such vehicles.

Corporation Yard and Recycling Facility

The City requires all proposers to own, lease, or have an option to purchase or lease the property to be used for staging equipment and personnel, equipment maintenance, and recyclable materials processing. A portion (approximately one (1) acre) of PASCO’s operational yard located at 2000 Geng Road may be available to rent to a future contractor for discrete operations (e.g., storage of containers).

Other Conditions

Offer of Employment

The City’s new contractor shall offer employment to displaced workers currently employed by the City’s current contractor at equivalent wages and benefits to the extent such displaced workers are needed to perform the services described in attached Agreement. As part of that effort, the new contractor will be required to compensate its employees in accordance with the wages and benefits then in effect at the current contractor. However, the new hauler is not required to: (a) displace any of its current employees, (b) modify its current job performance requirements or employee selection
Effective Human Resources Management

The City has determined that the high quality service and customer satisfaction that it wishes to maintain and continue to improve under the proposed contract is significantly dependent upon the contractor’s effective human resources management. The City frequently receives complimentary comments from its residents concerning the performance of the current workforce with respect to both its perceived efficiency and customer-friendly demeanor.

Each proposer should include in its proposal a detailed description of its human resource philosophy and the programs and policies that it plans to implement to maintain and improve the positive working environment and effective workforce performance that now prevails. The proposer should include a description of any programs or policies that it has implemented in the past, what has worked, what has not, and what it has learned from the latter. Each proposal should describe its proposed grievance policy or procedure and what experience it has had with it or similar policies in the past. Each proposal should also describe any prior experience it has had with absenteeism and how it has dealt with such issues in the past.
New Solid Waste & Recycling Services Contract

Project Timeline

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<tr>
<th>Key Items</th>
<th>Date</th>
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<tr>
<td>Release RFP</td>
<td>February 2008</td>
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<tr>
<td>Proposals due</td>
<td>April 2008</td>
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<tr>
<td>Evaluation and interviews of proposers</td>
<td>April – June 2008</td>
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<tr>
<td>CEQA – project level environmental review</td>
<td>Feb. – August 2008</td>
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<td>Council study session (RFP cost results – proposed ranges of programs)</td>
<td>May 2008*</td>
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<td>Council meeting (ranking of proposals and direction for negotiations)</td>
<td>June 2008*</td>
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<tr>
<td>Negotiate and finalize contract</td>
<td>June – July 2008</td>
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<tr>
<td>Council meeting to award contract</td>
<td>August 2008*</td>
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<tr>
<td>New services begin</td>
<td>July 2009</td>
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* Opportunities for Council involvement and/or direction
TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: OCTOBER 29, 2007
DEPARTMENT: PUBLIC WORKS
SUBJECT: APPROVAL OF STAFF RECOMMENDATIONS FOR THE DEVELOPMENT OF THE REQUEST FOR PROPOSALS FOR THE NEW SOLID WASTE AND RECYCLING COLLECTION AND PROCESSING SERVICES

RECOMMENDATION
Staff recommends that Council approve the twelve recommendations in the development of the Request for Proposals (RFP) for the new solid waste and recycling collection and processing services.

BACKGROUND
The Palo Alto Sanitation Company (PASCO) has been collecting and transporting solid waste within the City of Palo Alto since 1951 and has been collecting and processing recyclable materials since 1978. PASCO initially operated under an “evergreen” contract that was renewed every year. In November 1998, PASCO was formally acquired by USA Waste of California (a Waste Management Company), and in August 1999, Council approved a new agreement for PASCO starting on September 1, 1999 for a term of up to ten years. The agreement is in effect until June 30, 2009.

In 2006, the Director of Public Works created a cross-departmental committee to oversee the procurement process for a new solid waste and recycling services agreement. The committee includes staff from the City Manager’s Office, Administrative Services, Planning, Public Works, and Utilities Departments, and the City Manager’s Office. The City Attorney’s Office and the City Auditor are advisors to the committee.

In March 2007, Council approved a contract with HF&H Consultants (HF&H), a consulting firm specializing in solid waste and recycling procurement processes. HF&H’s scope of work includes:

- Evaluate and develop recommendations on the type of agreement, compensation methodology and term best suited for the City of Palo Alto.
- Incorporate the goals of the Zero Waste Operational Plan into the RFP.
- Develop drafts and final copies of the RFP package and supporting documentation for the draft agreement and establish evaluation criteria.
- Assist in the evaluation of proposals, costs, and interview process.
The procurement process is expected to begin in January 2008, with July 2008 as the projected date for awarding a new contract, with services beginning July 1, 2009. This solicitation and award timeline has been developed to allow adequate time to implement a new contract and for consideration of project requirements such as a project-level environmental review under the California Environmental Quality Act (CEQA). The key milestones and dates are included in the project timeline (Attachment A).

Adding to the complexity of the procurement timeline and process are the Zero Waste Operational Plan, the closure of the City landfill, and the City's contractual commitments with the Sunnyvale Materials Recovery and Transfer (SMaRT) Station and the Kirby Canyon Landfill.

**Zero Waste Operational Plan**
In September 2007, City Council approved a tiered approach for the continuing review, approval, and implementation of the Zero Waste Operational Plan. This included evaluating as part of the upcoming waste hauling RFP process the addition of five programs. The five programs include:

- Organics - divert food scraps, compostables, untreated wood and other compostables for all sectors of the community.
- Single-stream materials - expand the type of materials currently being accepted.
- Bulky item collection - enhance the existing bulky item reuse and recycling program.
- Construction and demolition materials (C&D) diversion - divert all C&D debris boxes to a local C&D debris processor.
- Commercial recycling - provide recycling service to all commercial customers.

**City Landfill**
The City's landfill is estimated to reach fill capacity in 2011. The final closure approval from the State is anticipated in 2013.

**SMaRT Station**
The City is in partnership with the Cities of Mountain View and Sunnyvale for the operation of the Sunnyvale Materials Recovery and Transfer (SMaRT) Station. The SMaRT Station disposes of waste at the Kirby Canyon landfill. The City Memorandum of Understanding with Sunnyvale and Mountain View to use the SMaRT Station will terminate on October 15, 2021.

**Kirby Canyon Landfill**
Palo Alto's agreement with Waste Management Inc. to use Kirby Canyon landfill provides for delivery of specific annual tonnages of solid waste with per-ton put-or-pay payments to be made to Waste Management for each ton that falls short of the annual tonnage commitment. This commitment to the Kirby Canyon Landfill will remain in effect until 2021.

At the Council Study Session on October 1, 2007, staff provided an overview of the upcoming procurement process for the new solid waste hauling and recycling contract; highlighted key policy issues relating to the new contract, and presented the challenges, options and preliminary approach to the key RFP components related to services, facilities and the agreement.
DISCUSSION
This report focuses on three major components of the upcoming RFP for the new solid waste and recycling service: services, facilities and certain agreement terms. A more comprehensive list of options organized by major issue, together with their related advantages and disadvantages can be found in Attachment B.

Staff will incorporate Council direction on these recommendations into the draft RFP, which is scheduled for Council review on December 17, 2007. At the review on December 17th, staff will also propose a prioritization/weighting structure to guide the evaluation of responses.

Service Components:
Recommendation #1: In order to allow Council to evaluate cost with the zero waste operational plan recommendations, structure the RFP to include baseline services with itemized zero waste services and other service innovations as proposal options.

The RFP will solicit separate pricing for baseline services, zero waste services, and innovation. The baseline services represent the current service levels for garbage, recycling, composting and C&D debris. The zero waste services include the five additional or expanded services for organics, single stream materials, reuse and recycling bulky item collection, C&D recycling, and commercial recycling. The innovation section of the service package would allow proposers to present other services not required in the RFP which they believe could advance the City’s diversion goals.

The recommendation requires that the cost for individual zero waste services be itemized and separated from baseline services, which will provide Council with the ability to choose services according to both cost and diversion impact.

Recommendation #2: To minimize future garbage collection cost, make curbside garbage collection the standard, with an option for backyard/side yard collection with additional fee.

Currently, the standard garbage collection for the City of Palo Alto is backyard/side yard, resulting in PASCO manually collecting the material using two workers on each route. Residents provide their own 32-gallon garbage can. The standard collection for recycling and yard trimmings is curbside collection in carts. The City is unique in offering the backyard/side yard as a standard service for garbage and is one of the last cities in California to offer this high level of service. In 2005, the City began offering carts for curbside garbage collection. The optional curbside garbage cart became popular and demand for it continues to increase. It is estimated that 33 percent of residential customers are currently using a City-provided garbage cart instead of a can. In addition, there are residents using a can for their garbage and taking it to the curb for collection. As a result, it is estimated that approximately 45 percent of residents are currently taking their garbage cart or can to the curb.

Eliminating backyard/side yard collection as the standard would result in cost savings, while still giving residents the ability to obtain this service at an additional charge. The City will continue
to offer a backyard/side yard collection service for those residents that are medically unable to take their carts to the curb and for those residents who elect to pay for the additional service.

The intent of both this recommendation and recommendation #3 is to create a standardized location and method for collection services, which would be required to be located at the curbside on public streets to the greatest extent feasible. That will enable the maximum utilization of automated or semi-automated collection equipment with a resultant savings in labor costs and consequential rate minimization.

**Recommendation #3:** To minimize future collection cost on private streets and alleys, require that the base service be defined as collecting all solid waste items on public street frontages (curbside), and that proposers submit a separate bid price to service homes on private streets or alleys.

Collection on private streets and alleyways is an issue in most communities. It accounts for less than 10 percent of Palo Alto customers. There are currently 16 locations where residential garbage is picked up from the alleyway by a standard collection vehicle instead of backyard/side yard or curbside service while the recyclables and green waste are picked up at curbside. PASCO also provides non-standard collection services to seven private streets or driveways by sending a smaller vehicle to collect the materials. It is projected that there are an additional six development sites currently under construction or going through a permit process that may not be accessible to a standard collection vehicle.

Currently, PASCO can only charge customers rates that are approved by Council through the rate schedules. The current rate for servicing private streets is typically an additional surcharge rate of $845.76 annually. These rates are inclusive of costs for driver, equipment, fuel, and depreciation. The recommendation would provide a more accurate cost for the non-standard collection services and would create a reasonable rate for customers with the private streets. This cost could be avoided by having the resident take both refuse and recyclables to the street frontage (curbside).

**Recommendation #4:** To minimize labor issues relating to retention of existing PASCO employees and avoidance of wage disputes, encourage new service provider to retain qualified, productive existing PASCO employees and to pay wages at levels equivalent to existing wages.

One of the labor issues for the new agreement will be the retention of existing PASCO employees who have a long work history in the City. Adding to the complexity is that PASCO is currently a non-union operation but pays union equivalent wages. To promote worker equity issues and to ensure that non-unionized organizations will not be given an unintended preference in the proposal process, staff recommends structuring the RFP to provide a preference for retention of PASCO workers and payment of union equivalent wages.
Key Facility Components:

Recommendation #5: Require service provider to find operation yard within the region. Allow service provider to utilize a portion of the Geng Road site as a staging area.

It is estimated that the service provider will need between 2.5 and 3 acres of space for its operations, consisting of facilities for its collection vehicles, equipment repair, a customer service office, container storage, maintenance operations, and an employee operations yard. While there are certain economies to co-locating these operations, they also can be located at different sites and do not all need to be located in Palo Alto. PASCO’s operational yard is currently located at 2000 Geng Road and it is approximately 1.9 acres. It appears that approximately one acre of the current site is considered parkland, and may have use restrictions following termination of the PASCO contract and/or cessation of the landfill. A portion of the Geng Road site currently utilized by PASCO may be available to rent to a future provider for discrete operations. Utilizing a portion of the Geng Road site as a staging area would allow for some operations to be local thus facilitating quicker resolution of customer service issues. Since available property in the area is limited, identifying a portion of the Geng Road site for operational use will reduce the complexity for proposers. Providing a local staging area could reduce expenses for transportation.

Recommendation #6: Utilize the existing City composting operation for yard trimmings as long as feasible (estimated to be 2011). The expanded organics program for the commercial sector (including food waste) will be processed at a regional facility starting in July 2009 with the new agreement.

The recommendation reflects a desire to continue to utilize the City’s compost operation to the fullest. It implements a curbside organics program in 2009 for the commercial sector, which is two years earlier than proposed in the Zero Waste Operational Plan. The commercial sector has the potential to divert over 12,000 tons per year of expanded organic materials (food waste, compostable paper & untreated wood).

Recommendation #7: Direct future service providers to collect and process single stream materials, rather than allowing proposers to bid other methods.

The recommendation builds on the success of the current single stream recycling service that is highly accepted and utilized by the community.

Recommendation #8: Require proposer to utilize C&D processors other than the SMaRT Station, which at a minimum recover 70% of the materials for reuse and/or recycling.

Currently, the SMaRT Station recovers only 25% of materials for reuse and recycling. The recommendation is consistent with the Zero Waste Operational Plan recommendations and the City’s C&D ordinance requirements. It also would lead to an estimated increased diversion of 5,000 tons per year.
Key Agreement Components:

Recommendation #9: Strive to create one contract for both collection and processing. Reserve option for separate processing contracts.

Currently, the City has one contract for existing services minimizing the number of contracts for the City to administer. The recommendation increases flexibility in how processing facilities could be utilized.

Recommendation #10: Continue with existing practice of exclusive agreement for solid waste and residential recyclables.

The existing contract with PASCO is an exclusive agreement for solid waste and residential recyclables and non exclusive for commercial recyclables. The recommendation allows the City the greatest possible level of control over the waste stream. It will allow for increased accountability since the waste stream can be more closely monitored and reporting will be more comprehensive. The additional advantages to this recommendation are that the level of exclusivity may generate more interest and competition during the proposal process, which, with a cooperative and motivated contractor, these provisions could be more helpful in achieving Zero Waste goals. The service quality and impact on the community can be more closely regulated to increase accountability.

Recommendation #11: Create a 12-year maximum term for the collection and hauling agreement such as an 8-year base term with the potential of up to four 1-year extensions, to be granted either singularly or cumulatively depending on circumstances at the time.

The 12 year maximum term will have an end date of 2021, to coincide with SMaRT Station and Kirby Canyon Landfill agreements. This could lead to expanded opportunities for improved services and reduced costs in the next contractor selection process. The relatively short initial term may keep the contractor focused on its performance in order to obtain the extension, while enhancing the City’s ability to reward a successful contractor with an extension or to replace a poorly performing contractor.

Recommendation #12: Negotiate a fixed price compensation agreement with specific annual index adjustments and financial incentives for diversion.

The recommendation results in a compensation methodology that is simple, easy to predict and inexpensive to administer. It holds the contractor accountable for its key representations to the City. It is also consistent with City Auditor’s recommendation, on the April 2007 Audit of the Palo Alto Sanitation Company Contract, to simplify future contract administration.

RESOURCE IMPACT
Resource impacts will be evaluated as part of the RFP process. Staff will return in the summer of 2008 to Council, for a study session where staff will present RFP results, evaluation and costs for these new services.
POLICY IMPLICATIONS
These recommendations are consistent with existing policies.

ENVIRONMENTAL REVIEW
This report is not a project for the purposes of the California Environmental Quality Act. The City will perform an environmental assessment in connection with the final award of the new contract.

ATTACHMENTS
Attachment A: Project Timeline
Attachment B: RFP Component Options

PREPARED BY: Russell Reiserer, Manager of Solid Waste Programs
Paula Borges, Executive Assistant

DEPARTMENT HEAD: GLENN S. ROBERTS
Director of Public Works

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager
New Solid Waste & Recycling Services Contract

Project Timeline

<table>
<thead>
<tr>
<th>Key Items</th>
<th>Date</th>
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<tbody>
<tr>
<td>Council meeting - approve key elements in the RFP</td>
<td>December 2007*</td>
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<tr>
<td>Release RFP</td>
<td>January 2008</td>
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<tr>
<td>Evaluation and interviews of proposers</td>
<td>April – June 2008</td>
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<tr>
<td>CEQA – project level environmental review</td>
<td>January – June 2008</td>
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<tr>
<td>Council study session (RFP results, evaluation, costs)</td>
<td>June 2008*</td>
</tr>
<tr>
<td>Negotiate and finalize contract</td>
<td>June – July 2008</td>
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<tr>
<td>Council meeting to award contract</td>
<td>July 2008*</td>
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<tr>
<td>New contract begins</td>
<td>July 2009</td>
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* Opportunities for Council involvement and/or direction
New Solid Waste & Recycling Services RFP Key Components

The three major components of the upcoming RFP are services, facilities and certain agreement terms. Below are the RFP key challenges, staff’s recommendations, options, advantages and disadvantages.

**Key Service Components:**
**Challenge #1:** Allow Council to evaluate cost with the zero waste operational plan recommendations.

**Recommendation #1:** In order to allow Council to evaluate cost with the zero waste operational plan recommendations, structure the RFP to include baseline services with itemized zero waste services and other service innovations as proposal options.

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| a)      | Presented in three parts:  
   i. Baseline services.  
   ii. Itemized zero waste services.  
   iii. Other service innovations. |  
   • Cost for individual zero waste services are itemized and separated from baseline services.  
   • Provides council with the ability to choose services according to both cost and diversion impact. |  
   • Cost for individual zero waste services may be higher since they won’t be bundled into a package. |
| b)      | Presented in two parts:  
   i. Baseline services and zero waste services combined into one package price.  
   ii. Other service innovations. |  
   • Cost for zero waste services has the potential to be lower because zero waste services can be packaged together to create a savings.  
   • Implements all zero waste plan recommendations. |  
   • Council can not pick or choose zero waste services according to cost and diversion impact. |
| c)      | Presented in three parts:  
   i. Baseline services.  
   ii. Zero waste services combined into one package price.  
   iii. Other service innovations. |  
   • Cost for zero waste services has the potential to be lower because zero waste services can work together creating a savings. |  
   • Council can not pick or choose zero waste services according to cost and diversion impact. |
Challenge #2: Minimize future garbage collection cost.

Recommendation #2: To minimize future garbage collection cost, make curbside garbage collection the standard, with an option for backyard/side yard collection with additional fee.

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</table>
| a)      | Make curbside garbage collection the standard, with an option for backyard/side yard collection with additional fee. | • Reduces cost for service in savings created from labor, and insurance (one less worker per route).  
• Maintains the option for backyard/side yard service at an additional charge.  
• Residents would no longer have to purchase their own cans and ensure that the can meets the size and weight requirements.  
• Lids are attached to garbage carts which can be beneficial on rainy or windy days.  
• Standardized carts are compatible with collection equipment. | • Residents who request backyard/side yard service will pay an additional fee.  
• An additional 11,100 garbage carts have to be purchased at an estimated cost of $450,000.  
• There will be additional carts placed at the curbs on collection days. |
| b)      | Keep the current service level.  
Optional curbside or backyard/side yard collection for no additional fee.  
Carts only given to customers that utilize the curbside garbage collection service. | • Current service does not change. | • Service cost would not be reduced.  
• Service costs may increase.  
• Some rate payers continue to subsidize collection for others.  
• Restricts the option to become more efficient in collection. |
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| a)      | Have proposers create a separate bid item to service homes on private streets and alleys. | • Rate reflects the actual cost for the non-standard service.  
• Cost could be less than current surcharge rate. | • Cost could be higher than current surcharge rate. |
| b)      | Keep doing what we are doing today. Have the contractor create a customized collection cost for each location. | • No change from current service | • We do not know the actual cost for the non-standard service. |
| c)      | Require collector to collect on private streets and alleys for no additional charge. These additional expenses would be spread across all customers. | • It will lower the costs for customers with non-standard service. | • All customers have to pay for the non standard service. |

**Challenge #3:** Minimize future collection cost on private streets and alleys.

**Recommendation #3:** To minimize future collection cost on private streets and alleys, require that the base service be defined as collecting all solid waste items on public street frontages (curbside), and that proposers submit a separate bid price to service homes on private streets or alleys.

**Challenge #4:** Minimize labor issues relating to retention of existing PASCO employees and avoidance of wage disputes.

**Recommendation #4:** To minimize labor issues relating to retention of existing PASCO employees and avoidance of wage disputes, encourage new service provider to retain qualified, productive existing PASCO employees and to pay wages at levels equivalent to existing wages.
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| a)      | Encourage new service provider to retain qualified, productive existing PASCO employees and to pay wages at level equivalent to existing wages. | • PASCO employees would not lose their jobs.  
• Employees are knowledgeable with the community and service.  
• Continuity of high level customer service. | • Wages could be higher than entry level employees, which would result in higher compensation. |
| b)      | Do not encourage new service provider to retain qualified, productive existing PASCO employees and to pay wages at level equivalent to existing wages. | • Compensation costs could be less if entry level employees are hired instead | • No continuity of high level customer service  
• Current PASCO employees could lose their jobs |

**Key Facility Components:**

**Challenge #5:** The current Geng Road site utilized by PASCO is too small. Currently, PASCO employee parking, storage of cart surplus and drop boxes are located off site.

**Recommendation #5:** Require service provider to find operation yard within the region. Allow service provider to utilize a portion of the Geng Road site as a staging area.

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</table>
| a)      | Responsibility of service provider to find operation yard within the region. Allow service provider to utilize a portion of the Geng Road site as a staging area. | • Using a portion of the Geng Road site as a staging area would provide the ability for some operations to be local thus facilitating quicker resolution of customer service issues.  
• Local staging area could reduce expenses for transportation. | • Geng Road site can not be used for other purposes such as recreational activities. |
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|   | • Staging area for storage of containers would reduce the time for customers to receive their desired containers.  
• Complexity will be reduced for proposers since some regional land will not need to be identified and optioned. |   |
| b) | Responsibility of service provider to find operation yard within the city limits. The Geng Road site would be made available for proposers. | • All operations are provided locally, minimizing operational expenses.  
• Reduced environmental impact to the region. |
| c) | Local office with regional operational yard. | • Alternative site locations within the city limits are limited and costly. |
| d) | Responsibility of service provider to find operation yard within the region. Geng Road site would not be available to the service provider. | • Local office would provide for quick turnaround for resolutions of customer service issues and for missed collections. |
|   |   | • Regional operational yard would result in higher operation costs due to longer transportation needed, additional fuel cost. |
|   |   | • Allows the City to use the Geng Road site for other purposes. |
|   |   | • Higher cost for fuel, labor and equipment because of more travel time needed to get to service area.  
• Increase in environmental impacts to the region.  
• The Geng Road site would require additional funding for restoration purposes. Estimated site restoration costs range from $100,000 to $150,000. Costs include site assessment, soil sample analysis, clean up of underground fuel tanks, and onsite contaminated soil remediation and disposal. |
Challenge #6: How should the City's composting operation be utilized in the new agreement?

Recommendation #6: Utilize the existing City composting operation for yard trimmings as long as feasible (estimated to be 2011). The expanded organics program for the commercial sector (including food waste) will be processed at a regional facility starting in July 2009 with the new agreement.

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| a)      | Utilize the existing city composting operation for yard trimmings as long as feasible (estimated to be 2011). The expanded organics program for the commercial sector (including food waste, compostable paper & untreated wood) will be processed at an existing regional facility starting in July 2009. | • Implements curbside organics program in 2009 for commercial sector. This is two years earlier than proposed in the Zero Waste Operational Plan.  
• The commercial sector is the largest sector for these expanded organic materials.  
• Continues to utilize the City compost operation to the fullest.  
• Minimize cost for services.  
• Provides flexibility for future organic program direction.  
• There is a potential to recover over 12,000 tons per year of expanded organic materials (food waste, compostable paper & untreated wood) in the commercial sector. | • Residential organics collection starts in 2011.  
• Cost will be higher for the City to process expanded organic materials (food waste, compostable paper & untreated wood) for the commercial sector. |
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| a) | Direct future service providers to collect and process single stream recycling materials. | Builds on the success of the current single stream recycling service that is highly accepted and utilized by the community.  
Utilizes the existing recycling carts that are currently valued at $815,000.  
Easier to evaluate proposals. | Service options could be better. |

**Challenge #7:** Currently we collect and process our curbside recycling materials by a single stream method. Should we allow proposers to bid other methods?

**Recommendation #7:** Direct future service providers to collect and process single stream materials, rather than allowing proposers to bid other methods.
b) Allow service providers to offer other methods for collection and processing of recyclables. Example: split cart and process at the SMaRT Station.

- Other options can be considered.
- Additional costs to modify or purchase new containers.
- Changes the service that customers are already accustomed to and enjoy.
- More difficult to evaluate proposals.

Challenge #8: SMaRT Station currently recovers only 25% of materials for reuse and recycling. Should we require the service provider to use the SMaRT Station when processing the Construction & Demolition (C&D) materials?

Recommendation #8: Require proposer to utilize C&D processors other than the SMaRT Station, which at a minimum recover 70% of the materials for reuse and/or recycling.

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</table>
| a)      | Utilize other C&D processors which at a minimum recover 70% of the materials for reuse and/or recycling. | - Additional diversion of 5,000 tons per year would be gained.  
- Consistent with Zero Waste Operational Plan recommendations.  
- Current processor is diverting approximately 90% of the materials.  
- It is consistent with the City’s C&D ordinance requirements.  
- City would have the option to redirect these loads back to the SMaRT Station if it reaches 70% levels in processing C&D materials. | - Put or pay commitment at the SMaRT Station/Kirby Canyon would be reduced.  
- Cost for services could be higher due to longer distance for roundtrip transportation. |
b) Utilize the SMaRT Station.

- The additional residue generated from C&D loads, could help meet the put or pay commitment at the SMaRT Station/Kirby Canyon.
- Overall cost could be less due to shorter distance for roundtrip transportation.
- Diversion will be 25% at the SMaRT Station.
- Is not consistent with the Zero Waste Operational Plan recommendations.
- It is not consistent with the City’s C&D ordinance requirements.
- 2.5% diversion credits for the City would be reduced annually.

**Key Agreement Components:**

**Challenge #9:** The City currently has one contract for existing services. Should we allow multiple contracts?

**Recommendation #9:** Strive to create one contract for both collection and processing. Reserve option for separate processing contracts.

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| a)      | Strive to create one contract for both collection and processing. Reserve option for separate processing contracts. | - Provides the City with the option to consider alternatives and reduce costs.  
- Minimizes number of contracts to administer.  
- Increases City flexibility in how processing facilities could be utilized. | - Increases complexity for administration of possible multiple contracts.  
- Possible multiple contracts could add complexity to proposal evaluations. |
| b)      | Require one contract for all services. | - Reduces administration complexity and costs.  
- Simplifies RFP options for service providers.  
- Easier to evaluate. | - Limit existing regional processing facilities that can lock into needed term with excellent standards.  
- It could prevent some service providers from bidding with limited resources. |
c) Allow multiple contracts for all services.  

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| Possible lower cost for City.  
| Increases proposers flexibility. | Increases complexity for administration of multiple contracts.  
| | More difficult to evaluate.  
| | Reduce flexibility to adjust the scope of services for changes in material streams during the term of the agreement.  
| | Increase operational expenses such as overhead costs and profit for multiple companies. |

**Challenge #10:** The existing contract with PASCO is an exclusive agreement for solid waste and residential recyclables and non exclusive for commercial recyclables. Should we continue with this practice?

**Recommendation #10:** Continue with existing practice of exclusive agreement for solid waste and residential recyclables.

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</table>
| a)      | Continue with existing practice of exclusive agreement for solid waste and residential recyclables. Continue to allow other businesses to collect recyclables if materials are source separated. | • Provides the City the greatest possible level of control over the waste stream.  
| | | • Level of exclusivity may generate increased interest and competition during the proposal process.  
| | | • With a cooperative and motivated contractor, these provisions could be more helpful achieving zero waste goals. | • Costs for some services may be higher than they would be through an independent service provider.  
<p>| | | | • Services that might be provided through an independent service provider may not be provided under exclusive agreement. |</p>
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<th>b)</th>
<th>Change to a non exclusive agreement.</th>
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<td><strong>May encourage the independent service provider to deliver services and costs for service that would not exist under the exclusive system.</strong></td>
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<td><strong>May result in the City paying significant penalties under the put-or-pay commitments to Kirby and the SMaRT Station.</strong></td>
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<td><strong>Lack of reporting in the commercial and industrial sectors may decrease flexibility and create significant challenges to developing programs achieving zero waste.</strong></td>
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<td><strong>As commodities markets fluctuate some materials may no longer be diverted from landfilling.</strong></td>
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<td><strong>Lack of exclusivity may reduce interest and/or competition in the procurement process, potentially resulting in higher costs for services.</strong></td>
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<td>c)</td>
<td>Make a combination exclusive for garbage collection (includes debris boxes) and non exclusive for the other services (compost, recyclables, C&amp;D debris).</td>
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<td>• Provides back up to independent service providers by requiring hauler to provide services that may not be available (such as collect a material that has little market value). • Provides the City with the option of sending necessary volume of material where the City has put-or-pay commitments.</td>
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**Challenge #11:** What length of term should be used for the collection and hauling agreement?

**Recommendation #11:** Create a 12-year maximum term for the collection and hauling agreement such as an 8-year base term with the potential of up to four 1-year extensions, to be granted either singularly or cumulatively depending on circumstances at the time.
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| a)      | Create a 12 year maximum term for the collection and hauling agreement such as an 8 year base term with the potential of one or more year extensions. | • Extended term is coterminous with the expiration of the SMaRT Station/Kirby Canyon Landfill disposal agreements and could lead to expanded opportunities for improved services and reduced costs in the next contractor selection process.  
  • Relatively short initial term may keep the contractor focused on its performance in order to obtain the extension, while it enhances the City’s ability to reward a successful Contractor (with an extension) or replace a poorly performing Contractor (without having to prove default). | • The extended term (twelve years) is long enough that the contractor may have to begin replacing certain pieces of equipment before the end of the extended term. |
| b)      | 7 years and no extension. | • Short initial term. | • While not uncommon, from a contractor’s perspective, the seven-year period is a relatively short term and therefore may be less attractive to proposers.  
  • It would not be coterminous with the expiration of the SMaRT/Disposal agreements in 2021. |
| c) 7 years plus up to three, one-year extensions (10 years total). | • Relatively short initial term may keep the Contractor focused on its performance in order to obtain the extension, while it enhances the City’s ability to reward a successful Contractor (with an extension) or replace a poorly performing Contractor (without having to prove default).  
• Seven to ten years is a normal period for the Contractor to recover its investment in any new collection equipment and will not require the replacement of equipment; therefore, this term should contribute to rate stability. | • While not uncommon, from a contractor’s perspective, the seven-year period is a relatively short term and therefore may be less attractive to proposers.  
• A collection contract termination date between 2016 and 2019, would not be coterminous with the expiration of the SMaRT/Disposal agreements in 2021.  
• Proposers may anticipate amortizing any new equipment over seven years instead of ten, possibly leading to more expensive cost proposals.  
• The maximum ten-year term could be a disincentive for the Contractor to implement new programs with significant capital requirements, because either it could not provide the services cost effectively (if the equipment had to be depreciated over a short period), or be sure that it would recover its investment (if it used a depreciation period longer than the remaining term of the agreement).  
• The relatively short term (10 years maximum) may reduce the Contractor’s long-term commitment to the community. |
**Challenge #12:** What method of compensation should be used?

**Recommendation #12:** Negotiate a fixed price compensation agreement with specific annual index adjustments and financial incentives for diversion.

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</table>
| a)      | Fixed price with specific annual index adjustments and financial incentives for diversion. | • Simple and inexpensive to administer.  
          • Easy to predict compensation.  
          • Holds the contractor accountable for its key representations to the City.  
          • Consistent with City Auditor’s recommendation, on the April 2007 Audit of the Palo Alto Sanitation Company Contract, to simplify future contract administration. | • Higher risk to the service provider.  
          • Could result in inflated proposal costs. |
| b)      | Operating ratio - currently used for the PASCO agreement.  
          Contractor’s compensation for coming year = coming year’s estimated costs (based on an audit of prior year’s actual costs, trends, and the contractor’s and City’s plans) plus allowed operating ratio (percent profit). | • It is the City’s current compensation adjustment method.  
          • Can be structured to reward behavior the City wishes to encourage, as the current City contract successfully does to ensure a high level of customer service. | • The detailed annual review process is time consuming and can be expensive for both the City and contractor.  
          • Process may create adversarial relationship between parties and disputes may arise.  
          • Cost increases are passed onto the customers; therefore, the contractor is not necessarily motivated to reduce costs because its compensation is set based on actual, allowable costs. |
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<th><strong>Protects rate payers from paying more than actual costs to provide services and can be structured to allow them to benefit from non-rate revenue (recyclables sales revenue) while protecting the contractor from uncontrollable cost increases (e.g., fuel).</strong></th>
<th><strong>Costs, and the related customer rates, can vary unpredictably at times due to changes in costs and customer subscription levels.</strong></th>
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<tr>
<td>Some companies are accustomed to this approach, while others find it objectionable.</td>
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<td>Can be structured to hold the contractor accountable for its key representations to the City.</td>
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<td>Can be structured to support separate pricing for different services; therefore, it can help sustain the City’s rate structure.</td>
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<td>Easily accommodates cost increases or decreases related to growth or reduction in customer base; thus, not requiring separate adjustment or analysis.</td>
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<td>Provides baseline data to effectively negotiate changes in services.</td>
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| c) | Fixed price -  
Total compensation for each and every year of the contract is determined and fixed at the beginning of the agreement, based upon contractor's cost proposal. The RFP would require respondents to propose a cost proposal for each and every year of the agreement. The fixed fee could either be expressed in total annual compensation ($/year) or in rates ($/household/month). | - Simple and inexpensive to administer.  
- Easy to predict compensation.  
- Holds the contractor accountable for its key representations to the City. | - High risk to the contractor of underestimating costs over a 7+ year term.  
- This is a very unusual arrangement for collection agreements (more typical for disposal agreements) which, coupled with the high risk, could result in fewer proposals.  
- Does not allow for the City to reward behavior it wants to encourage.  
- Fixed prices would have to be provided for each of the lines of services provided by the contractor to provide some sustainability to the structure.  
- May result in more requests for "extraordinary" compensation increases over the term of the Agreement.  
- Could result in poor service, and a disincentive to the hauler do more than the minimum required. |
| d) | Return on assets –  
The contractor is compensated based on investment in capital equipment to reflect earnings that contractor could receive from alternative means of investing funds. | - Very unusual in collection contracts because they are not capital intensive. Has been used in the solid waste field for highly capital-intensive projects such as development of a new landfill. |