



MEMORANDUM

To: Kevin Lugo, City of Reading, Sustainability and Solid Waste Manager
From: Steve Deasy, MSW Consultants
Date: April 10, 2020
Subject: City of Reading (City)
Municipal Solid Waste and Recyclables Collection and Processing Contracts
Review & Guidance

This memorandum summarizes MSW Consultant's initial review of the City's residential curbside solid waste collection and processing contracts. The intent of this memo is to convey our initial observations of the current contracts and its procurement structure and to provide initial recommendations regarding procurement strategies to benefit the upcoming procurement process. The following documents were reviewed:

1. Inventory of waste and recycling markets (as reviewed with the Berks County Solid Waste Authority)
2. Republic Services collection, disposal, and recyclables processing contract.
3. Reading, PA Code, Chapter 496
4. Ordinance, Bill No. 44 – Reading-School District Intergovernmental Agreement
5. Advanced Disposal contract (August 13, 2018) for MSW and tire disposal.
6. Litter Study, KPB and Burns McDonnell (2020).
7. Solid Waste and Enforcement Program (SWEEP) Recycling Technical Assistance Report, SCS Engineers (2020).

Key Observations

Key observations include:

1. The City's curbside waste and recycling contract(s) and services exceed a \$10 million monetary value over a 3-year contract term and the performance. The City has a significant opportunity to improve upon the previous (year 2017) procurement process for collection, processing, disposal, and marketing of residential garbage and commingled recyclables. In addition to leveraging procurement to secure affordable garbage and recycling services, there is a real opportunity to address health, safety, welfare and quality of life issues in a City where litter abatement is an ongoing challenge.
2. The City's scale (population, number of households and quantities of waste and recyclables) combined with its proximity to three (3) landfills and three (3) recyclables processors give the City meaningful procurement leverage. However, the City's previous procurement process did not effectively leverage competition among market participants (collectors and processors). If the City repeats a similar procurement approach it is expected that the incumbent hauler will retain its distinct advantage over the competition and the number of responses and/or quality of responses will be diminished due to the significant risks assumed by any non-incumbent.

Procurement leverage under the current/previous approach was diminished by these elements of the procurement structure:

- a. Bundling recyclables processing and garbage disposal services with curbside collection services prevented securing a competitive disposal fee (per ton landfill tip fee) and recyclables processing/marketing price (per ton processing fee offset by shared commodity value) from the three (3) landfills and (3) single-stream processing facilities in proximity to the City.
- b. The customer “opt-out” for residential curbside garbage collection services creates substantial uncertainty and risk for prospective bidders, and particularly any non-incumbent collector. A non-guaranteed customer base that potentially decreases over the contract term translates to elevated cost contingencies in non-incumbent collector responses and increases the likelihood that some area collectors do not respond to a solicitation for collection services.
- c. The opt-out structure contributes to collection inefficiencies, administrative and billing complexity, and revenue uncertainty – risks magnified for any non-incumbent collector who logically assumes that customers will be lost to Republic Services during the course of the collection contract. Since proposers mitigate risks via cost contingencies, Republic Services has a distinct financial advantage over the inflated cost per unit expected from non-incumbent prospects who bear much greater risk.
- d. The previous procurement requested separate pricing for, and did not guarantee the award of services for, the following:
 - i. City trash, recycling container, and litter basket collection services for City municipal buildings, playgrounds, recreation centers, libraries, firehouses, and parks.
 - ii. Recycling education program
 - iii. Yard waste (the level of service was not explained in detail)

By separating or “unbundling” these services from the service with the highest monetary value (City-wide garbage collection), the respondents had very little incentive to offer competitive pricing for these services. This enabled Republic Services to leverage first-hand knowledge service delivery and costs to win the higher value garbage collection contract, while not competing for these other services. The absence of explicit service details for each service requested did not give bidders a sound basis for preparing accurate cost proposals.

Preliminary Recommendations (for discussion)

Pertaining to the recommendations provided, some key objectives for waste and recycling service procurement include:

1. Securing a competitive per unit or per customer fee on behalf of all eligible customers.
2. Delivery of comprehensive services and “baseline level of service” on behalf of all eligible households (up to 4 units) that is not established arbitrarily, but is based on waste generation characteristics (customer needs), markets, and effectiveness at addressing the City’s priorities, including:
 - a. Safe Streets & Neighborhoods
 - b. Education & Workforce Development
 - c. Community & Economic Development
 - d. Leadership & Integrity
3. Streamlining administrative and operational functions and aligning these between the contractor and City to improve the effectiveness of education and enforcement, while simplifying program implementation.
4. Maximizing competitive leverage to the benefit of the City and its contractors, through provision of clearly defined service levels, accountability and transparency regarding requested services to reduce risks and add value for the City, contractors, customers and other stakeholders that benefit from a cleaner City.

The following preliminary recommendations incorporate proven best practices and strategies relating to the procurement of waste and recycling services.

1. Develop/release an initial request for proposals (RFP) to secure competitive pricing for:
 - a. MSW disposal (landfilling) services
 - b. Recyclables processing and marketing services Include a processing price subject to adjustments based on recyclables (i.e., when market values improve, the City sees benefit).

*This may result in one contractor providing landfill disposal and recyclables processing or two contractors: one for landfill disposal and one for recyclables processing.

2. Release a subsequent RFP to secure one (1) residential curbside collector for curbside garbage and recyclables.
 - a. Include 100% of eligible residential households for MSW and recycling services for these reasons:
 - i. Achieve the lowest cost through economies of scale, maximizing collection route efficiency and simplification of administration, billing, education, and enforcement.

- ii. Equity. It is inequitable that ~80 percent of eligible residential customers pay for City-provided waste management services that benefit not only 100 percent of eligible customers, but also the entire community. These services include collection of waste from public facilities and spaces, yard waste pickup, special collections for tires and electronics, street litter and dumping cleanups, and graffiti removal.
It is also unfair that those ~80 percent of customers pay a higher rate because some households have opted out. Finally, customers that opt out of the City's trash service may have a different level of service than what is provided under the contract. This can lead to a disproportionate amount of litter, dumping, and similar nuisances that are experienced by the entire community and often paid for by the customers enrolled in the City's trash program.
 - iii. Significantly improve City-wide waste management performance via standardization of essential waste and recycling services (baseline level of service) via one collector that is legally bound via contract, not multiple collectors, some of whom are not legally bound via contract. Integrate the standard comprehensive level of service delivery by the collector with City-provided waste services to proactively prevent litter and waste accumulation.
 - iv. Increase total revenue recovery via City Water Department billing to maximize enterprise fund value and support beneficial programs. It is feasible to pay for 2-6 SWEEP officers via revenue recovery from trash/recycling bills while still offering affordable curbside services. These officers are critical in maintaining a clean, safe city.
 - v. Reduce traffic and wear and tear on residential streets by ensuring that only one hauler (vs. multiple) is permitted to provide residential collections.
3. Conduct one or more working sessions (conference calls) involving MSW Consultant staff and City representatives to define an agreed upon "baseline level of service". The baseline level of service should include all services to be outsourced to the private collection contractor and bundled under the contract within the per-unit fee cost proposal. Considerations include:
- a. What essential waste and recyclables collection services are valued by most customers and also improve the City's administrative, operational, and financial capacity to address City waste management needs and requirements? An example of a baseline level of service includes:
 - i. Weekly curbside trash collection, including collection of one bulky item per week.
 - ii. Weekly curbside recycling.
 - iii. Education campaign/ongoing education with curbside feedback to customers and designed to complement City education and enforcement strategies.

- iv. Curbside collection of source-separated yard waste in customer-provided lawn and leaf bags twice in the spring and twice in the fall, with a maximum of four (4) bags per set-out day. Delivery to a permitted compost facility.
 - v. Curbside collection of electronics as specified by the Covered Device Recycling Act with a maximum set out of two (2) eligible items per customer, provided twice per year on a schedule established by the contractor.
 - vi. Collection of waste and recyclables from municipal and public buildings, with the location, number of containers, types of containers, and collection frequency specified for each location.
- b. What City-provided waste or recycling services could be outsourced fully or partially to enhance the City’s administrative, operational, and financial capacity to address City waste management needs and requirements? For example, outsource a portion of City waste collection services, so the City is able to reallocate staff to implement a Solid Waste Education and Enforcement Program (“SWEEP”) to provide a comprehensive education and litter abatement program.
- c. What City-provided waste and recycling services does the City wish to keep in house. This can be because the City values delivery of the program or because it may not be able to outsource the service due to collective bargaining agreements or Code requirements.

Summary of Residential Waste/Recyclables Collection Services – Republic Services

The current collection contract with Republic Services is structured as follows:

1. Household/unit rates (trash bills) are \$22.76 per month (\$16.98 for trash and \$5.78 for recycling) and billed monthly on the water bill.
2. The contract term is four (4) years, with a 1-year option to extend at the City’s discretion.
3. Weekly residential trash collection – limited to four trash bags of no more than 55 gallons each, including one bulky item per week. Residents may opt-out of trash service. City Code § 496-204, C (7) requires proof of collection by “a copy of a valid written contract.”
4. Once-a-week residential commingled recycling collection. The City provides one 32-gal recycling container per household. Residents may not opt-out of recycling.
5. Once-a-week collection of one bulky waste item.