



# City of Palo Alto

## Finance Committee Staff Report

(ID # 4128)

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**Report Type: Action Items**

**Meeting Date: 12/3/2013**

**Summary Title: Cost Saving Plan Modifications to the City's Street Sweeping Program**

**Title: Cost Saving Plan That Would Reduce the Frequency to Every Other Week for Street Sweeping in Residential/Light Commercial Areas and Contracting Out the Palo Alto Street Sweeping Program**

**From: City Manager**

**Lead Department: Public Works**

### **Recommendation**

Staff recommends that the Finance Committee:

- 1) Approve staff's recommended street sweeping cost savings plan described below; and
- 2) Direct staff to develop a Request for Proposals (RFP) and undertake a procurement process that would confirm or adjust the cost estimates and savings assumed in the plan. Following receipt and analysis of proposals, staff would take any appropriate contract (or contracts) to Council for approval along with a list of other recommended operational or budget related actions.

### **Executive Summary**

Staff is recommending a cost savings plan for the Street Sweeping Program as a follow-up to ongoing discussions with the Finance Committee. The proposed cost savings plan consists of two parts. First, it would contract out non-specialized components of the City's Street Sweeping Program. Second, it would reduce the frequency of sweeping in non-retail areas from weekly to once every-other-week during the non-leaf season. The cost savings would help replenish the Refuse Fund Reserves and mitigate future Refuse Rate increases for our residential and commercial customers.

As the first step, staff would develop a Request for Proposals (RFP) and undertake a procurement process that would confirm or adjust the cost estimates for private sector sweeping and savings assumed in this report's preliminary analysis. Following receipt and analysis of proposals, staff would take any appropriate contract (or contracts) to Council for approval along with a list of other recommended operational or budget related actions. Such contracts would commence at the earliest beginning FY 2015.

## **Background**

Within the last few years, due to increased operational costs, legacy costs and long term liabilities, the City's Refuse Fund has operated with a negative rate stabilization reserve. During the FY 2013 Budget process, as part of a continuing effort to lower costs, the Finance Committee requested that staff investigate strategies that could reduce costs in the street sweeping program. This program was a key area to consider cost savings, given that it constituted approximately \$2.2M of the \$30M Refuse Budget and utilized approximately one-half of the full-time staff positions in the Refuse Fund Budget.

In late 2012, staff analyzed the City's street sweeping program costs and surveyed several neighboring cities for relevant comparison information. The purpose of the analysis was to evaluate whether the City's street sweeping program's costs were in-line with other cities' costs and to evaluate whether there were any opportunities for modifying the City's program to achieve savings. Staff also solicited contractor costs by contacting street sweeping contractors who supplied conceptual costs for the proposed work.

Staff then analyzed options based on service level assumptions and scenarios that assumed contracting out part or all of the street sweeping operations. The options all deal with the main portion of the street sweeping program that involves large street sweepers working on regular routes. Staff targeted this element of the program because this type of service is competitively provided by the private sector. The other elements of the overall sweeping program are a collection of smaller programs such as the cleaning of bike paths, dead ends, parking lots, sidewalks etc. that are usually not provided by the private sector. Further, staff believes that keeping a small in-house street sweeper contingent will provide the highest service level for Palo Alto residents. Staff concluded that significant savings could be realized if the City contracted out the main street sweeping operation and reduced the frequency of sweeping during non-leaf

season (typically March – October) to every other week in residential/light commercial areas. In addition, staff also calculated the future long term pension/health care costs for the street sweeper operator staff as approximately \$330,000 per year (for only the five City Street Sweeper Operators involved in the main street sweeping operations). Public Works staff presented the information to the Finance Committee in March 2013 (Staff Report ID #3483). <https://www.cityofpaloalto.org/civicax/filebank/documents/33508>.

At the Finance Committee meeting in March 2013, staff discussed reducing the frequency of street sweeping to every other week in residential/light commercial areas during the non-leaf season and/or contracting out the main street sweeping operation. The Finance Committee stated an interest in staff evaluating contracting options that would go beyond the scenarios discussed by staff at the March meeting.

The Finance Committee gave approval for staff's next steps which were to finalize the cost analysis and to run a pilot project that reduced frequency to every other week in limited areas of the City during late spring through the end of summer to determine the environmental impacts and to gauge public reaction. This pilot has now been completed and the results are reported below and in Attachment A.

## **Discussion**

The every other week sweeping pilot has been completed and has demonstrated that the City can reduce the frequency of sweeping in the residential/light-commercial areas to every other week during non-leaf season without adverse impacts to the public or the environment (see Attachment A for pilot study data and conclusions). In addition, in accordance with the Finance Committee's requests, staff has performed further analysis of the City's program and has concluded that the main street sweeping and debris management operations can be contracted out providing significant savings to the City. Staff has developed a preliminary cost savings plan and analysis as described below.

Recommended Street Sweeping Preliminary Cost Savings Plan – The concepts of this plan are described in the table below. In summary, the City would contract out the entire street sweeping and debris management operation except smaller programs such as the cleaning of bike paths, dead ends, parking lots, sidewalks etc. The City would also reduce the frequency of sweeping in residential/light commercial areas during the non-leaf season. The Downtown/California Avenue areas would continue to be swept three times per week by the contractor.

Parking lots would continue to be swept weekly by City Staff.

Cost Savings Plan Concepts

1	Continue sweeping Downtown/California Avenue three (3) times per week. Contract out this work.
2	Continue weekly cleaning of parking lots, bike paths, dead-ends and downtown sidewalks. Continue using in-house staff and existing contracts to complete this work.
3	Reduce sweeping frequency to every other week during non-leaf season (except for Downtown/California Avenue areas).
4	Contract out the main street sweeping operation (i.e. all street sweeping performed by the large sweepers).
5	Contract out materials management (i.e. hauling leaf litter/debris to SMaRT).
6	Discontinue City Staff sweeping El Camino Real for CalTrans. Work towards amending/modifying CalTrans agreement.
7	Manage emergency responses with both in-house and contractor resources (traffic accidents, water main leaks, large rain events etc.).

*Comparison - Staffing and Equipment Cost Savings Plan*

<b>Staff</b>	<b>Current Program</b>	<b>Contracted Program</b>	<b>Staffing Reduction</b>
Lead Heavy Equipment Operator	1	0	-1 FTE
Heavy Equipment Operator	1	0	-1 FTE
Street Sweeper Operators	7	2	-5 FTE
Street Maintenance Assistants	2	2	0
<b>Total Staff</b>	<b>11</b>	<b>4</b>	<b>-7 FTE</b>
<b>Equipment</b>	<b>Current Program</b>	<b>Contracted Program</b>	<b>Equipment Reduction</b>

Large Street Sweepers	7	2	-5 large sweepers
Parking Lot Sweeper	1	1	0
Large Leaf Trucks (for picking up and hauling debris)	2	0	-2 large trucks
Green Machines (small sweepers used to clean sidewalks and bike paths)	3	3	0
Small Dump Truck	1	1	0
<b>Total Equipment</b>	<b>14</b>	<b>7</b>	<b>-7</b>

This cost savings plan is being recommended because it will implement the most cost effective solution to the refuse rate payers through a competitive procurement process. Proposal pricing will be compared to the City’s operational costs and the most advantageous proposal will be recommended for approval to the City Council. The City would keep a core workgroup of City employees that would continue sweeping sidewalks and parking lots and could respond to emergency response events if a contractor could not respond in a timely manner. Also, removal of the seven pieces of equipment from the City’s fleet would take the pressure off of the City’s Equipment Management Operations. Street Sweepers and the leaf trucks have intensive maintenance requirements because of the complexities of these vehicles.

Also, it should be noted that the manager responsible for overseeing the street sweeping program would still be needed to manage the street sweeping contractor as well as continuing to supervise the Downtown Streets Team, manage the traffic control maintenance crew, manage graffiti abatement, and field calls from residents and downtown businesses.

If this cost savings plan is approved and if the preliminary cost savings are confirmed through the competitive procurement process, then the Public Works Department would need to:

- Restructure the sweeper program with remaining staff in an organization structure that would make sense. Potential budget/personnel changes would need to be implemented;
- Signage – Staff would need to develop a new signage plan;
- Staff would need to determine the best mix of resources (both contractor and City) to respond to emergency responses. Staff is expecting to recommend retaining 3 sweepers and 2 street sweeper operators for routine work (not related to main street sweeping) and also for emergency response work – traffic accidents, water main breaks, storm debris removal etc.;
- Staff will include performance requirements into a contract with a sweeping contractor including meeting storm water quality best management practices; and
- Staff would need to be cross-trained to back up the more limited sweeping operations.

In addition, it should be noted that the City is a permit holder for stormwater discharge along with 75 other Bay Area municipalities in the Municipal Regional Stormwater Permit. This permit requires a long-term trash management plan be submitted by February 1, 2014. Street sweeping is an effective trash control measure that can reduce 80 to 99 percent of trash on the streets. Street sweeping reduces sediments that may contain pollutants such as heavy metals and removes leaves, which can have water quality impacts. Street sweeping also impacts frequency of catch basin clean outs needed. Changes in the street sweeping program will be coordinated with the development of the long-term trash management plan to ensure continued compliance with the requirements of the City's permit.

#### Recommended Next Steps

If the Finance Committee agrees with this staff recommendation, then the next steps would include staff developing a RFP and begin undertaking a procurement process for contracting services. Following receipt and analysis of proposals, staff will take any appropriate contract (or contracts) to Council for approval along with a list of other recommended operational or budget related actions. Such contracts would commence on or about August 31, 2014 and could be later, depending on Council action.

Because this proposal involves contracting out work that has traditionally been performed by SEIU bargaining unit members, the City will be required to meet

and confer with SEIU to discuss alternatives and the impact of contracting out. Staff has provided a copy of this report to SEIU representatives and plans to provide the opportunity to meet prior to the receipt of proposals and/or after the completion of the proposal evaluation process so that the City can consider any potential alternatives proposed by SEIU.

Finally, it is important to note that staff’s recommendation is conceptual in nature and that some or all of this plan implementation is contingent on the contractor pricing as well as operational factors such as proper emergency response coverage and ensuring that a contractor can perform the work in accordance with the high standards that is being completed now as well as storm water permit considerations.

**Policy Implications**

Approval of this RFP process does not represent any change to the existing policy.

**Resource Impact**

Potential cost savings will fluctuate based on pricing data received as a result of the RFP. Based on current information available, the estimated cost savings for contracting out the modified program are approximately \$295,000 compared to in-house resources. Given the current program configuration, the total estimated program costs savings would be approximately \$413,000. This amount reflects the reduction of seven staff positions and the reduction of seven equipment replacement and maintenance charges.

Annual Cost Comparisons (Main sweeping operation and debris hauling)

Item	In-House	Contracted	Potential Savings
<b>Current Program Costs</b> (Weekly sweeping with in-house resources)	\$1,074,000	Not proposed	N/A
<b>Modified Program Costs</b> (Every other week sweeping in residential/light commercial areas during the non-leaf season)	\$956,000	\$661,000	\$295,000

<b>Potential Savings from Current Program Costs for implementing both the modified program and contracting out</b>	<b>\$413,000</b>
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Annual costs represent preliminary estimates and may change. Savings related to staffing reductions are based on FY 2015 Forecast salaries and benefits. Estimates for equipment charges may change as fleet allocations are being developed as part of the FY 2015 budget process. Not reflected in the table above, nor quantified yet are savings to the Refuse Fund due to a reduction in General Fund cost plan charges, potential changes to salary and benefits costs resulting from ongoing labor negotiations, and future long term pension/health care costs. In addition, impacts to the Vehicle Replacement and Maintenance Fund will be analyzed further. The City would also realize an estimated one-time salvage value of approximately \$400,000 for the affected equipment.

**Timeline**

If approved, the next steps would be:

- Develop a request for proposals - December 31, 2013
- Proposals received and evaluated - March, 2014
- Council Approval - May, 2014
- Implementation - August 31, 2014

**Environmental Review**

The recommended action does not constitute a project under the California Environmental Quality Act (CEQA).

**Attachments:**

- Attachment A - Pilot Summary (DOCX)

## **Every-Other-Week Street Sweeping Pilot Project Report** **City of Palo Alto, October 7, 2013**

### **PURPOSE**

The City conducted a Pilot project to test the feasibility of every-other-week street sweeping service during the non-leaf season months of March thru September. The pilot program was implemented to evaluate whether the City can save costs by reducing sweeping frequency without significantly impacting residents or the environment.

### **DESCRIPTION**

The pilot project was approved by the Finance Committee on March 19<sup>th</sup>, 2013, and was conducted from May 13, through the end of September 2013. Weekly sweeping service returned October 1<sup>st</sup> and is scheduled to continue during the leaf season months roughly (mid-October through mid-February).

Pilot areas were chosen from current street sweeping routes with a mix of residential and light commercial zones. The Pilot areas were spread out evenly throughout Palo Alto in order to get a better understanding of the impacts of the service changes. All selected areas had standard Palo Alto tree growth including deciduous trees that drop their leaves during the non-leaf season. Operational needs were also considered when selecting areas, which allowed all sweeping staff to participate in the Pilot equally. Additionally, areas with scheduled posted street sweeping signage were not included so as not to disrupt the scheduled parking enforcement. A total of 25% of all street sweeping routes were chosen for the Pilot Program

The downtown areas of University and California Avenue and their surrounding streets were not included in this pilot project because they are not being considered for street sweeping reductions in the future.

### **RESULTS**

Because of the reduced sweeping during the Pilot program, City Operations used approximately 18% less fuel sweeping streets than during the same time period in 2012. Staff were also able to spend 800 hours performing “other than sweeping” tasks. In the 4.5 months of every-other-week sweeping, Staff received a total of 20 calls from residents in regards to the Pilot Program, 5 of the calls were received prior to the Pilot beginning with concerns that the reduced frequency of sweeping wouldn’t work. Of the 15 remaining calls (during the pilot), only 5 residents said that there were too many leaves in the street in front of their home and the 10 remaining calls were from residents voicing their opinion that bi-weekly sweeping was a bad idea in general and that it would lead to too many leaves in the street and possible flooding.

### **CONCLUSION**

While every-other-week sweeping does allow for debris to collect for a longer period of time in the streets (compared to weekly sweeping), the street sweeping staff were still able to complete their routes without having to work longer hours or make extra passes. Staff did not observe extra debris in the catch basins. Staff did not receive any calls that necessitated extra or “make-up” sweeping. In conclusion, the Pilot program did not have a significant environmental impact

in the areas where the Pilot was implemented and Staff believes that the Pilot program was successful in that it shows us no reasons for concern when decreasing the sweeping frequency from once every week to once every two weeks during the non-leaf season.

**Street Sweeping Pilot Project Calendar**

Pilot participants’ streets were swept every-other-week. Below is the calendar that was provided to help residents remember their street sweeping day.

	Indicates Street Sweeping Week For All Pilot Neighborhood Routes
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**May**

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

**June**

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**July**

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**August**

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10

11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Every-Other-Week Street Sweeping Pilot Routes Map

