Foth Infrastructure & Environment, LLC
Eagle Point II • 8550 Hudson Blvd. North, Suite 105
Lake Elmo, MN 55042
(651) 288-8550 • Fax: (651) 288-8551
www.foth.com

April 30, 2015

TO: Jim Gates and Karl Keel, City of Bloomington (Bloomington)

FR: Dan Krivit and Jennefer Klennert
Foth Infrastructure & Environment, LLC (Foth)

Cc: Warren Shuros (Foth)

RE: Summary of Negotiations for Organized Solid Waste Collection

Introduction

As requested by the City negotiating team, the seven (7) licensed Bloomington Residential Haulers ("Haulers") submitted a revised *Proposal* to the City dated April 30, 2015 for organized solid waste collection. This memo:

- Summarizes the City's organized collection process to date including a chronology of the negotiations.
- Summarizes the *Proposal* from 4-30-15, including narrative, non-price elements from earlier preliminary proposals.
- Compares the Haulers' proposed prices to the estimates of current solid waste rates in Bloomington.
- Compares the Haulers' proposed prices to other contract cities in the metropolitan area.
- Includes Exhibit 1 of price worksheets and narrative *Proposal* as submitted by the Haulers. As requested by the Haulers, their documents are contained in Exhibit 1 and comprise their final *Proposal*:
  - Exhibit 1.a – Haulers Proposed Five (5) Year Price Worksheet for Trash, Recycling and Yard Waste (4-30-15);
  - Exhibit 1.b – Haulers Proposed Five (5) Year Price Worksheet for Bulky and Electronic Waste (4-30-15);
  - Exhibit 1.c – Haulers Memo "Final Proposal for Organized Waste & Recycling Collection" (4-30-2015).

This memo provides background information for the May 4, 2015 City Council meeting. This Foth memo complements the latest in a series summarizing the organized collection process to date including the latest Foth memo dated April 17, 2015 discussing the previous Haulers' *4-14-15 Proposal*.

On April 23, 2015, the City Manager sent a letter to the Haulers with a counter proposal for their consideration. The April 30, 2015 proposal is the Haulers response.

The Haulers' submitted a series of eight proposals on November 21, 2014; December 8, 2014; December 12, 2014; January 5, 2015; January 20, 2015; February 5, 2015; April 6, 2015 (clarified with the 4-14-15 and 4-17-15 submittals) and April 30, 2015. Most proposals submittal included two or three short documents: a letter and two price worksheet(s): a five (5) year price proposal and a seven (7) year price proposal. This summary memo refers to the Haulers' *Proposal* as the cumulative total of the qualitative elements of all eight submittals. The prices within the most recent, revised ***4-30-15 Proposal*** are the primary basis for the economic analyses summarized in this memo.

The Haulers' proposed scope of solid waste collection services is summarized in the separate document, *"List of Proposed, Negotiated Solid Waste Collection Services …"* (Draft as of 4-16-2015).

Summary of Haulers' *Proposal*

The Haulers have continuously proposed a unanimous, unified proposal package. The Haulers have discussed their commitment to form a Bloomington Haulers consortium such that the City would have one contract with this consortium. The prices proposed have been understood to be uniform Citywide for all Bloomington residential customers.

The Haulers' ***4-30-15 Proposal*** price worksheet includes their proposed price elements as specified by the City's *Parameters*. Base service price elements include: trash collection, trash disposal by cart size, trash overflow service, and recycling service. The base services would be required to be provided to all residents. Subscription options are those extra services that may be requested by residents for an extra fee. Subscription services include: yard waste seasonal cart service, yard waste "on-call" (pay per bag), bulky waste items, and electronic waste. Organics collection was discussed throughout the negotiations and the Haulers' *4-14-**15 Proposal*** summarized details of the latest price schedule and contingencies.

Several improvements were made since the Haulers submitted their last price proposal on 4-14-15, including:

- Adjusted trash and recycling rates by $2.00 per service level per month to take advantage of savings from Hennepin County and State of Minnesota fees. This shift results in an average of $0.37 per household per month decrease.
- Adjusted their proposal for the Citywide Curbside Cleanup program beginning in 2017 to $2.30 per household per month. This is a $0.25 per household per month

decrease from the previous proposal. This results in a program cost of $717,600 annually for the program.

These changes are in addition to the previous set of changes submitted with their *4-14-15 Proposal* compared to their earlier price proposal (2-5-15 version), including:

- Decreased their price by $1.00 per household per month if the City does the billing.
- Decreased their price by $0.26 per household per month if the City would reduce the performance and payment bonding insurance requirements.
- Decreased their yard waste price by $1.00 per household per month ($12.00 annual price reduction).
- Added a new proposal service element for the Citywide Curbside Cleanup program to be incorporated into the organized collection Contract beginning in 2017 for $2.55 per household per month.

The Haulers' *4-14-15 Proposal* states that organics collection service is not included in the total recycling fee. If the City and Haulers agree to implement an organics recycling program, the citywide monthly price for organics of $2.00 per household per month. Residents that elect to subscribe, or "opt in" to the *"Blue Bag™"* method of organics collection, would receive a supply of special, extra-strong, compostable blue organics bags. Separated food waste and non-recyclable paper would be placed in the *"Blue Bags™"* by residents and then placed inside of their regular trash cart. The Haulers' *4-14-15 Proposal* confirms the proposed, fixed organics price of $2.00 per household per month (citywide) regardless of the citywide subscription rate throughout the term of the Contract.

For 2016, the Haulers' *Proposal* states the trash + *"Blue Bags™"* would then be co-collected by each hauler and trucked to Hennepin County's Brooklyn Park Transfer Station for sorting and/or transfer. After sorting, the *"Blue Bags™"* would be transferred to a licensed and permitted composting facility. After 2017, a more permanent organics sorting/transfer facility must be developed. The Haulers' proposed organics collection service continues to be contingent upon Hennepin County's implementation of the *"Blue Bag™"* at the Brooklyn Park Transfer Station (or an alternate site that is closer to Bloomington). The details of design, costs and financing of this pilot program have not yet been finalized.

The Haulers' ***4-30-15 Proposal*** assumes

- that the Haulers will purchase (if necessary) and own their own carts, and provide customer service functions (e.g., staffing, a phone center, cart maintenance etc.).
- the City will perform the billing for the base services. the City will reduce performance and payment bonding insurance requirements which is still to be determined.

The Haulers are proposing a one-time fee to be paid by the City to cover the cost of the cart exchange and washing. The proposed fee is $17.50 for each household that requires a cart exchange and/or cart washing. A cart exchange is likely for the majority of households due to a switch of haulers into the new organized collection hauler zones. If the Haulers' *Proposal* is accepted by City Council, City staff indicated they would propose City Council authorize use of the solid waste fund for one-time payment of this cart exchange/washing fee. Staff is proposing all carts be cleaned with a Bloomington label and/or hang-tag attached to each cart prior to the start of organized collection.

The Haulers ***4-30-15 Proposal*** provided the City with a 5 + 5 year term; essentially, a five (5) year term with a five (5) year possible extension. This proposal was in response to the City Manager's prior request of a 3 + 3 year term. The Haulers narrative requests that the additional 5 year term be contingent upon meeting service level expectations of the Contract.

The Haulers' pricing proposal assumes the collection fees would be guaranteed through December 31, 2017. A price increase of two (2) percent is proposed at the beginning of Year 3 (approximately January 1, 2018) and at the beginning of year 5 (approximately January 1, 2020). The additional five (5) year term if granted would include a two (2) percent increase in Year 7 and Year 9. As previously proposed the disposal fees would be adjusted proportional to any increase or decrease in HERC disposal tipping fees.

Summary of Prices

This section outlines the key prices for trash, recyclables, yard waste and organics collection services. Table 1 displays four (4) sources of rate and price data (**including** taxes and other charges):

- Current Bloomington rates from the City's survey of residents' invoices in the existing open hauling system.
- "All" negotiated contract cities (N = 6), including three cities where the cities do the billing.
- Cities with competitively contracted service.
- Proposed prices from the Haulers' ***Proposal*** **submitted on April 30, 2015**.

In addition to the monthly rates ($ per household per month, **<u>including</u>** adjustments such as taxes and other charges), Table 1 also includes Foth's calculations for estimated costs to all residents citywide for each service on a monthly basis assuming 26,000 residential units. Five year calculations are provided to compare to the Haulers' *4-30-15 Proposal* and the City's current rates in the open system. Based on reports submitted from the Haulers, the assumed distribution of trash carts by size is: small trash carts = 17.5 percent; medium trash carts = 46.0 percent; and large trash carts = 36.5 percent.

During the months of September and October, 2014, the City of Bloomington Project Team collected a sample of voluntarily submitted individual household invoices for solid waste services within the City. The survey resulted in 275 City residents providing

itemized invoices. All seven (7) licensed residential haulers were represented by the sample data. This data provides a simple "snapshot" of current Bloomington rates during the sampling time period.

Foth also analyzed solid waste contract prices from twelve (12) cities in the Twin Cities metropolitan area. "Negotiated Contract Prices" are the prices paid in cities where the contract terms were developed through closed negotiations between a city and one or more haulers – similar to the negotiations process in Bloomington. "Competitive Contract Prices" are the prices paid by cities that procured the contract through an open and competitive process such as a Request for Proposals (RFP).

Table 1 shows that the Haulers' proposed prices (total of trash plus recycling) are lower than the other cities' negotiated contract prices. The Haulers' proposed prices are higher than the other cities' competitive contract prices. More price details about the Haulers' proposed prices are provided below.

Trash plus recycling is considered as a "base" level of required collection services. Yard waste is offered as an option on an annual subscription service (with collection operations during the growing season only, approximately from April through November each year). The monthly yard waste prices shown in Table 1 are based on a twelve (12) month, annual subscription rate, but are not included in the citywide total base cost estimates. Yard waste prices are $6.46 per month per subscribing household (or the 12-month equivalent price of $77.52 per year). Yard waste can also be paid on a "pay per bag" or "on call" basis and is proposed in the Haulers price worksheet at $4.00 per bag. (This price is not shown on Table 1).

Prices were provided by the Haulers in their ***4-30-15 Proposal*** worksheet for bulky waste items and electronic waste materials. These are unique categories for Bloomington without a readily available equivalent comparison. These are relatively minor costs to residents that elect to use these on-call services and have few standard means of price comparison. Therefore, these costs were not included in the bottom line comparison of prices and are not shown on Table 1.

Figure 1 is a frequency curve showing the number of Bloomington households that voluntarily submitted invoices for the survey that pay at a given rate. The average of the Bloomington rates and the Haulers' proposed "5 + 5 Year", average total rates are flagged. Also flagged on this curve are the benchmarks from other city contracts, from both "negotiated" and "competitive" cities.

Discussion of Findings

The City and the Haulers have negotiated per the requirements of Minnesota's Organized Collection Statute Minnesota Statute 115A.94. The negotiations were conducted in good faith by both the Haulers and the City. There are substantial areas of agreement and consensus on the levels and standards of service. It is understood that the Haulers' ***4-30-15 Proposal*** and Council Approved *City Parameters* do not yet constitute a full contract

document. If City Council decides to continue with the negotiated process and schedules a public hearing for community input on the Haulers' ***Proposal,*** a Contract will need to be finalized if directed by Council.

The cost estimate based on the Haulers' "**5 + 5 Year *4-30-15 Proposal*** for trash + recycling = **$18.10** per household per month (on the basis of a weighted average of trash cart sizes). The cost estimate based on the Haulers' **five (5) year *4-30-15 Proposal*** for trash + recycling = **$19.37** per household per month on a weighted average basis. These are "net" estimates calculated by the City / Foth staff team and includes the Haulers' proposed price reductions (e.g., $1.00 off due to the City doing the billing), but also adds back in the City's estimated cost to do the billing. The City's Finance Department has estimated the City's cost to do the billing would be $0.68 per household per month.

The Haulers' proposed total trash + recycling prices are lower than other cities' contract prices from "all" negotiated systems (N = 6) by $1.20 per household per month on a weighted average basis. The Hauler proposed rates are $8.60 below the current average rates paid by Bloomington customers as determined by the residential survey. This equates, on average, to about at $2.7 million savings per year for residents.

There is an ongoing internal City staff discussion regarding the Haulers' request for a reduction in the performance and payment bond requirements. If a negotiated contract is authorized by the City Council, these performance and payment bond requirements and other details about insurance will need to be negotiated with the Haulers into a final Contract.

Citywide Curbside Cleanup Services

As part of the most recent negotiations between the City and the Haulers, the City's negotiating team asked the Haulers include a proposal for the Citywide Curbside Cleanup collection services to begin in 2017. The Haulers met on April 13, 2015 and developed a written proposal as submitted on Tuesday, April 14, 2015. The City Negotiating Team requested the Haulers reduce the rate further. The Haulers responded with an offer to provide the Citywide Curbside Cleanup services to their respective households for $2.30 per household per month (or the equivalent of $717,600 per year). This is a $180,000 annual savings to the City over the current contract. The proposed service would be structured similar to the current Curbside Cleanup program. The Haulers suggested this Curbside Cleanup fee could continue to be charged to residents as part of the City Utility Bill or the Haulers could charge the costs directly to residents.

Table 1
Summary Comparison of Prices
(**Including** taxes and other adjustments.)

	Bloomington's Current Open Hauling Rates	Haulers' Proposal As of Apr 30, 2015
	Average	**5 + 5 Year**
	($ / HH / Mo)	($ / HH / Mo)
Trash service (after taxes)		
Small every other week	N.A.	$8.40
Small weekly	$16.76	$8.90
Medium weekly	$17.24	$11.90
Large weekly	$18.73	$14.80
Recycling		**Recycling Without Organics ***
Every other week	$9.02	$5.67
Weekly	N.A.	$7.34
Yard Waste	$7.45	$6.63

Assumptions		
Cart Size	**Average of Haulers' Reporting Data**	**Assumed Number of Bloomington Residential Households**
		26,000
Small weekly	17.5%	
Medium weekly	46.0%	
Large weekly	36.5%	

Total Trash (weekly) + **Recycling** (every other week):	**Bloomington's Current Open Hauling Rates**	**Haulers' Apr 30 Proposal Without Organics *** **5 + 5 Year Proposal Total**
Monthly Weighted Average Per Household	**$26.72**	**$18.10**
Annual Total, Citywide	$8,336,593	$5,648,292
Five Year Total, Citywide	$41,682,966	$28,241,460
Seven Year Total, Citywide	$58,356,152	

* A Citywide Organics Recycling Program is offered by the Haulers at $2.00/HH/Mo if added to an organized collection program.

Figure 1
Rates and Prices Comparison:
Total Cost per Month of Trash + Recycling
(Including taxes and other adjustments.)

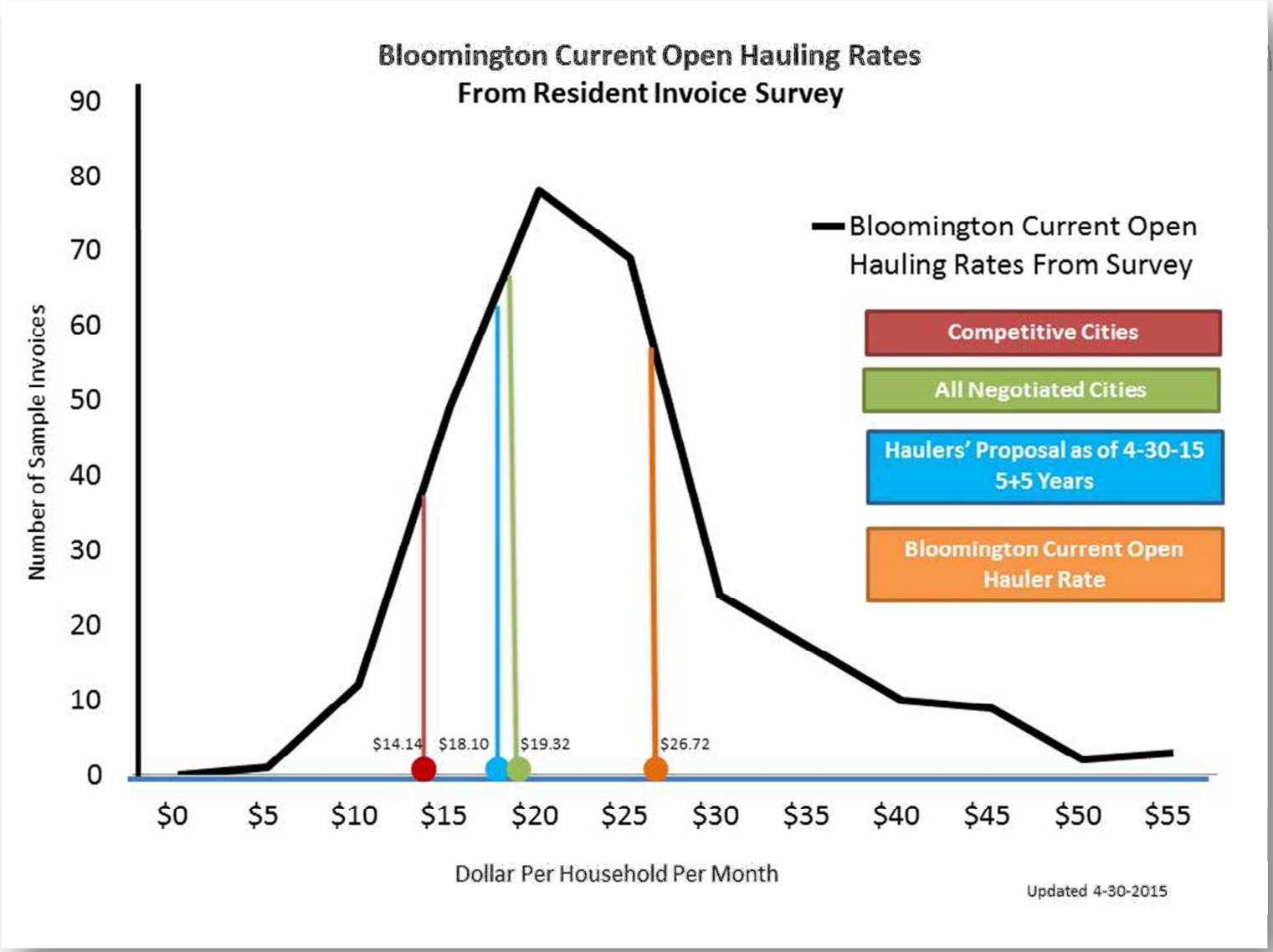

Exhibit 1.a
Haulers Proposed Five (5) Year Price Worksheet:
Trash, Recycling and Yard Waste
(**Not Including** taxes and other adjustments.)

Waste & Recycling Haulers of Bloomington Proposal for Services April 30, 2015

Prices in this schedule are for the base collection and disposal services only **without** the County Solid Waste Management Fee and **without** the State Solid Waste Management Tax. No additional administrative fees, environmental charges, or fuel surcharges are part of this. **Contract is a 5 year with 5 year renewal.**

Pricing is for a 5 Year initial Term Contract with 5 Year Extension

Sevice Level		Collection	+	Disposal	=	TOTAL	(Units)
Trash - Carted Service ($ per household per month)							
Small cart (e.g., 35-gallon)	Every other week	**$4.83**	+	**$1.59**	=	**$6.42**	($ / HH / month)
Small cart (e.g., 35-gallon)	Weekly	**$4.83**	+	**$1.99**	=	**$6.82**	($ / HH / month)
Medium cart (e.g., 65-gallon)	Weekly		+	**$4.49**	=	**$9.32**	($ / HH / month)
Large cart (e.g., 95-gallon)	Weekly		+	**$6.99**	=	**$11.82**	($ / HH / month)
Trash - Overflow service ($ per bag) (Overflow trash bag prices are inclusive of collection and disposal.)							
On-call per bag						**$4.00**	($ / bag)
Recyclables - Carted Service ($ per household per month)							
	Every other week					**$5.67**	($ / HH / month)
Alternative Service Option	Weekly					**$9.34**	($ / HH / month)
Yard Waste - "Subscription" ($ per household per year) (Yard waste prices are inclusive of collection and processing/composting.)							
Full season yard waste subscription service	Weekly during season	April 15 through November 30				**$79.50**	($ / HH / year)
Partial season yard waste subscription service (Any amount)	Weekly during specified weeks	April 1 through April 30; October 15 - November 30				**N/A**	($ / HH / year)
Yard Waste - "On-Call" ($ per bag)							
On-call	As needed	April 1 through November 30				**$4.00**	($ / bag)

Exhibit 1.b
Haulers Proposed Five (5) Year Price Worksheet:
Bulky and Electronic Waste Items
(**Not Including** taxes and other adjustments.)

Bloomington Hauler's Final Pricing for Bulky and Electronic Waste Services 4/30/2015

Prices in this schedule are for base collection and disposal services only. No additional administrative fees, environmental charges, or fuel surcharges will be charged.

Size	Weight	Amount of Metal	Example Items	TOTAL	(Units)
Bulky Waste Items					
Small Items (without freon)	Less than fifty (50) pounds	N.A.	Small furniture, lawn furniture, lawn mower, ottoman, small chair, bookcase, small table, small desk, wooden chair, end table, etc.	**$30.00**	($ per item)
Small Items (with freon)	Less than fifty (50) pounds	N.A.	Dehumidifier	**$30.00**	($ per item)
Large Appliances (without freon)	More than fifty (50) pounds	More than fifty percent (50%) metal	Stove, snow blower, hide-a-bed, etc.	**$50.00**	($ per item)
Large Appliances (with freon)	More than fifty (50) pounds	More than fifty percent (50%) metal	Refrigerator, freezer	**$50.00**	($ per item)
Large Furniture	More than fifty (50) pounds	Less than fifty percent (50%) metal	Sofa, love seat, mattress, box-spring, reclining chair, wooden picnic table, etc.	**$50.00**	($ per item)
Size	**Weight**	**Screen or CRT Monitor**	**Example Items**	**TOTAL**	**(Units)**
Electronic Waste					
Small Items	Less than twenty (20) pounds	No screen or monitor	Computer hard drive, keyboard, VCR, DVD, etc.	**$25.00**	($ per item)
Large Items	More than twenty (20) pounds	With screen or monitor	Computer monitor, television, etc.	**$40.00**	($ per item)

Exhibit 1.c
Bloomington Haulers' Memo
"Final Proposal for Organized Waste & Recycling Collection"

April 30, 2015

To: Jim Gates and Karl Keel, City of Bloomington (City)

From: Licensed Collectors of Residential Solid Waste (Haulers)

Re: Final Proposal for Organized Waste & Recycling Collection Services

The licensed collectors of residential solid waste of the City of Bloomington hereby submit a final proposal for the organized collection of waste and recycling services.

This proposal assumes:

A.) The City will be doing the billing/collecting of all standard monthly fees and charges for these services. Our new proposal reflects a price concession of $1.00 per month to cover the City's expense for billing/collecting.

B.) This proposal also assumes the prior agreement of a one-time, upfront, cart exchange fee of $17.50 per household, is still in place;

C.) This proposal includes a price concession of $.26 for a reduction in bond expense. The bond requirements of the City will be applied to the $.26 and any money saved would be kept by the City;

D.) Monthly rates will be adjusted as needed to reflect current Hennepin County Disposal Rate Fee;

E.) Monthly rates for services will be adjusted annually on the 2nd and 4th anniversary of the first 5 year term and the 6th and 8th anniversary of the second 5 year term.

F.) The adjustment will be a fixed charge of 2% for each of the above listed anniversaries.

G.) Each hauler will be responsible for providing the services for the City-Wide Cleanup in their respective service area. The cost is $2.30 per month (plus taxes), per household and can be billed to the City or directly to the residents beginning in 2017.

Organics recycling is <u>not</u> included in the total recycling fee. The proposed service is contingent upon Hennepin County's implementation of the Blue Bag program (or another approved, similar Organics Disposal Program/Option) at the Brooklyn Park Transfer Station (or at an alternate site that is closer to Bloomington). If the City and Haulers agree to implement an organics recycling program as a part of the contract, the additional cost will be $2.00/HH/month. This fee will be added as a separate line-item to the proposed recycling rate.

We look forward to gaining the Council's approval of this pricing plan and proposal on May 4.