TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS
DATE: AUGUST 4, 2008

SUBJECT: AUTHORIZE STAFF TO NEGOTIATE AN AGREEMENT WITH GREENWASTE OF PALO ALTO TO PROVIDE SOLID WASTE, RECYCLING AND ORGANICS SERVICES AND, IF NEGOTIATIONS ARE NOT SATISFACTORY, AUTHORIZE STAFF TO ALTERNATIVELY NEGOTIATE WITH NORCAL WASTE SYSTEMS OF PALO ALTO

RECOMMENDATION
Staff recommends that Council authorize staff to negotiate an agreement with GreenWaste of Palo Alto to provide solid waste, recycling and organics services and, if negotiations are not satisfactory, authorize staff to alternatively negotiate with Norcal Waste Systems of Palo Alto (Norcal).

BACKGROUND
The current agreement with PASCO to collect and transport solid waste and recyclables within the City of Palo Alto will end on June 30, 2009. The procurement process for a new agreement began in February 2008. The projected schedule for awarding a new contract is September 2008 with new services beginning July 1, 2009.

In July 2007, Council adopted a Code of Conduct relating to the procurement process for the new waste hauling contract. Resolution 8734 (Attachment A) discourages Council members from conducting non-public meetings or conversations with potential proposers and requires that any such non-public meetings be disclosed within 30 days of the meeting. In accordance with this adopted Council policy and in accordance with purchasing best practices, a series of public meetings have been conducted to gather Council and community input on this significant procurement.

At the Council meeting on December 17, 2007 (CMR:459:07, Attachment B), Council approved a three step process for reviewing the solid waste hauling proposals: 1) selection of programs based on the cost impacts and estimated diversion results without identifying the proposing companies; 2) selection of the top proposer for negotiations; and 3) award of contract. This report covers the second stage of this process.

At the Council meeting on June 23, 2008 (CMR:256:08), Council provided direction on the level of services to be included in the new agreement based on initial estimated highest cost impacts.
and projected annual diversion of materials. Based on this direction, the new contract will include the following services:

- **Scenario 1**: Baseline services;

- **Scenario 2**: Zero Waste Services including:
  1) Expanding organics materials collection only to the commercial sector (food waste collection and processing).
  2) Expanding single stream materials only for items that have a sustainable market.
  3) Expanding Clean-Up Day collection for reuse and recycling.
  4) Enhancing recycling (and organics) through mandatory participation. Program elements of the mandatory participation program include:
     - In the first year, commencing July 1, 2009, the contractor educates customers on how to comply with mandatory participation and phase-in schedule requirements;
     - In the second year, commencing July 1, 2010, the contractor notifies customers who fail to separate recyclable and compostable materials from solid waste with a warning;
     - In the third year, commencing July 1, 2011, the contractor assists the City in enforcing fines or penalties if customers fail to separate recyclable and compostable materials from solid waste.
  5) Increasing construction and demolition diversion (C&D) (a minimum of 70 percent of the materials recovered from each mixed C&D debris load for reuse and/or recycling and a minimum of 90 percent from each source separated C&D load).
  6) Enhancing commercial recycling (providing recycling to all businesses).

- **Scenario 3**: Innovative Service:
  1) A 10% C&D discount coupon at a local processing facility for self haulers.

**DISCUSSION**

**Request for Proposal Process**

Potential service providers were notified of the Request for Proposals (RFP) process starting in September 2007 through direct letters and electronic mail and were informed to register with DemandStar’s Online Procurement System (DemandStar) where multiple announcements about the RFP and projected timeline were made. Staff also placed advertisements for the RFP in MSW Management, a popular magazine for the municipal solid waste industry, on the website for the California Resource Recovery Association (CRRA) and on the CRRA electronic list serve. The RFP was released and posted on DemandStar on February 29, 2008. Below is a summary of the solicitation.
### Summary of Solicitation

<table>
<thead>
<tr>
<th>Proposal description/Number</th>
<th>Solicitation of proposals to provide solid waste, recyclable, and organic materials services; RFP124501-0-2007/GP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed length</td>
<td>8 years with ability to be extended, unilaterally by the City, in increments of one or more years for a maximum term of 12 years.</td>
</tr>
<tr>
<td>Number of bids mailed</td>
<td>RFP was posted on DemandStar. A total of 25 businesses downloaded the RFP from DemandStar including potential proposers, consultants, material processors and other interested organizations.</td>
</tr>
<tr>
<td>Total days to respond to proposal</td>
<td>44</td>
</tr>
<tr>
<td>Mandatory pre-proposal meeting</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of companies present at pre-proposal meeting</td>
<td>8</td>
</tr>
<tr>
<td>Number of proposals received</td>
<td>2</td>
</tr>
<tr>
<td>Range of initial first year proposal totals submitted</td>
<td>From $15,077,724 to $16,067,546 for total annual compensation for the first year</td>
</tr>
</tbody>
</table>

On May 5, 2008, proposals were received from two qualified companies: GreenWaste of Palo Alto (GreenWaste) and Norcal Waste Systems of Palo Alto (Norcal). Staff checked references supplied by both companies for previous and current services performed in other municipalities and found strong references for both GreenWaste and Norcal and no significant complaints for either company.

Staff contacted all the potential proposers that were present at the proposal conference meeting or that registered through DemandStar but did not bid on the RFP. The Palo Alto Sanitation Company (PASCO), the current service provider, did not bid on the contract due to business reasons of its parent company Waste Management. The remaining potential proposers did not bid because of: 1) commitments with other RFPs; 2) the capital expenditure needed for the City’s contract, such as providing an operations yard; and 3) the challenges regarding Zero Waste implementation.

### Proposer Comparisons

GreenWaste and Norcal are both qualified companies and provided competitive proposals. GreenWaste is a joint venture partnership, privately owned, with headquarters in San Jose. The partnership has 30 years of experience in the collection industry with current contracts in the cities of San Jose, Petaluma, Portola Valley, Woodside; Santa Cruz County and South Bayside Waste Management Authority. Norcal is a corporation with an employee stock ownership plan with headquarters based in San Francisco. Norcal’s parent company was recently identified as the nation’s 8th largest recycling and solid waste company and has collection agreements with 43 jurisdictions in Northern California, including San Francisco. Nine of these contracts are with
Service Comparisons

GreenWaste and Norcal proposed different approaches to providing the baseline and Zero Waste services outlined in the City’s RFP. Attachment C (starting on page 4) contains further comparisons of each proposer in the following key service areas:

- Residential collection methods for solid waste, recycling, yard trimmings, and other collection services including backyard collection and hard to serve areas;
- Commercial collection methods for solid waste, recycling, organics and food waste collection from special events;
- Roll-off services;
- City facilities collection;
- Customer service, and
- Diversion and processing.

Proposer Compensation Comparisons

The contractor’s total compensation for the new agreement is structured in two parts. The first part is a “base compensation” (including baseline and zero waste services) and the second part is for “extra services” provided on a unit-price basis. The base compensation includes: all labor, equipment, materials and supplies; cost of capital; payments to processors; payments to subcontractors; taxes; insurance; bonds; overhead; profit; and all other things necessary to perform the services required in the agreement. The extra service compensation based on a unit price basis was created to minimize cost to the City for services that change or have the potential to change frequently depending on modifications in service levels. The extra services include: back/side yard solid waste collection from single family residences, collection in hard to service areas, drop box services and cart purchases. The base compensation and unit pricing of the extra services for the first two years of the agreement (FY 2009-10 and FY 2010-11) will be set per the contractor’s proposal. In subsequent years, the base compensation and unit pricing in the extra services will be adjusted annually, based on the application of specified indices produced by the U.S. Department of Labor, Bureau of Labor Statistics. The summary chart contained in this report shows total compensation comparisons. Further cost detail comparisons are shown in Attachment D.

Best and Final Offer Process

In order to further lower costs and reduce the rate impact to customers, the Steering and Advisory Committee decided to request a Best and Final Offer (BAFO) from the two proposers following the June 23 Council meeting. The BAFO request provided the proposers with an opportunity to further refine and clarify their proposed services and costs.

Below is a summary chart on the total compensation comparisons, including base compensation (baseline and Zero Waste services) and extra services, based on HF&H Consultants’ analysis of the two cost proposals (Attachment D).
<table>
<thead>
<tr>
<th></th>
<th>GreenWaste</th>
<th>Norcal</th>
<th>Variance (GreenWaste – Norcal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2009-10</td>
<td>$13,528,238</td>
<td>$14,802,599</td>
<td>($1,274,361)</td>
</tr>
<tr>
<td>FY 2010-11</td>
<td>$13,664,508</td>
<td>$15,529,280</td>
<td>($1,864,772)</td>
</tr>
<tr>
<td>Total 8-Year Contract Term</td>
<td>$115,489,717</td>
<td>$131,815,753</td>
<td>($16,326,035)</td>
</tr>
<tr>
<td>8-Year Term % Difference</td>
<td></td>
<td></td>
<td>-14.1%</td>
</tr>
<tr>
<td>Total 12-year contract term</td>
<td>$181,344,013</td>
<td>$208,166,021</td>
<td>($26,822,008)</td>
</tr>
<tr>
<td>12-Year Term % Difference</td>
<td></td>
<td></td>
<td>-14.8%</td>
</tr>
</tbody>
</table>

**Evaluation of Proposals**

The evaluation review of GreenWaste and Norcal’s proposals was conducted by three separate committees: a Technical Advisory Committee, an Evaluation Committee, and a Steering & Advisory Committee. The configuration of each evaluation committee is shown in Attachment E. The Technical Advisory Committee consisted of departmental staff that reviewed the proposals focusing on each individual’s specialized technical areas (e.g. Utilities customer service billing) and provided this information through a summary report to the Evaluation Committee. The Evaluation Committee consisted of nine evaluators (including Public Works professionals from three neighboring cities) and was chartered to review and evaluate all proposals and related materials in detail, interview proposers, score and rank proposals and provide a recommendation to the Steering & Advisory Committee. The Steering & Advisory Committee was an executive staff level governance committee with oversight of the project and of the Evaluation Committee. HF&H Consultants and legal counsel Ray McDevitt from Hanson, Bridgett, Marcus, Vlahos & Rudy provided technical and legal analysis of proposals to the committees.

The evaluation scoring was based on the following criteria approved by Council in December 2007 (CMR:459:07) and identified in the RFP:

- **Administrative, Financial, and Contractual** (maximum 20 points), including such factors as:
  1. Solid waste and diversion experience of firm and key staff, municipal agency references, and regulatory record.
  2. Financial ability to perform its obligations under the Agreement including securing facilities and equipment.
  3. The number and significance of exceptions to the draft Agreement.

- **Technical and Environmental** (maximum 40 points), including such factors as:
  1. Reasonableness of transition and operational plan; effectiveness of collection and processing services and facilities (including marketing of materials); and, effectiveness of public outreach, education and customer services programs.
  2. 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 40 points), including such factors as:
  1. Reasonableness and predictability of future costs;
  2. Relative competitiveness of costs;
  3. Cost effectiveness; and
  4. Total cost.

The collective evaluation scores by the Evaluation Committee for both GreenWaste and Norcal’s proposals are summarized in the following table:

<table>
<thead>
<tr>
<th>Evaluation Criteria Category</th>
<th>Maximum Score Possible (9 evaluators)</th>
<th>GreenWaste</th>
<th>Norcal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative, Financial, and Contractual</td>
<td>180</td>
<td>129</td>
<td>161</td>
</tr>
<tr>
<td>Technical and Environmental</td>
<td>360</td>
<td>291</td>
<td>274</td>
</tr>
<tr>
<td>Cost</td>
<td>360</td>
<td>301</td>
<td>251</td>
</tr>
<tr>
<td>Total Score</td>
<td>900</td>
<td>721</td>
<td>686</td>
</tr>
</tbody>
</table>

In summary, out of a total possible aggregate score of 900, GreenWaste received a total score of 721 and Norcal received a score of 686. Six out of the nine evaluators gave GreenWaste a higher overall score whereas Norcal received the highest score from three of the evaluators. GreenWaste received a higher score in “Technical and Environmental” and in the “Cost” category of the evaluation criteria.

Justification for Staff Recommendation
Staff recommends selecting GreenWaste as the top proposer to negotiate a new agreement to provide services because GreenWaste scored highest in the evaluation process, provided a stronger operational proposal and is the lowest cost proposer.

GreenWaste’s key strengths include:
- GreenWaste’s costs are $16 million or 14 percent lower than Norcal’s over the 8-year contract term.
- GreenWaste’s operational approach for single family residential solid waste collection is preferable to Norcal’s. GreenWaste’s approach is similar to the current PASCO methodology. GreenWaste will collect solid waste using a two person crew with a single body semi-automated collection vehicle (versus Norcal’s one person per route with a split body vehicle). This limits the effect of transition on current residential customers and minimizes uncertainties associated with a new operational approach.
- The GreenWaste partners also own the processing sites for single stream recyclable materials, organics and C&D. The processing sites are closer to Palo Alto than Norcal’s proposed facilities thus reducing fuel costs and overall air emissions.
• GreenWaste plans to reduce the number of vehicles collecting solid waste from the commercial sector as recycling collection increases and becomes mandatory. This reduces costs and air emissions over the contract term.

Next Steps
Staff plans to negotiate with GreenWaste the terms of a final contract within the parameters set forth in this report and the maximum compensation projections set forth in CMR 256:08. Staff will return to Council with a recommendation for approval and execution of the final agreement in September 2008. New services are scheduled to begin July 1, 2009.

RESOURCE IMPACT
The detailed rate impact comparison conducted by HF&H between GreenWaste and Norcal’s proposals can be found in Attachment D, Tables B and D. The negotiation phase of the process has the potential to increase or decrease the proposed cost stated by the proposers, depending on minor adjustments to service levels and related factors (i.e. use of existing equipment). Staff will remain committed to not exceed the maximum compensation parameters tentatively authorized by Council on June 23, 2008 (CMR 256:08). The rate impact of the new baseline services and Zero Waste programs based on the recommended GreenWaste proposal is projected to be approximately 11.9 percent above FY 2008-09 rates, but could be slightly different depending on the negotiations as discussed above.

SMaRT Station and Kirby Canyon Landfill Cost Offset
The implementation of the Zero Waste services will result in an estimated 21,535 tons of less waste delivered to the SMaRT Station and to the Kirby Canyon Landfill in FY 2009-10 which will result in avoided disposal cost and put-or-pay commitments of approximately $1,350,402. This could reduce the rate impact to an estimated 7 percent annual (instead of the projected 11.9 percent), even after the penalty for not meeting the "put or pay" requirement at Kirby Canyon Landfill. The following table summarizes the projected rate impact in the first year of the new contract, FY 2009-10, based on the projected GreenWaste compensation.

<table>
<thead>
<tr>
<th>Projected Total Rate Impact for GreenWaste’s Compensation Proposal</th>
<th>FY 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated rate impact based on total compensation</td>
<td>11.9 %</td>
</tr>
<tr>
<td>Estimated rate net impact of avoided disposal and put-or-pay commitments at SMaRT Station/Kirby</td>
<td>(4.9%)</td>
</tr>
<tr>
<td>Total Projected Rate</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

POLICY IMPLICATIONS
The recommendation is consistent with existing policies and previous Council direction.
ENVIRONMENTAL REVIEW
In February 2008, the City retained HDR Consultants (HDR) to perform an environmental assessment in connection with the final award of the new contract. HDR is in the process of completing the environmental assessment which will be presented to the Council for approval in September 2008 along with the final agreement.

ATTACHMENTS
Attachment A: Resolution 8734
Attachment B: CMR:459:07
Attachment C: Proposer & Service Comparison
Attachment D: HF&H Analysis on Proposals Cost Impacts
Attachment E: Structure of Evaluation Committees

Copies of the attachments to this CMR:329:08 may be viewed on-line at http://www.cityofpaloalton.org/knowzone/agendas/council.asp; or at the Public Works Department counter located at 250 Hamilton Avenue, 6th Floor, Palo Alto or by contacting Paula Borges-Fujimoto at 650-496-5914.

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