

**STAFF REPORT**  
**City of Lancaster**

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RSL

Date: April 10, 2007

To: Mayor Hearn and City Council Members

From: James R. Williams, Public Works Director

Subject: **Agreement with Waste Management for Refuse and Recyclables Collection**

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**Recommendation:**

Approve an Agreement with Waste Management Inc. for the collection and disposal of solid waste and recyclable materials. This franchise Agreement will provide solid waste and recyclable collection until June 30, 2016. Authorize the City Manager, or his designee, to sign all documents.

**Fiscal Impact:**

Refuse and recycling collection service rates are a fee-for-service that is paid directly to the franchisee by the customer. The franchisee then pays the City 8.11% of total gross receipts. The proposed rates may impact revenues collected through franchise fees depending upon how many businesses choose to participate in the recycling program and reduce their refuse collection service level.

**Background:**

The City of Lancaster has granted to Waste Management Inc. (WMI) a franchise for the collection and disposal of solid waste and recyclable materials since 1991. Since this time, numerous laws, regulations, and case law have been introduced, making the need apparent to update the contract language and overall service requirements.

In June 2006, the City Council directed staff to open negotiations with WMI pertaining to modified rate escalators, service levels, and related fees. After numerous discussions with WMI, staff is recommending that the City Council approve the Agreement with WMI which includes the following modifications:

**Contract Revisions and Benefits**

- Term extended until June 30, 2016, with the ability to extend
- Rates calculated based on operational costs (i.e., Labor, Fuel, Equipment, Disposal, and CPI) in lieu of 100% CPI. If annual calculations are lower than current rates, rate will be lowered to reflect actual operational costs
- New and improved contract standards and requirements with the inclusion of liquidated damages to provide the City assurance contractual obligations are met
  - This includes collection reliability, collection quality, customer responsiveness, timeliness of submissions to the City, cooperation in the event of a service provider transition, and general contract adherence
- Free City service totaling approximately \$582,000:

- Service to City facilities – \$425,000
- City events - \$10,000
- City vehicles dumping at the Lancaster landfill - \$147,000
- Illegal dumping support (2 person crew, 1 vehicle, 8-hours each month)
- Increased Lookin’ Good Lancaster events from one each year to four a year
- Ten vehicles that provide services to the City will have the City’s name/logo
- Performance bond increased from \$500,000 to \$1,000,000
- Addition of diversion requirement and indemnification of fines

**Residential Services**

- Cart standardization of residential containers over the next five (5) years (blue container for trash, green for recycling, and gray for green waste) to increase diversion, decrease contamination, and increase awareness through public education
- Two (2) free landfill vouchers to each household each year
- Free drop-off of appliances at Maintenance Yard (including refrigerators, ranges, washers, dryers, water heaters, dishwashers, plumbing, small household appliances, and other similar items, commonly known as “white goods”) and stereos, televisions, computers, VCR’s, and other similar items (commonly known as “e-waste”). WMI will collect these goods from the Maintenance Yard at no charge
- Free sharps recycling program (including hypodermic needles, syringes, tubing, acupuncture needles, and blood vials). SB 1035 will prohibit the placement of these materials in waste containers effective September 2008
- Customer payment drop-off box located at the Lancaster landfill
- Leaf Season Recycling Program extended to 90 days (as declared by the City) and includes the use of biodegradable bags that WMI will make available at various locations throughout the City
- Free Christmas Tree recycling at the Lancaster landfill

As indicated in Table 1, these revisions do not result in an increase to the cost for residential collection service.

**Table 1**

<b>Residential Services</b>	<b>Proposed Rate</b>	<b>Percent Difference</b>	<b>Current Rate</b>
Single family residence	20.79	0.00%	20.79
Single family residence – Senior Discount	16.16	0.00%	16.16
Home Compost Discount	18.29	0.00%	18.29
Home Compost Discount - Senior	13.66	0.00%	13.66

**Free Commercial Recycling Services**

- Historically, businesses were charged an additional fee to recycle resulting in a low participation rate of approximately 3%. Under this new Agreement, commercial service rates are inclusive of the collection of refuse and recyclables. Separate containers will be offered to every commercial business and to increase participation and diversion in this waste sector. Recycling in this waste sector has remained relatively low despite a significant amount of outreach to the commercial customers.

Staff strongly believes that recycling needs to be offered at no cost to businesses to encourage them to participate and separate materials.

- As such, an additional recycling route is needed to collect the recyclables resulting in an increased cost of 15% to the commercial rates. However, WMI and staff anticipate that businesses can avoid an increase in their refuse bill if they participate in the recycling program and reduce the bin size or the frequency of collection for general refuse. Refer to Table 2 for rates and a scenario for businesses to reduce refuse collection costs.

**Table 2**

<b>Commercial Services Trash</b>	<b>Proposed Rate</b>	<b>Percent Difference</b>	<b>Current Rate</b>
1-3yd 1x/wk	\$110.49	15.00%	\$96.08
1-3yd 2x/wk	\$185.91	15.00%	\$161.66
1-3yd 3x/wk	\$266.54	15.00%	\$231.77
1-3yd 5x/wk	\$355.98	15.00%	\$309.55

<b>Commercial Services Recycling</b>	<b>Proposed Rate</b>	<b>Percent Difference</b>	<b>Current Rate</b>
1-3yd 1x/wk	\$0.00	-100.00%	\$27.45
1-3yd 3x/wk	\$0.00	-100.00%	\$67.10
1-3yd 5x/wk	\$0.00	-100.00%	\$105.19

**Service Scenario**

Provided a customer has recycling commodities in the waste stream, it is very likely that a customer can reduce its trash service from 3 times per week to 2 times per week and add recycling services. Refer to the analysis below.

**Proposed Service without recycling**

1-3yd 3x/wk \$266.54/month

**Proposed Service with recycling**

1-3yd 2x/wk \$185.91/month

1-3yd recycling 1x/wk FREE

30% savings to the customer's monthly trash bill: \$80.63/month

City staff met with representatives of the Chamber of Commerce and the Building Industry Association to review changes proposed by this new franchise. Their comments to us were positive and supportive.

JRW:cjl

**Attachment:**

Amended and Restated Agreement for the Collection of Solid Waste (On File in the City Clerk's Office)