



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Ward and Members of the City Council

**THROUGH:** Richard Thompson, Interim City Manager

**FROM:** Jim Arndt, Public Works Director  
Anna Luke, Management Analyst

**DATE:** July 20, 2010

**SUBJECT:** Consideration of Issues Regarding the Proposed Solid Waste Request for Proposal (RFP)

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### **RECOMMENDATION:**

The Finance Subcommittee recommends that the City Council discuss and provide direction on the following solid waste issues:

- “Additional” residential *trash* cart cost
- Determine a *hauler* diversion goal to be included as a part of the RFP

### **FISCAL IMPLICATION:**

It is possible that the new hauler contract could increase rates. Both issues will likely alter both customer rates and solid waste diversion the City achieves.

### **BACKGROUND:**

The City’s current solid waste contract with Waste Management will expire on April 30, 2011. City Council determined at its April 6, 2010 meeting to pursue the Request for Proposal process and entered into a contract with HF&H Consultants, LLC to prepare an RFP. On July 6, 2010 the Finance Subcommittee met to discuss the draft RFP and Franchise Agreement. The Finance Subcommittee requested Council consideration of issues surrounding costs for additional trash carts and hauler diversion goals.

The new Solid Waste RFP and Franchise Agreement are scheduled for City Council’s approval on August 3, 2010. This date is consistent with the City’s tight RFP process schedule, and leads to a new solid waste hauler contract to be in effect by May 1, 2011.

### **DISCUSSION:**

During the July 6, 2010 Finance Subcommittee meeting, the subcommittee discussed issues of the RFP and Franchise Agreement as identified by HF&H. Two specific issues were discussed at length, and they include:

1. Additional residential trash cart cost
2. Hauler diversion rate goal

Additional Residential Trash Cart Cost

The City will be changing its solid waste billing from a flat rate structure to a tiered-rate structure for gray trash carts only (recycling (blue) and green waste (green) carts will still be distributed to residents and serviced *at no additional cost*).

This process provides a financial incentive for residents to reduce waste and recycle by paying for trash disposal in proportion to their refuse disposal. All single-family residential households, including the Sand Section, may choose between a 35, 64 or 96 gallon cart. A cost will be assigned to each container based on size. *The cost is only assessed to trash carts.*

Since most Manhattan Beach residents currently have a 64 gallon gray trash container, the haulers will propose a rate for the 64 gallon gray trash cart (x), and the following tiered-rate structure for the **first trash cart-only** will apply:

- 35 gallons:** x - \$4
- 64 gallons:** x (most MB residents have a 64 gallon cart)
- 96 gallons:** x + \$4

According to a recent sampling of one route by Waste Management, approximately 6% of households have more than one trash cart. Experience gained from cities with a tiered-rate structure show that some of the multi-trash cart households will consolidate into one larger container, and/or more consciously recycle to reduce their trash volume. However, a small percentage will still generate enough trash for disposal which exceeds the capacity of the largest gray trash cart (96 gallons). *In those cases, households may request an additional cart for a fee.* The cost of the additional cart will be less than the cost of the first cart. Three options are offered for the City to consider. The options are outlined in Tables 1, 2, and 3 below.

TABLE 1  
OPTION 1

Cart Size	Cost per <i>additional trash</i> cart
35 gallons	\$10.00 per month
64 gallons	\$8.00 per month
96 gallons	\$6.00 per month

TABLE 2  
OPTION 2

Cart Size	Cost per <i>additional trash</i> cart
35 gallons	\$8.00 per month
64 gallons	\$6.00 per month
96 gallons	\$4.00 per month

TABLE 3  
**OPTION 3**

Cart Size	Cost per <i>additional trash</i> cart
35 gallons	\$6.00 per month
64 gallons	\$5.00 per month
96 gallons	\$4.00 per month

The Finance Subcommittee recommends Option 2, as they believe it creates the best cost balance and reflects similar cost proportionately of the tiered-rate structure.

Option 1 reinforces the aggressive tiered-rate structure and would aggressively impact rates for customers that send significant solid waste to the landfill. Option 3 tends to negate the impact of tiered-rates and would not provide as much motivation to recycle. Option 2 is a continuation of the tiered-rate structure.

Hauler Diversion Goal (and its relationship to the overall Diversion Rate)

The City’s solid waste diversion has two components. First is the Hauler Diversion Goal, and the second component is the Overall Diversion Rate. The new Franchise Agreement only holds the Hauler to the first component, the Hauler Diversion Goal.

Two options offered for the Hauler Diversion Goal to be included in the Franchise Agreement include:

1. 38% - Align with the current hauler’s experience.

The City Council may choose to establish the hauler diversion similar to Waste Management’s current diversion rate of approximately 38% (average of 2007-2009 hauler diversion is 37.6%), which includes 7.7% Transformation (waste to energy). It does not include the City’s Construction and Demolition Waste or other third party diversion. The proposing haulers may propose a higher rate, but the *required* diversion would be 38%.

2. 50% - Align more closely with City’s Environmental Task Force (ETF) recommendations to achieve more aggressive diversion.

Overall Diversion Goal

The state agency responsible for monitoring waste in California is called the Department of Resources Recycling and Recovery (a.k.a. Cal Recycle). The City of Manhattan Beach is currently in compliance with Cal Recycle’s overall diversion standard of 50% of total waste generated by the City. Since 2003, the City has been a member of “LARA” (Los Angeles Regional Agency), a collection of 16 member cities which the state allows to report cumulative diversion rates. LARA cities provide support and assistance to each other in the area of refuse. The member cities collectively report qualitative and quantitative successes to the state for a combined median rate. Based on disposal, Cal Recycle states that **the City of Manhattan Beach is in compliance with AB 939 by diverting over 50% of its solid waste from landfills.**

Current Hauling Contract

Section 3.8 of the City's current contract states the following:

“The minimum amount that shall be diverted through Recycling, Green Waste Collection, Mixed Waste Processing, and Transformation (waste to energy) is 50% of the waste collected during each year of this Agreement. Diversion achieved by Transformation shall consist of a maximum of 10% of the waste collected. Should the City not reach the AB 939 50% (overall) diversion goal for its entire waste stream, and if the City determines that the Company has not maximized diversion from the services and programs contemplated under this Agreement, the Company (Waste Management) agrees to undertake reasonable efforts to implement programs and provide equipment necessary in order for the City to meet the 50% (overall) diversion goal.”

In the event that the City is non-compliant with AB 939, the City may request that the hauler implement new programs, etc. to reach compliance. However, there is no specific percentage assigned to the hauler diversion rates because the *City as a whole has been in compliance with AB 939*; no additional programs or equipment have been requested of the current hauler (as relates to this section of the contract). Nor are there any liquidated damages written in the contract in the case of non-compliance whereas *the new Franchise Agreement includes both a firm hauler diversion rate and liquidated damages if the hauler fails to meet the hauler diversion rate of 38% ( or 50%).This moves hauler diversion from a “Goal” to a “Defined Minimum Diversion Rate”.*

Waste Management has averaged a 38% diversion rate over the last three years (2007-2009 calendar years). Because of the success of the Construction and Demolition program and what it adds to the hauler diversion as well as the City's recycle efforts, the City has been in compliance to the Overall Diversion Goal established by AB 939.

HF&H has received negative feedback from interested haulers regarding the Hauler Diversion Goal because the new Franchise Agreement will include a specific Hauler Diversion Goal and liquidated damages for non-compliance. There is a concern from haulers that requiring haulers to divert a mandatory 50% may either eliminate some bidders, or increase costs to an unacceptably high level.

The competing argument is that starting at the lower diversion rate of 38% (existing level of hauler diversion), does not take into account some of the changes in the next contract. Those changes, such as the tiered-rate structure and mixed waste processing, in addition to other ETF goals, will naturally increase the diversion rate. Starting expectations low may not achieve desired diversion rates and does not advance haulers in assisting the City of increasing diversion. Not all haulers are the same and company infrastructure has much to do with diversion success. One hauler may have effective mixed waste processing facilities close by and therefore may achieve a 50% diversion goal easier than a hauler who does not own the same type of facility. Without establishing a more aggressive diversion rate, it may diminish incentives to increase diversion.

Table 4 lists the Pro’s and Con’s of both the 38% and 50% hauler diversion goal.

**TABLE 4**  
Pro’s & Con’s of Hauler Diversion Goal

<b>38% Hauler Diversion</b>		<b>50% Hauler Diversion</b>	
<b>Pro</b>	City likely to receive more bid packages	<b>Pro</b>	Guaranteed compliance of state requirement in the event C&D program does poorly or City discontinues membership with LARA
<b>Pro</b>	Easiest diversion goal to obtain, requiring less programs	<b>Pro</b>	Aligns with the Environmental Task Force goals
<b>Pro</b>	Possibly lower customer rates	<b>Pro</b>	Motivates hauler to implement more effective programs
<b>Con</b>	City’s C&D program must compensate the entire gap in order to meet 50% state goal	<b>Con</b>	Possibly fewer bidders
<b>Con</b>	Does not incorporate the spirit of the ETF diversion goals	<b>Con</b>	Increased effort by hauler to obtain goal
<b>Con</b>	Limit hauler’s motivation to implement new programs	<b>Con</b>	Possibly higher rates than a 38% goal, more programs needed

**CONCLUSION:**

Staff recommends that the City Council discuss and provide direction on additional trash can costs and Hauler diversion goal to be included in the RFP.

cc: Laith Ezzet, HF&H Consultants, LLC  
Bruce Moe, City of Manhattan Beach Finance Director