

DATE: April 11, 2022
TO: Mayor and City Council
FROM: Assistant City Manager
SUBJECT: Solid Waste and Recycling Collection Contract Extension



RECOMMENDED ACTION

Approve the terms to extend the solid waste and recycling collection contract effective November 1, 2022 through October 31, 2027 with annual termination provisions.

The solid waste industry has experienced significant changes and challenges over the last four years, beginning in 2018 with the collapse of the recycling market due to contamination issues. The industry continues to face challenges bearing the effects of the pandemic-burdened economy and solid waste companies across the nation are making changes to address these concerns. With the context of these factors in the background, the city's contract with Waste Management (WM) is set to expire October 31, 2022.

A number of factors have come up in our discussions with Waste Management:

- The WM recycling subcontractor doubled his rate in September 2021.
- Due to labor shortages, driver pay rates are up 30% over last year.
- The inflation rates are at 8.5% resulting in an increase of administrative and overhead costs.
- Fuel costs are up 30%.
- Nationwide supply chain issues continue, resulting in an increase of costs and creating delays that are affecting cart, bag, and bin delivery.
- The recycling service is currently not built into the bag cost (Pay As You Throw).
- WM negotiated and agreed with the city on a rate decrease during the last renewal to \$14.30 for residential cart service (95-gallon cart).

Given the industry conditions, WM has offered the following terms to extend the contract:

Effective June 1, 2022:

- Residential rate of \$18.25 per month for a 95-gallon cart.
- Increase in cost of bags to 20% (\$2.35 each).
- Commercial rate moves to \$4.47/CY.

Effective November 1, 2022:

- WM brings recycling collection in-house.
- Residential curbside recycling every other week. Recycle carts will replace smaller bin service.
- Bag service no longer available.
- Spring Cleaning Event moves to a drop-off only function. No curbside bulk collection.
- Termination for convenience with 120 days' notice.

From a sustainability perspective, changing the recycling services to every other week provides less noise and air pollution, more capacity for recycling, and less wear and tear on city streets. Discontinuing the bags is also more sustainable. The bags are not recyclable and eliminating them will result in preventing pollution by lessening the amount of raw materials used. It will also allow Waste Management to transition to CNG (Compressed Natural Gas) trucks resulting in less noise and air pollution. The CNG trucks operate with an automatic arm; therefore, they will be able to provide more service in less time and it addresses the labor shortage issue by only requiring one WM employee rather than two. The industry is evolving to address the challenges of labor, safety, supply chain, and inflation while becoming more environmentally responsible.

Through the last several months, staff has been in discussions with our vendor to review current scope of services and working to balance out these factors affecting contract terms. Under the current economic conditions and uncertainty in the solid waste industry, staff is recommending an extension that will provide a 'bridge' to a more-stable environment at which time a more-competitive process can be pursued. With notice provisions in the standard terms and conditions, we will be able to announce the intention to readvertise the service to accomplish such once stability begins to return to the industry.

Therefore, staff is recommending approval of the extension terms from Waste Management with the following rates and conditions above.

Upon Council Action, staff is prepared to draft the contract for final legal review and execution.