Ellen A. Smyth, P.E.
Director, Environmental Services

CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: **Environmental Services**

AGENDA DATE: **December 1, 2009**

CONTACT PERSON NAME AND PHONE NUMBER: Ellen A. Smyth, P.E., Director, (915) 621-6719

DISTRICT(S) AFFECTED: All

SUBJECT:
Formal Report of the Environmental Services Legislative Review Committee, Representative Susie Byrd, Chair.

BACKGROUND / DISCUSSION:
The Environmental Services LRC met on November 12, 2009. Members present were Representative Susie Byrd, Chair, Representative Ann Morgan Lilly, Representative Emma Acosta and Representative Rachel Quintana. The following items were discussed and a formal report has been submitted,

1) Solid Waste fees for vacant residential homes.

2) Requiring commercial developments to develop and implement a solid waste management plan to include sufficient on-site trash receptacles, adequate disposal service and maintaining the cleanliness of the property.

3) Implementing a construction waste manifest to include a deposit fee to ensure adequate waste disposal service and cleanliness of construction sites.

4) Clarification of language for Request for Proposal for privatization of collections and landfill operations.

5) Proposed revisions to Air Pollution Ordinance, Chapter 9.36, to allow for disposal fires that consist of on-site burning of trees, brush, grass, leaves, branch trimmings, or other plant growth on city-owned property when no other practical alternative to burning exists.

6) Proposed revisions to Chapters 5.32 and 9.48 (Public Swimming Pools) clarifying the application processing and license issuance

provisions in 5.32.060 and 5.32.070; moving the correction and re-inspection, suspension, revocation and appeals processes to Chapter 9.48; adding a water sampling fee to Section 5.32.140 (Fees); the penalty as is provided in Section 5.32.160 of the El Paso City Code; and to delete references to bacteriological water sampling; to clarify signage in Section 9.48.130; to clarify violation categories in Section 9.48.150; to clarify suspension criteria in Section 9.48.250; to add revocation and appeal language in Sections 9.48.255 and 9.48.270, respectively; the penalty as provided in Section 9.48.260 of the El Paso City Code.

PRIOR COUNCIL ACTION:

AMOUNT AND SOURCE OF FUNDING:

_____

BOARD / COMMISSION ACTION:

Enter appropriate comments or N/A

_____

********************REQUIRED AUTHORIZATION**********************

DEPARTMENT HEAD:

_____

(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

DRAFT
Environmental Services Legislative Review Committee
Thursday, November 12, 2009
2nd Floor, Council Chambers, City Hall

Attendees:

Representative Susannah Byrd

Josette Flores, Attorney

LEGISLATIVE REVIEW COMMITTEE
Meeting Action Report

Committee: Environmental Services

Members: City Representative Susie Byrd (Chair)
City Representative Ann Morgan Lilly
City Representative Rachel Quintana
City Representative Emma Acosta

Staff Assignee: Ellen A. Smyth, Director, Environmental Services

Date of Meeting: November 12, 2009

I. Discussion and action on solid waste fees for vacant residential homes.

Summary:
Recommendations were presented to establish a Vacancy Rate for solid waste fees for uninhabitable, military deployment or unusual circumstances, i.e., job related, medical or life events. The current City requirement is that a refuse fee is charged once water service is established through the El Paso Water Utilities. As long as the building is receiving water service, the refuse charge is not turned off. No Texas cities that were researched have a vacancy rate. The City of San Jose, California and Seattle, Washington provide a Vacancy Rate.

Action Taken:
The LRC voted 2-2 to take the full item to Council as presented by City staff with no recommendation to Council. A request was made for additional staff analysis to include an estimate of deployment from Ft. Bliss. Representative Byrd and Lilly opposed changes to the current requirements. Representative Acosta wanted language added to include rental or properties for sale if vacant for 2 months or more. No public comment was presented.

Disposition:
This item will be forwarded to City Council for their recommendation.

II. Discussion and action on requiring commercial developments to develop and implement a solid waste management plan to include sufficient on-site trash receptacles, adequate disposal service and maintaining the cleanliness of the property.

Summary:
Recommendations were presented to consider changes to Title 9.04 on number and size of containers, cleanliness of container area and private hauler accountability. The current Municipal Code does not have requirements for commercial establishments to have a Solid Waste Management Plan to provide adequate trash receptacles for parking lots and anti-litter signage.

Action Taken:
The LRC voted 4-0 in favor of staff to move forward with formalizing a solid waste management plan as presented by City staff. The approach will model Laredo's Beautification Plan, and staff will work with Permits and Inspections to incorporate a plan for all existing and future commercial development. Staff will conduct stakeholder's meeting for established commercial development. The Plan should also incorporate recycling, receptacles for returning plastic bags, covered tops for containers, and review of the formulas for waste storage capacity. The LRC recommended shared sidewalk receptacles for congested strip center areas such as Ft. Boulevard.

Disposition:
This item will be brought to City Council for their recommendation. LRC members will review the City Council posting before submission to full Council.

III. Discussion and action on implementing a construction waste manifest to include a deposit fee to ensure adequate waste disposal service and cleanliness of construction sites.

Summary:
The current Municipal Code does not require a construction waste manifest for disposal of construction and demolition waste. The proposed change would establish a construction waste manifest that would apply to construction projects such as residential and non-residential remodeling, new construction and demolition projects. The recommendation would include a requirement to divert a percentage of construction and demolition waste for recycling purposes. No public comment was presented.

Action Taken:
The LRC voted 4-0 to support the proposed manifest program as presented by City staff to model the City of Irvine & City of San Jose, California Programs. It was further requested that the Environmental Services work with Development Services Department to create a manifest permit at the permitting stage, to hold stakeholder's meetings, and to include provisions in Chapter 18.02 for on-site waste containers at construction sites. Environmental Services will develop a program to include deposit fees, rebate, policy and procedures. The LRC also recommended the concept of a re-use store operated by a non-profit where recycled construction material could be sold for re-use.

Disposition:
This item will be brought to City Council for their recommendation.

IV. Clarification of language for Request for Proposal for privatization of collections and landfill operations.

Summary:
Staff presented assumptions regarding the request for proposal for privatization of collections and landfill operations. The Request for Proposal (RFP) will have three bid options: landfill operations (lease of the Clint Landfill), city-wide residential collections (trash and recycling), and residential collections and landfill operation. The RFP will include the sale of landfill equipment and collections trucks. The City will continue to bill the citizens, retain ownership of the bins, and continue to provide customer service. The RFP will include a provision that the City employees be hired by the contractor. Public comment was presented.

Action Taken:
The LRC was not in support of the proposed leasing of the Clint Landfill but rather having an operations management contract to operate the Landfill. The LRC requested that only 25 percent of the City's residential collections be included in the RFP as a pilot program, and that other parts of the City residential collections would be phased at a later date if appropriate. The LRC requested that the contractor be responsible for any violations that may occur during the landfill operation, and that the contractor be required to hire the City employees. The LRC also requested information from RW Beck to report the financial benefits, significant changes, or cost savings from phased privatization. The summary should include case studies from other cities who have implemented privatization. A

summary memo from the City's consultant is expected by 12-1-09

Disposition:
This item be brought to City Council for their recommendation.

V. Discussion and action on proposed revisions to Air Pollution Ordinance, Chapter 9.36, to allow for disposal fires that consist of on-site burning of trees, brush, grass, leaves, branch trimmings or other plant growth on city-owned property when no other practical alternative to burning exists.

Summary:
The most significant change proposed by this amendment is allow on-site burning on City owned properties. This amendment is being required by TCEQ, especially for the Rio Bosque Park. Public support was presented.

Action Taken:
The LRC voted to support the proposed amendment as presented by City staff by a vote of 4-0. It was further requested that this Amendment only be applied to the Rio Bosque Park and not any other city-owned property.

Disposition:
This amendment will be introduced on at a future Council Meeting

VI. Discussion and action on proposed revisions to Chapters 5.32 and 9.48 Clarifying the application processing and license issuance provisions in 5.32.060 and 5.32.070; moving the correction and re-inspection, suspension, revocation and appeals processes to Chapter 9.48; adding a water sampling fee to Section 5.32.140 (Fees); the penalty as is provided in Section 5.32.160 of the El Paso City Code. And to delete references to bacteriological water sampling; to clarify signage in Section 9.48.130; to clarify violation categories in Section 9.48.150; to clarify suspension criteria in Section 9.48.250; to add revocation and appeal language in Sections 9.48.255 and 9.48.270, respectively; the penalty as provided in Section 9.48.260 of the El Paso City Code – Public Swimming Pools.

Summary:
The most significant changes proposed to Chapter 5.32 is a clarification of the application process and license issuance, move the correction and re-inspection, suspension, revocation and appeals processes to Chapter 9.48, reference the current fee scheduled adopted by Council resolution, and add a water sampling fee.

The most significant changes proposed to Chapter 9.38 is clarification of references to State Code, delete references to bacteriological water sampling, clarify signage requirements, clarify violation categories, and language regarding suspensions, revocations and appeals. No public opposition was presented.

Action Taken:
The LRC voted to support the proposed amendments as presented by City staff by a vote of 4-0. The LRC recommended that Parks and Recreation fully understand the intent to the proposed changes.

Disposition:
This amendment will be introduced at a future Council meeting.

SUBMITTED BY:

_____
City Representative Susie Byrd, District 2
Chair, Environmental Services LRC

Representative Ann M. Lilly
Representative Rachel Quintana
Representative Emma Acosta
Kurt Fenstermacher, ESD
John Garza, ESD
Miguel Parra, ESD
Stanley W. Mitton, Job Corps
Alejandro Garcia, EPCC
Camerina Tellez, R & L Investments
Delma Scott, Homeowner

Debbie Strom, ESD
Tammy Fonce, ESD
Lucinda Chavez, ESD
Victor Ramirez, ESD
Danny Soto, ESD
Debbie Strom, ESD
Gloria Duran, ESD
John Sproul, UTEP
Frank Garda, UTEP

#1. Call to order and establish quorum
The meeting of the Environmental Services Legislative Review Committees was called to order by the Chair Representative Byrd at 1:00 p.m., and a quorum was established.

#2. Discussion and action on the approval of Legislative Review Committee Minutes of June 18, 2009.
Motion was made by Representative Quintana and seconded by Representative Lilly to approve the minutes.

#3. Discussion and action on solid waste fees for vacant residential homes.

Ms. Chavez reported that no other Texas cities she researched had a vacancy rate for unoccupied dwellings. Ms. Chavez reported that the City of Las Vegas, Nevada, City of San Jose,, California and Seattle, Washington have a vacancy rate meeting certain guidelines. Staff reviewed several proposed program guidelines to establish a Vacancy Rate for uninhabitable, military deployment or unusual circumstances, i.e., job related, medical or life events, or leave the requirement as written. Representative Byrd stated ESD fees support a variety of programs, and it is not fair for others to cover the cost. Representative Byrd remarked that there is an option to cut off service. Discussion followed on rental properties and properties for sale. Mr. Fenstermacher stated that those types of circumstances are not being considered. Representative Acosta wanted language added to include rental or properties for sale if vacant for 2 months or more. Representative Byrd and Lilly opposed changes to the current requirements. Ms. Strom presented an analysis on unoccupied units. Representative Acosta requested additional staff analysis to include an estimate of deployment from Ft. Bliss.

Motion made by Representative Quintana and seconded by Representative Acosta to send the item to the City Council. Representative Byrd and Lilly voted against the proposed change, but supported taking to Council for their input.

#4. Discussion and action on requiring commercial developments to develop and implement a solid waste management plan to include sufficient on-site trash receptacles, adequate disposal service and maintaining the cleanliness of the property.

Staff presented recommendations changes to Title 9.04 on number and size of containers, cleanliness of container area and private hauler accountability. The current Municipal Code does not have requirements for commercial establishments to have a Solid Waste Management Plan to provide adequate trash receptacles for parking lots and anti-litter signage. Ms. Chavez stated that the City of Laredo, Texas has a beautification plan that requires litter receptacles and

signage in parking lots to prevent littering generated from commercial activities. The LRC favored the Plan and asked that staff include recycling, receptacles for returning plastic bags, covered tops for containers, and review of the formulas for waste storage capacity. Ms. Chavez stated that she will be working with Permits and Inspections to incorporate a plan for all existing and future commercial development. Stakeholder's meetings will be held with existing commercial development. Representative Byrd also asked for shared sidewalk receptacles for congested strip center areas such as Ft. Boulevard.

Motion made by Representative Acosta and seconded by Representative Lilly *to* move forward with formalizing a solid waste management plan modeled from the City of Laredo, Texas and to present to the full Council.

#5. Discussion and action on implementing a construction waste manifest to include a deposit fee to ensure adequate waste disposal service and cleanliness of construction sites.

Ms. Chavez reported that the current Municipal Code does not require a construction waste manifest for disposal of construction and demolition waste. The proposed change would establish a construction waste manifest that would apply to construction projects such as residential and non-residential remodeling, new construction and demolition projects. The Plan would include a requirement to divert a percentage of construction and demolition waste for recycling purposes. Ms. Chavez reviewed the City of Irvin and City of San Jose, California programs. The LRC requested that staff work with Development Services to create a manifest permit at the permitting stage, to hold stakeholder's meetings, and to include provisions in Chapter 18.02 for on-site waste containers at construction sites. Staff will develop a program to include deposit fees, rebate, policy and procedures. The LRC also recommended the concept of a re-use store operated by a non-profit where recycled construction material could be sold for re-use.

Motion made the Representative Acosta and Representative Lilly to move forward with a Construction and Demotion Waste Manifest Program and that it be brought to City Council for their input.

#6. Clarification of language for Request for Proposal for privatization of collections and landfill operations.

Staff presented assumptions regarding the request for proposal for privatization of collections and landfill operations. The Request for Proposal (RFP) will have three bid options: landfill operations (lease of the Clint Landfill), city-wide residential collections (trash and recycling), and residential collections and landfill operation. The RFP will include the sale of landfill equipment and collections trucks. The City will continue to bill the citizens, retain ownership of the bins, and continue to provide customer service. The RFP will include a provision that the City employees be hired by the contractor. Public comment was presented. Representative Byrd was apprehensive about the concept and its impact to the city employees. Representative Acosta stated that she opposed leasing of the Clint Landfill because any violations that might occur would remain the responsibility of the City. Discussion followed on the leasing versus management contract for the Clint Landfill. The LRC was not in support of the proposed leasing of the Clint Landfill but rather having an operations management contract to operate the Landfill. The LRC requested that only 25 percent of the City's residential collections be included in the

RFP as a pilot program, and that other parts of the City residential collections would be phased at a later date if appropriate. The LRC requested that the contractor be responsible for any violations that may occur during the landfill operation, and that the contractor be required to hire the City employees. The LRC also requested information from RW Beck to report the financial benefits, significant changes, or cost savings from phased privatization. The summary should include case studies from other cities who have implemented privatization. A summary memo from the City's consultant is expected by 12-1-09. Public comment was present. Ms. Delma Scott, homeowner, remarked that the bidder should not be given the opportunity to select what area they wanted to handle garbage. Representative Acosta stated that they would include such language not to allow the bidder to select the area they wanted to service. Mr. Deborah Strom remarked about the employee impact and current ESD operations.

Motion made by Representative Acosta and seconded by Representative Lilly to bring the item before the City Council for their input, and to consider the LRC recommendations.

#7. Discussion and action on proposed revisions to Air Pollution Ordinance, Chapter 9.36, to allow for disposal fires that consist of on-site burning of trees, brush, grass, leaves, branch trimmings or other plant growth on city-owned property when no other practical alternative to burning exists.

Mr. Parra discussed a proposed ordinance that would allow for outdoor burning of trees, brush, grass, leaves or other plant growth when no other practical alternative exists for City owned facilities. Mr. Parra stated that this ordinance is being requested by TCEQ for the Rio Bosque Park as it is within the City of El Paso limits. Representative Acosta stated she objected for the ordinance to apply all City owned properties. Mr. Parra remarked that the City Department making the request would have to apply with the Fire Department for an open burning permit with ESD approval. Public support was presented. Mr. Sproul stated that he supported the proposed Ordinance.

Motion made by Representative Acosta and seconded by Representative Lilly to present to City Council the proposed ordinance and that it only be for the Rio Bosque Park and not to allow other city-owned properties.

#8. Discussion and action on proposed revisions to Chapters 5.32 and 9.48 Clarifying the application processing and license issuance provisions in 5.32.060 and 5.32.070; moving the correction and re-inspection, suspension, revocation and appeals processes to Chapter 9.48; adding a water sampling fee to Section 5.32.140 (Fees); the penalty as is provided in Section 5.32.160 of the El Paso City Code. And to delete references to bacteriological water sampling; to clarify signage in Section 9.48.130; to clarify violation categories in Section 9.48.150; to clarify suspension criteria in Section 9.48.250; to add revocation and appeal language in Sections 9.48.255 and 9.48.270, respectively; the penalty as provided in Section 9.48.260 of the El Paso City Code – Public Swimming Pools.

Mr. Ramirez reviewed the proposed changes to Chapter 5.32. Mr. Ramirez stated that the amendments would clarify the application process and license issuance, move the correction and re-inspection, suspension, revocation and appeals processes to Chapter 9.48, reference the current fee scheduled adopted by Council resolution, and add a water sampling fee.

Mr. Ramirez reviewed the proposed changes to Chapter 9.38. Mr. Ramirez reported that the changes would clarify references to State Code, delete references to bacteriological water sampling, clarify signage requirements, clarify violation categories, and language regarding suspensions, revocations and appeals. Representative Acosta inquired if Parks and Recreation were aware of the proposed changes. Mr. Garza stated that staff has been working with them. No public comment was presented.

Motion made by Representative Acosta and seconded by Representative Lilly to present to City Council support to the proposed amendments to Chapter 5.32 and Chapter 9.38

#9. Public comment
#10. Set next meeting
#11. Adjournment
MOTION was made by Rep. Acosta and seconded by Rep. Lilly to adjourn the meeting.

The meeting ended at 2:45 p.m.

Notes taken by Gloria Duran, Office Manager, ESD.

To: Kurt Fenstermacher, City of El Paso

From: Scott Pasternak, R. W. Beck, Inc.

Subject: Case Examples of Municipal and Private Landfill and Collection Operations

Date: November 24, 2009

Overview

The purpose of this memo is to provide the City of El Paso (City) with case examples from other cities as part of its ongoing evaluation of options for the City's landfill and residential collection operation. This memo includes examples of the following:

- Municipalities that have evaluated privatizing either a landfill or collection operation and decided to retain the operation under municipal control;
- Municipalities that have taken over a residential collection operation that had previously been operated by the private sector; and
- Municipalities that have chosen to privatize either a landfill or collection operation.

Collection Case Studies

The case studies below are examples of municipalities that evaluated, and, in some cases, implemented privatization of the residential collection operation.

Phoenix, Arizona

The City of Phoenix has employed a managed competition process for residential solid waste and recycling collection since 1979. In this process, the City competes against private sector service

providers for contracts to serve various service areas within the City. Initially, upon implementing managed competition, the City lost the first two bids to private companies. At that point in time, the City made a concerted effort to evaluate the operation and improve efficiency. Overall, the City has won six of the 12 bids since 1979.

Service Areas

The City had six service areas until 2007. Substantial customer growth had created a significant imbalance in households across service areas. In 2007, the City initiated a redistricting process to change the number and size of service areas. Prior to the redistricting effort in 2007, the service areas had not changed since 1999. Based on the redistricting process the City increased the number of service areas from six to 10. Service area boundaries were designed to:

- Optimize collection and staffing efficiency
- Minimize day of collection and commodity changes
- Recognize need to accommodate projected growth

Table 1 identifies the size of each service area, as well as the service provider. The City is currently the service provider for all of the service areas in the City.

Table 1
City of Phoenix Service Areas

Service Area	Households	Service Provider
A	25,200	City
B	30,100	City
C	45,700	City
D	39,000	City
E	41,900	City
F	36,000	City
G	36,700	City
H	28,000	City
I	40,600	City
J	44,800	City

Award Procedure

The details of the City's bidding and award procedure are as follows:

- Contracts for service areas are six years in length.
- The City will put one service area out to bid at a time with two years between bids.
- The bidding of service areas will be spread across various Council districts over time.
- The City will complete a full bid rotation among all service areas approximately every 20 years based on having 10 service areas.
- No more than 50 percent of the City's solid waste residential contained collection service will be provided by a private contractor.

Benefits of Municipal Operations

The City recently conducted a bid for a service area, which was the only outstanding service area not being serviced by the City. As a result of the concerted efforts to provide efficient and cost effective service, the City was able to bid a price for service that was lower than the three private companies that proposed. The rates proposed as part of this bid process are shown in Table 2 below. The pricing only includes weekly collection of contained refuse and recycling using wheeled carts.[1]

Table 2
Bids for Service Area

Organization	Rate
City	$6.25
Allied Waste	$8.75
Red River Waste Solutions	$11.99
Waste Management	$14.74

Pittsburgh, Pennsylvania

The City of Pittsburgh (population of approximately 310,000) has approximately 143,000 households. The City provides weekly residential collection of trash, bi-weekly collection of recyclables, and monthly collection of bulky items. Garbage is collected using a manual process. Recyclables are collected manually, in a dual stream.

In the fall of 2005, the City conducted a managed competition process on its solid waste and recycling collection services. The City of Pittsburgh was under the jurisdiction of "Act 47", which is a Pennsylvania law that applies to municipalities that experience certain financial difficulties. It establishes a mechanism to create a supervised financial recovery plan. Part of Pittsburgh's recovery plan has been to use managed competition as a process to reduce the costs of providing various types of services. Solid waste collection was one of those services identified to be subject to the managed competition process.

Service Area

In 2005, the City issued an RFP for residential collection services that included two options for the service area:

- Entire Southern Division (31,000 collection units, or approximately one quarter of the city)
- Portion of Southern Division (11,500 collection units, or contiguous routes representing approximately 10 percent of the City)

Award Procedure

The managed competition was established to be a sealed proposal RFP process. The City engaged a consultant to assist in the development of the procurement and to assist in the evaluation of the proposals received. In addition, the City engaged a separate consultant to independently work with the employees of the Pittsburgh Bureau of Environmental Services to

[1] All other services are provided by the City. These services include but are not limited to disposal, recycling processing, uncontained (bulk material) collection and disposal, public education, billing, customer service, etc.

evaluate and improve the in-house collection operations and to prepare their proposal. The entire process was overseen by the Act 47 Committee.
The RFP called for proposals and pricing based alternatively on three and five year anticipated contract terms.

Benefits of Municipal Operation

Three proposals were received from three entities – the City employee team, Allied Waste and Waste Management. The City employee team's proposal was selected as the lowest and best. For example, in the entire Southern Division option, and assuming the three year contract term, the City employees were approximately $1 million per year lower than the private haulers. Furthermore, the City employees proposed an alternative four days/week collection schedule that could achieve approximately $345,000 in additional savings and enable them to improve the bulky goods collection frequency from monthly to weekly.

Edmond, Oklahoma

The City of Edmond has a population of approximately 80,000 and approximately 25,000 residential accounts. In 2005 the City of Edmond Public Works Authority conducted a managed competition process for solid waste collection services in the City. Through the managed competition process, the City's Solid Waste Utility had the opportunity to submit its bid for solid waste collection along with bids from private solid waste collection companies. The purpose of conducting the managed competition process was to allow the Public Works Authority to evaluate whether the Solid Waste Utility was providing best value for the City, from both a financial perspective and a quality of service perspective.
The City's RFP included all collection services but did not include disposal. All waste collected pursuant to the contract would continue to be disposed using the City's contract with a third party transfer station. The contract was for a seven year term and included provisions requiring the bidders to extend employment offers to all City employees as well as purchase all of the City's collection vehicles.

Service Area

The managed competition process included providing collection service for the entire City.

Award Procedure

The City conducted a two-step process RFP process for the procurement. All bids were submitted in two sealed envelopes: the first envelope summarized the organization's qualifications and experience performing solid waste collection services, and the second envelope showed the cost proposal. Once the bidding organization was deemed qualified, the City opened the cost proposals.
Although seven companies attended the pre-bid meeting, the City only received one bid from a private company. Reasons given from the other companies for not responding to the bid solicitation included:

- Bid specification too specific (e.g., hiring of City employees and purchasing City vehicles)
- Disposal not included in bid
- Insufficient time to respond to bid solicitation

Benefits of Municipal Operation

The City compared the cost proposed by the private company bid to its internal cost of service, as determined by a prior cost of service study. As shown in Table 3 below, the City could conduct collection operations more cost effectively than the private company.

Table 3
Summary of Cost Proposals

Service	Inland Service Corporation	City	Difference
Cart Collection	$2,237,136	$1,213,776	($1,023,360)
Satellite Shuttle	$67,488	$82,980	$15,492
City-Coded Bag Collection	$86,076	$46,944	($39,132)
Brush and Bulky Collection	$163,920	$209,076	$45,156
Front-load Collection	$846,456	$539,057	($307,399)
Roll-off Collection	$101,700	$54,156	($47,544)
Total	$3,502,776	$2,145,989	($1,356,787)

Charlotte, North Carolina

The City of Charlotte (population of approximately 540,000) has approximately 197,000 households. The City of Charlotte began managed competition for residential solid waste services in 1996. Curbside garbage, recycling, yard waste, and bulky item collection services are provided to these households. Garbage collection is fully-automated; recycling collection is a manual, dual stream process with voluntary collection.

Service Areas

The City of Charlotte has four zones (e.g. service areas) that are divided geographically as detailed in Table 4.

Table 4
Number of Households by Service Area

Service Area	Households	Service Provider
West	43,130	Inland Service
South	45,148	City
East	45,236	City
North	64,023	City

Award Procedure

The City's Solid Waste Services Department operates under a combination of managed competition and service optimization. Presently, two zones are awarded through managed competition by competitive bid with the private sector. The other two zones complete an optimization process that consists of an internal submission of projected costs for the new service period that is evaluated by the City's Internal Audit Department to ensure its cost effectiveness.

Under the City's competition model, the Business Support Services Procurement Division organizes the competitive bidding process. Under this managed competition process, SWS

submits its own competitive bid along with private sector companies. Based on an analysis of qualified bids by the Internal Audit Department, a bid award recommendation is forwarded to the City Council for ratification.

Benefits of Managed Competition

The City of Charlotte, based on a 2004 report issued by the University of North Carolina at Chapel Hill's Institute of Government, has among the lowest cost of residential refuse collection in the state. Collection costs per ton are approximately 45 percent lower than the statewide average. The City attributes much of this financial performance to the managed competition system that encourages the City to be as efficient and cost effective as possible. The City has been successful in competing with the private sector. Of the 12 competitive bids that have been conducted since 1995, the City has lost only once to the private sector, to Inland Service Corporation.

Minneapolis, Minnesota

The City of Minneapolis (population of approximately 382,000) has approximately 107,000 households. Curbside garbage, recycling, yard waste, and bulky item collection services are provided to these households. Garbage collection is semi-automated; recycling collection is a manual, source separated by resident process. While recycling is not mandatory, residents do receive a $7 per month credit on their refuse bill for recycling.

In 1960, the City of Minneapolis adopted an ordinance that required the City to provide at least 50 percent of the residential solid waste collection services in the City. Since 1971, the City has been divided into two service areas. The City and a consortium of private haulers each serve one-half of the City. The private consortium, Minneapolis Refuse, Inc. (MRI), includes 15 companies. Waste Management and BFI (Allied Waste) comprise 30 percent of MRI, with 13 smaller haulers servicing the remainder of MRI's service area.

Service Areas

There are two service areas in the City. MRI services approximately 53,500 households on the western side of the City, and the City's Public Works Department provides services to the other 53,500 households on the eastern side of the City.

Award Procedure

Even though MRI provides collection services under contract to the City, residential solid waste collection services have not been bid competitively in more than 35 years. MRI has effectively renewed its contract without having the City go through a competitive bid process. Minnesota law provides cities with an option when it comes to whether to require competitive bids for services such as solid waste collection. The City entered into a new five year contract with MRI in 2008.

Benefits of Privatization

Based on discussions with City staff, the City is able to perform service at a lower cost than the consortium of private haulers. When the most recent contract was being negotiated, the City's cost of service was $10.49 per customer monthly, and the negotiated contract price for MRI was $10.79. However, there are other issues that council has taken into consideration with regard to the consortium, such as benefiting local businesses and not interrupting service for customers.

City of Hollywood, Florida

The City of Hollywood has a population of approximately 141,000 people and approximately 32,000 residential households. In 2009, the City underwent a managed competition process for residential collection service. The primary driver of the process was the projected $6.3 million budget shortfall expected to be incurred by the City's Environmental Services Division over the next several years.

Based on the RFP process, the City entered into a contract with Waste Pro that will begin in February 2010.

Service Areas

The managed competition process included providing collection service for the entire City.

Award Procedure

The City developed an RFP for the managed competition process. The process of comparing the proposed rates to the City's internal costs was an informal process, as the City did not prepare a formal proposal.

Benefits of Privatization

The primary benefit associated with privatizing the City's residential collection was cost. Table 5 below shows the proposed pricing from all of the service providers that proposed as part of the RFP. As previously discussed, the City's costs were not deemed to be competitive with the private sector providers; however, since they did not prepare a formal proposal, specific pricing information is not available.

Table 5
Proposed Pricing for Hollywood, Florida

Company	Rate
Solid Waste Solutions	$10.69
Gramercy Group	$17.43
Waste Management	$12.33
Waste Pro	$11.49
Waste Services	$14.14
Choice	$13.13

Landfill Case Studies

The case studies below are examples of municipalities that evaluated, and, in some cases, implemented privatization of a landfill.

Ontario County, New York

In 2003, Ontario County developed an RFP for operation of the County landfill pursuant to a lease agreement. The decision to privatize the landfill, that at that point in time accepted 1,900 tons per day (TPD), was primarily motivated by a need to improve operations and make significant capital investment in the facility. In discussions with the County, staff also mentioned challenges obtaining the appropriate equipment due to the County's stringent budget process.

The County procured a lease agreement with Casella Waste Systems. The lease agreement creates a business partnership between the operator and the County to maximize the waste disposed at the facility. The operator is responsible for any past, present, or future environmental issues at the site, financial assurance, capital investment (including cell construction), and all other operational issues associated with the facility.

Benefits of Private Operation

Based on discussions with the County, the primary benefits associated with the lease agreement are related to capital investment and operational improvements. Specifically, since the beginning of the lease agreement, the operator has made the following capital improvements at the landfill:

- Construction of new cells
- Installation of leachate system
- Installation of methane recovery system
- Construction of a materials recovery facility for recycling
- Construction of a screening berm
- Minor site improvements, such as landscaping

Due to the capital investments and operating improvements, the operator has been able to increase tonnage accepted at the facility to 3,000 TPD, an increase of almost 60 percent.

In addition, the lease agreement provides a revenue stream for the County. The operator provided an up-front payment to the County of approximately $21 million on the commencement date of the contract. Additionally, the contractor provides an annual payment of approximately $2 million, plus a share of revenue for any contracted tipping fees above $35 per ton.

Oklahoma Environmental Management Authority

The Oklahoma Environmental Management Authority (OEMA) provides collection, recycling and disposal services to residential, commercial and industrial customers in Canadian County, Oklahoma. Canadian County has a population of approximately 106,000 with approximately 41,000 housing units. OEMA owns and operates the OEMA Landfill and six transfer stations located within 100 miles of the Landfill.

In 2003, OEMA received an unsolicited offer from a private company to purchase the Landfill. To determine the validity and fairness of this price, OEMA retained R. W. Beck to perform an independent valuation of the Landfill.

Financial Analysis of Proposed Landfill Purchase

The private company offered OEMA a purchase agreement whereby the private company would assume ownership and operations of the Landfill for a period of 25 years. The terms of the proposed agreement were as follows:

- On the effective date, OEMA would receive a one-time, lump sum payment of $4.0 million.
- During each full calendar year, OEMA would receive a royalty payment equal to the greater of: (i) $1.50 per ton for every ton of solid waste accepted at the Landfill, or (ii) a guaranteed royalty of $225,000.

- When the average daily volume of solid waste accepted at the Landfill, for a calendar year, equals or is greater than 800 tons per day (TPD), OEMA would receive a step-up royalty payment of $1.00 per ton for every ton accepted that year.

Based on varying assumptions on future tonnage disposed at the facility, the private company's offer had a value between $6.7 million and $13.3 million. However, based on R. W. Beck's valuation of the Landfill based on the income approach, the value of the Landfill greatly exceeded the proposal from the private company. Table 6 below summarizes this analysis.

Table 6
Comparison of Appraised and Private Company Landfill Valuation for OEMA

Scenario	Appraised Value	Private Company Value	Difference
Status Quo	$ 20,444,550	$ 7,503,495	$ 12,941,055
Increase in Waste Stream	$ 46,724,354	$ 13,340,765	$ 33,383,589
Decrease in Waste Stream	$ 10,910,238	$ 6,659,186	$ 4,251,052

As shown in the table, the financial arrangement proposed by the private company under-valued the landfill by millions of dollars assuming three different tonnage scenarios – status quo, increased tonnage, and decreased tonnage. Based on this analysis, OEMA made the decision to retain ownership and operation of the Landfill.

City of Glendale, Arizona

The City of Glendale has a population of approximately 251,000 and approximately 52,000 residential billing units. The City owns and operates a landfill facility, which spans about 320 acres and is available to City residents and businesses, as well as other select municipalities through intergovernmental agreements. Refuse is delivered to the landfill by municipal collection vehicles, private commercial haulers, and individual residents and businesses.

Upon conducting a cost of service study in 2004, the City evaluated whether it would be in the best interest for the City to continue owning and operating its landfill or to privatize via an operating agreement or a lease. In addition, the City was approached with an unsolicited offer from a private company to purchase the landfill in 2004. The private company's proposed offer would have provided the City with a $17.00 per ton disposal rate, as well as a lump sum amount upon the sale.

Benefits of Municipal Operation

Upon completing its evaluation, the City decided to retain their original arrangement and continue to operate the landfill. Reasons for this decision included:

- Overall, City staff operates the landfill in an efficient manner. In addition, equipment is well maintained.
- The amount of excess revenue generated from landfill operations confirms that the City has an efficient operation and valuable asset. Over the five year forecast, the landfill was projected to generate approximately $5.5 million in excess revenue.
- Funds generated from the landfill offset capital costs associated with the City's MRF.
- The landfill has significant remaining disposal capacity and is situated in a strategic location in terms of distance from the major metropolitan areas of the Phoenix area and anticipated growth areas.

- The landfill provides an inexpensive disposal facility for the City's solid waste collection operations, which include residential services and commercial collection.

In addition to the above reasons, R. W. Beck conducted a financial analysis of the City's offer from the private company to purchase the landfill.

Table 7 provides a summary of the impacts on revenue and expenses the City would have incurred from FY 2006 through FY 2009 if the Landfill were sold. Financial impacts include impact on rates, lost revenue, and other indirect costs (including MRF capital expenses previously funded by the landfill). The total impact, not including the time value of money affect, is approximately $9.7 million over the four year time period.

Table 7
Summary of Revenue and Expense Impacts

Year	Rate Deficit	Lost Incremental Revenue	Indirect Costs	Annual Total
FY 2006	$635,555	$1,290,562	$613,565	$2,539,681
FY 2007	$462,361	$1,247,193	$676,099	$2,385,654
FY 2008	$459,992	$1,312,134	$743,432	$2,515,558
FY 2009	$180,951	$1,208,009	$868,721	$2,257,681
Total	$1,738,859	$5,057,898	$2,901,817	$9,698,574

In addition, R. W. Beck conducted a valuation of the City's landfill, and concluded that, based on tonnage accepted at the facility, the facility was worth $60 million to $90 million, which is significantly less than the lump sum amount offered by the private company.