



Evaluation of Privatizing Residential Collection Services

May 5, 2014





Background

- City Council asked ESD to consider privatizing the residential collection operation
- ESD retained Parkhill Smith & Cooper and Burns & McDonnell to benchmark the residential rates and services
- Benchmarked large cities in the Southwest U.S.
 - 5 with municipal collection
 - 5 with either private collection or managed competition



Current Rates and Services - Municipal

	El Paso	Austin	Corpus Christi	Dallas	San Antonio	Tucson
Households	175,000	184,000	83,000	250,000	340,000	150,000
Base Monthly Rate	\$16.00	\$26.40	\$22.46	\$20.64	\$19.93	\$16.75
Services Included						
Refuse	1xW	1xW	1xW	1xW	1xW	1xW
Recycling	1xW	EOW	EOW	1xW	1xW	1xW
Yard Waste		1xW		1xM	2xY	
Brush/Bulky	On-Call (fee)	4xY	5xY	1xM	4xY	2xY

1xW = Once per week
 1xM = Once per Month
 EOW = Every other week
 4xY = Four times per Year





Current Rates and Services – Private or Managed Competition

	El Paso	Arlington	Ft Worth	Oklahoma City	Phoenix	Tulsa
Households	175,000	90,000	200,000	160,000 ¹	392,000 ²	115,500
Base Rate	\$16.00	\$12.90	\$22.75	\$19.06	\$26.80	\$15.52
Services Included						
Refuse	1xW	2xW	1xW	1xW	1xW	1xW
Recycling	1xW	1xW	1xW	1xW	1xW	1xW
Yard Waste			1xW	1xW		1xW
Brush/Bulky	On-Call (fee)	1xW	1xM	1xM	4xY	On-Call

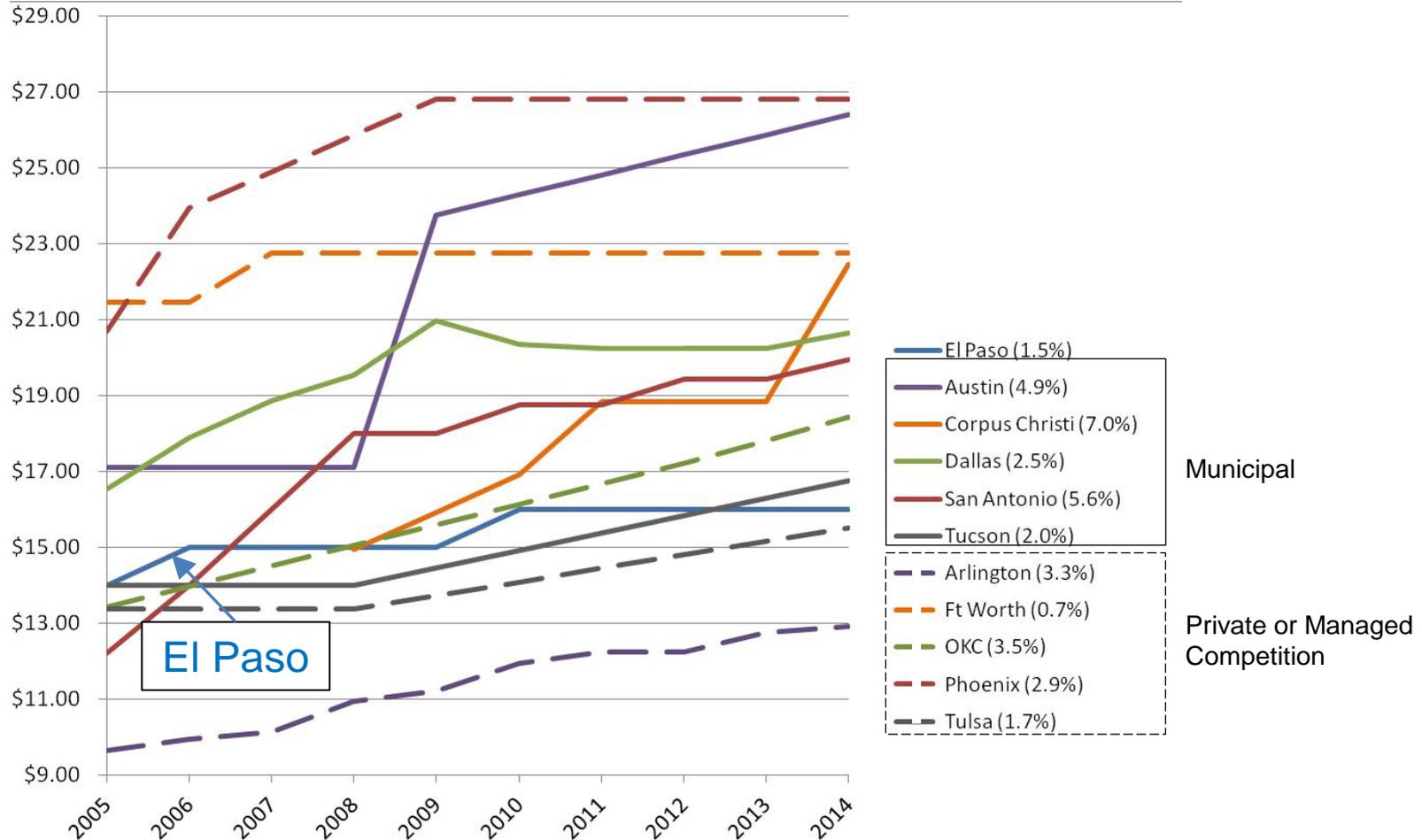
Notes:

1. 91,000 by Contractor and 69,000 by City
2. Households divided into 10 service areas and bid out using a managed competition process.





El Paso Rates: Low and Flat



Rate for some intermediate years are based on interpolated data between known rates





Key Findings for Current and Past Rates

- El Paso has a lower rate than 8 of the 10 cities
- El Paso has the next to lowest historical escalation rate over the last 10 years
- If ESD were to implement a regularly scheduled brush/bulky service, it could do so for a range of \$0.50-\$1.00 per household per month, which does not impact ESD's rank for cost
- ESD on-call program shifts the costs to only those residents that need it rather than to all residents





Future Rates

- Cities typically implement rate increases in one of two ways:
 - Smaller increases (e.g., CPI) every year; or
 - Larger increases every 2 to 4 years
- Increases in operating and capital costs have resulted in ESD needing to implement a rate increase. Two options include:
 - \$2 rate increase for 2015; or
 - \$1 rate increase for 2015 and \$1 increase for 2017
- The second option may require ESD to utilize its reserves until the additional 2017 rate increase is implemented



Projected Rate Comparison

- ESD rate scenarios were compared to projected rates for other cities using the historical average rate increases from Slide 5
- 1 = highest monthly rate, 11 = lowest monthly rate

Rate Scenario	El Paso Rank
Current Rate	9 out of 11 (2014)
\$1 Increase in 2015 (\$17 / mo)	9 out of 11 (2015)
\$2 Increase in 2015 (\$18 / mo)	8 out of 11 (2015)
\$1 Increase in 2015 (\$17 / mo) and \$1 increase in 2017 (\$18 / mo)	8 out of 11 (2017)





Privatization Considerations

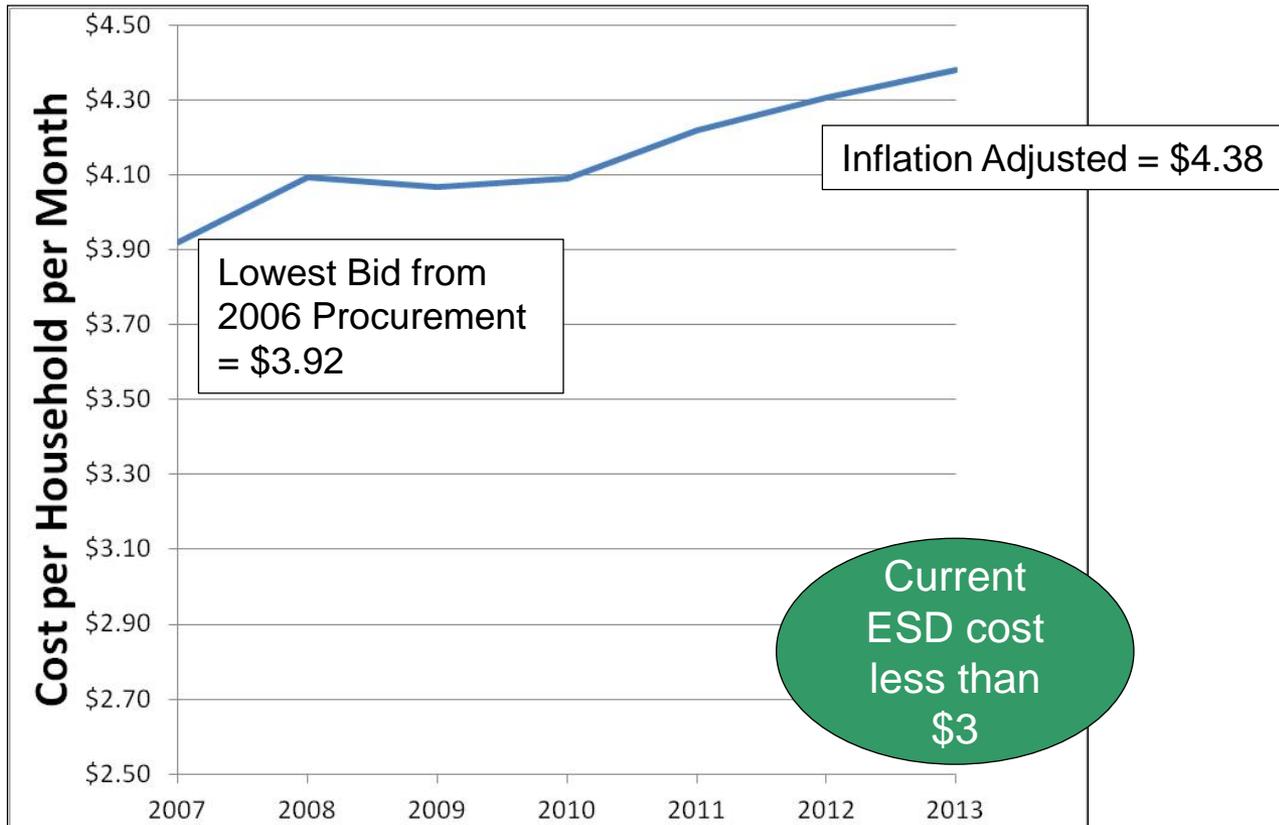
- Contractor rates typically increase every year by CPI. ESD has not increased rates since 2010
- With ESD providing service, there is a more direct customer service link between the City and its residents
- El Paso has one national solid waste company - lack of competition reduces likelihood of competitive proposals
- Burns & McDonnell interviewed several large solid waste companies:
 - Other national companies could have an interest in competing, but they face higher costs to enter the market
 - Interest increases with more services: landfill and/or commercial collection





Recycling Collection Example

In 2006, ESD included recycling collection in the procurement for the materials recovery facility





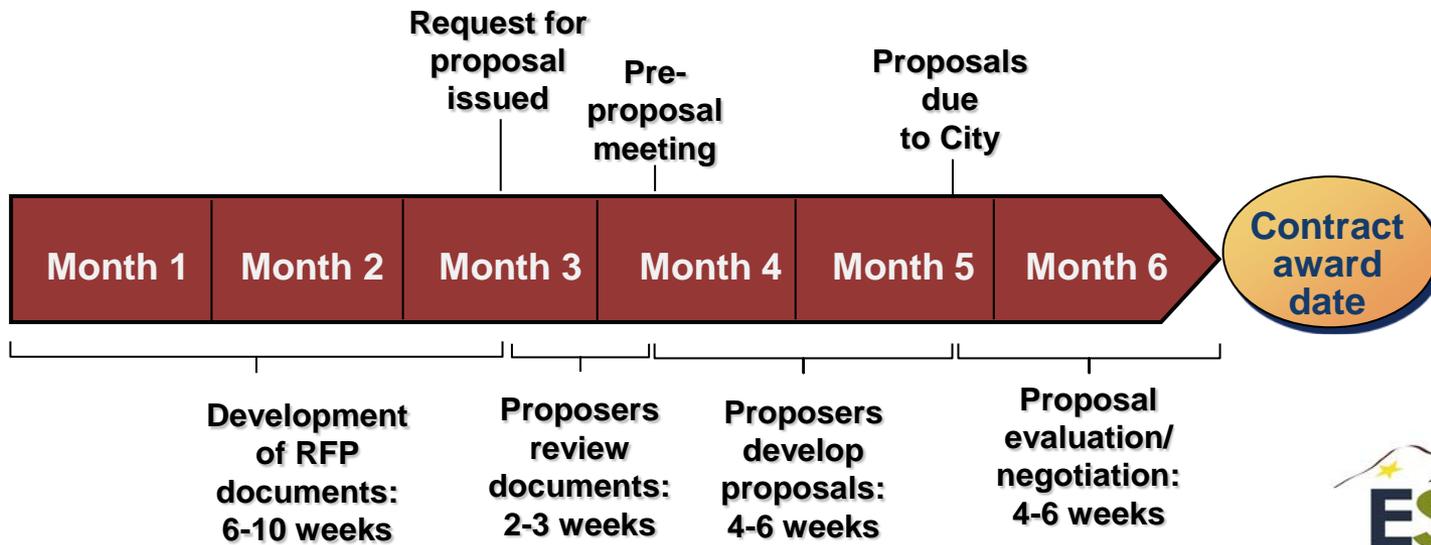
Risks of Exiting Residential Collection

- The City would have significant assets that would need to be sold and would likely not recover their remaining value
- If the City sells all its collection assets and then ever wanted to provide residential collection in the future, it would require a significant up-front financial commitment
- ESD would potentially need to lay off a significant number of employees, with no guarantees that they would be hired by the private contractor
- Potential financial impact on other City departments: General Service-Fleet, 311 Call Center and General Fund
- Potential for higher rates over time as contractors adjust fees in correlation with CPI



Procurement Cost and Timeline

- The City would incur costs of \$50,000 - \$90,000 for a consultant, plus a considerable amount of staff time
- Typical time to complete the procurement process is 5-9 months. An additional 6 months is typically required for implementation.
- A sample procurement timeline is shown below:





Conclusions

- ESD currently provides a quality level of service for a relatively low rate, when compared to the benchmark cities
- ESD has been able to control costs over the last ten years
- Lack of multiple large collection companies results in lack of competition in the market
- Privatizing collection brings additional considerations and risks without a guaranteed improvement in cost or service



Questions?





Back-up Detail – Projected Rates

City	Average Increase	Current Rate (2014)	2015	2016	2017
Phoenix	2.91%	\$26.80	\$27.58	\$28.38	\$29.21
Austin	4.94%	\$26.40	\$27.71	\$29.07	\$30.51
Fort Worth	0.66%	\$22.75	\$22.90	\$23.05	\$23.20
Corpus Christi	7.02%	\$22.46	\$24.04	\$25.72	\$27.53
Dallas	2.49%	\$20.64	\$21.15	\$21.68	\$22.22
San Antonio	5.60%	\$19.93	\$21.05	\$22.22	\$23.47
Oklahoma City	3.51%	\$19.06	\$19.73	\$20.42	\$21.14
Tucson	2.01%	\$16.75	\$17.09	\$17.43	\$17.78
Tulsa	1.67%	\$15.52	\$15.78	\$16.04	\$16.31
Arlington	3.30%	\$12.90	\$13.33	\$13.77	\$14.22