



MEMORANDUM

TO: Mayor and City Council
FROM: Howard S. Lazarus, City Administrator
SUBJECT: September 9, 2019 City Council Work Session: Solid Waste/SWRMP Questions
DATE: October 17, 2019

This memorandum provides responses to questions from City Council regarding the September 9, 2019 City Council Work Session topic of Solid Waste. Questions are sorted by councilmember name and responses are in **bold**.

(Councilmember Ackerman)

1. [Slide 32] Commercial Service: Rear Load vs Front Load

- There is a large (4x) cost difference between rear load and front load service.
- What factors are impacting those differences? **The costs reflected on Slide 32 are costs for commercial customers (including multi-family residential) at a cost per lift -- that is, the cost to collect and dispose of/process one container. The intention of the graph on Slide 32 was to provide a graphical summary of costs for different types of service, not to compare the costs with an expectation that they should be similar between rear-load and front-load collections. Rear load service is the pickup of wheeled trash carts, typically 96-gallons in size. Front load service is the pickup of larger dumpsters, typically 4-yards in size (approximately 8 times larger than a cart). A more accurate comparison is the cost to provide the same volume of service; looking at the costs on Slide 32 this way, collecting a 2-yard trash dumpster with the front load by Waste Management costs \$106.26, while collecting 2 yards of volume in carts (four 96-gallon carts) with the rear load costs \$209.76 -- an approximate doubling of cost for the same quantity of service.**
- If there is a difference in cost to serve front load vs rear load, are we transitioning users to the more efficient option? **The type of collection (front load vs rear load) is a factor of the type of container being collected and the space available in which to perform collection. There are multiple, related recommendations that lead to transitioning to a more efficient option, particularly C.6. (Consolidated Commercial Collection), D.1. (Mandatory Saturday/Sunday Collection), D.2. (Container Consolidation Design), and D.3. (Procure Single Downtown Service Provider).**
- Does the presence of both front load and rear load pickup increase our cost to support these two options? **Yes. By having both of these two small customer sets serviced by the City, the**

City must have adequate equipment to support both types of collection operations, though some portions of the fleet may not be utilized on a full-time basis. The small and costly fleet components (e.g., CNG fueling issues for front-load vehicles) of the City-performed service on a smaller customer base leads to high costs and lack of flexibility of operations; while the larger front load waste component managed by the franchise hauler results in a lower cost per tip for that service.

- If supporting both front load and rear load adds cost, are we transitioning users to a single option? ***The SWRMP recommendation is to consolidate all of these services to a single contracted provider. It is likely that both front load and rear load service may still be performed by the contractor due to space considerations and container types being served (e.g., rear-load collection of carts may still be required from some alleys if space is not available to locate and serve a dumpster due to lateral and overhead obstructions). However, by consolidating to a single, contracted provider for this sector, economies of scale are expected to be achieved in service delivery, greater flexibility will be afforded in the collection of materials, and customers will be best served with the right level (container size and collection frequency) of service.***

2. [Slide 33] Revenue & Expenses

- As a ratio of revenue to cost, it appears that (on aggregate) Commercial users cost us more than Residential users.
- Is that an accurate conclusion? ***Considering only the comparison between the Commercial Levy (Revenue) and Commercial Services (Expense), which includes allocated program administrative costs, this would be true. However, revenues to support commercial services are provided through the Commercial Levy (solid waste millage) as well as through Fees for Services for cost recovery, which are principally derived from commercial customers in the fees they pay based on the days of service and container size(s) they select.***
- In the Revenue bar, who pays the "Fees for Service" and can you provide some examples of these fees? ***The majority of the fees for service are related to commercial customers, as there are charges for multiple collection service days, dumpsters, etc. A small portion of the charges are for residential customers for items such as having additional carts, larger (96-gallon) carts, or servicing of carts by the City.***

3. [Slide 35] Recycling Revenue Share

- There are rumors that Pratt (?) is interested in sourcing materials from Ann Arbor.
- Does negotiating a fixed price with a single (or set of) bulk material customers reduce the market risk to our share of the revenue? ***RFP 19-28 has been issued seeking proposals from vendors to replace the existing contract with RAA that will expire 6/30/20, and it includes cost proposal forms to be completed by offerors with fixed costs for processing of the City's recyclables and methodology for revenue share on the material in a consistent manner for all***

offerors. Based on proposals received, staff will prepare additional information related to this item to bring to Council later in November.

- *What opportunities are there to renegotiate our revenue share with RAA? RFP 19-28 has been issued seeking proposals from vendors to replace the existing contract with RAA that will expire 6/30/20, which will provide opportunity for new competitively procured pricing for this contracted service.*

4. [Slide 40/42] Residential/Commercial Recommendations

- *Can you help me interpret the GHG column in both tables? The units for the values in this column for greenhouse gas (GHG) emissions is metric tons (MT) of carbon dioxide (CO₂) equivalent (e). Values in red font/within “()” are negative values, thus indicating a projected reduction in GHG emissions, while black font values indicate a projected increase in GHG emissions. GHG emissions impacts were calculated considering both transportation-related emissions (largely related to changes in collection operations) as well as diversion-related emissions resulting from movement of material from disposal to recycling and remanufacturing, considering the benefits from reduced landfill gas emissions and reduced use of virgin materials in production of new products. In some recommendations, there will be some offsetting of existing GHG emissions that could not be calculated (e.g., reduction in emissions from private haulers when bulky item collections are performed by the City in Recommendation R.3.)*

(Councilmember Lumm)

SWRMP Questions

Q1. The survey responses were interesting in terms of the respondents’ views on funding solid waste and recycling. Although 70% of respondents indicated they support the current method of paying for solid waste/recycling/composting through property taxes, a strong majority (65%) also indicated they would support a monthly fee structure based on the size of the cart. How do you interpret those responses? *These responses indicate that Ann Arbor is a progressive community, which views varying fees based on differences between its citizens - whether reflected in differences in property value or reflected in differences in the level of waste collection service needed - as appropriate methods to fund services. The strong support for funding through property taxes indicates there is not a community-level demand to change the method of funding. Likewise, the strong support for funding based on cart size indicates that a shift to a fee structure based on cart size could be publicly acceptable.*

The similarly high levels of support for these types of funding methods is contrasted by a much lower level of support and greater opposition to charging a uniform, fixed fee for services to all households; this option for paying for services garnered only 36% support and a majority (55%) opposed.

Also, since the taxable value of a home/property doesn’t correlate to the cost of service, was there any discussion of moving to a cart-sized based (rather than tax based) funding mechanism, and what do you see as the primary pros/cons of changing to a cart-based structure? *The SWRMP reviewed a cart-size based funding mechanism, through pay-as-you-throw (PAYT) pricing. While this method of pricing has*

been implemented in many communities, the SWRMP identified several reasons to not recommend it in Ann Arbor, including:

- 1. Maintaining a high quality of materials collected for recycling. Cart-size based pricing may incentivize some residents to reduce their quantity of waste by reducing or recycling more; others may be incentivized to pay less for waste collection and increase the contamination in the recycling stream.*
- 2. The City has a high residential recycling rate already, and therefore PAYT pricing would not be expected to have a significant impact on the diversion rate.*
- 3. While residents indicated support for a PAYT structure, they indicated stronger support for paying for their solid waste services through the millage as they currently do.*
- 4. The Solid Waste Millage provides a consistent and predictable revenue to the City's Solid Waste Fund; PAYT would result in less predictability as residents select their levels of service.*
- 5. Establishing a PAYT billing procedure would require investment of significant staff resources that currently are not required to support the existing system.*

Q2. Also on funding mechanism, the benchmarking data seems to be all over the map – some fees, some property taxes, some pay-as-you-throw – are there any trends emerging or recognized best practices we can learn from? *Generally speaking, communities where some level of municipal collection service is performed (like in Ann Arbor) are more likely to fund their services through property taxes, while communities where services are performed by private haulers are more likely to charge a service fee. Regarding fee-based funding mechanisms:*

- Pure pay-as-you-throw (PAYT) funding (i.e., with each container or bag set-out for collection requiring a sticker) is relatively uncommon and introduces a number of budgeting challenges because revenues can fluctuate with less predictability than other funding methods while fixed collection costs must still be covered.*
- Modified PAYT funding (i.e., fee for service is based on cart size) is more common as it provides more stable revenue to cover fixed collection costs. Modified PAYT programs will frequently set pricing proportional to cart size to incentivize recycling, a common approach on the West Coast; such pricing means that a doubling or tripling of cart size results in a doubling or tripling of the service fee. However, this is an artificial pricing that is not reflective of the actual differences in costs to service different size containers. Under this structure, residents are incentivized to not set out as much trash, but that does not necessarily translate to being incentivized to reduce overall or recycle properly, thus resulting in increased contamination and lower quality of recyclables collected.*
- A number of communities with PAYT pricing have also introduced base service fees to ensure fixed costs are recovered, with the base fee being equal for all customers; examples from our benchmark communities include Austin and San Francisco.*
- Given current depressed recycling commodity markets and increasing recycling processing costs across the country, a funding method that is more closely tied to actual costs is an important objective.*

Q3. In the financial model current baseline scenario, the last page shows a P&L for residential programs and for commercial programs. A couple of questions related to that:

Q3A. The solid waste millage revenue is split 65.5% residential and 34.5% commercial – is that based on actual tax revenue data or an analytical estimate? ***The revenue split is based on actual tax revenue data provided by the City Treasurer and City Assessor’s Office.***

Q3B. How is multi-family handled in this residential-commercial split? ***Multi-Family is included in the Commercial properties.***

Q3C. The “Waste Diversion” fee is recommended for residential initially and the indicated rationale for that is to eliminate the current baseline residential deficit of \$1.7M. While this seems to be an effort to follow the water rate re-structuring rationale (structure pricing to match cost of service), I’d think to be consistent with that rationale, we’d also need to move away from a property tax-based system where revenues bear no relation to costs. Is that a fair conclusion or am I missing something? ***It would not be necessary to move away from a property tax-based system through implementation of this recommendation. The recommendation to assess a Waste Diversion fee is based on funding practices in benchmark communities (e.g., Austin, Boulder) to support program costs specifically related to diversion services. In Ann Arbor, this fee can mitigate high per-ton costs for recyclables processing when compared to waste disposal and composting, as well as provide funding for desired enhanced, expanded, or new diversion programs. Through its implementation, a Waste Diversion fee could also serve to better match sector revenues to sector expenses.***

Q4. Slide 31 on the cost savings for consolidating residential cart collection indicated that the arrangement the City has with RAA in terms of equipment is “a very unique arrangement” and that the “cost savings may be greater”. Can you please elaborate on those two points -- are we aware of any one else with this type of equipment arrangement and what is the likelihood of some properties converting from carts to dumpsters? ***The SWRMP team, including City staff and the consultant, are not aware of any other municipality providing an outside vendor/contractor with municipally-owned and municipally-maintained equipment to provide collection services to the municipality.***

It is anticipated that several properties can/would be converted from recycling collection in carts to recycling collection in dumpsters. A key consideration in this determination is the ability for trucks to access and service dumpsters on the property and availability of space on the property to locate dumpsters. Reviews of individual properties are underway to determine service options moving from carts to dumpsters at certain sites.

Q5. Also related to consolidating residential cart collection, slide 47 indicates the collection savings are \$1.05M, but the \$775K net savings shown reflect an added \$275K cost of converting temporary to permanent labor on compost collection. This was mentioned briefly at the meeting, but can you please elaborate on that \$275K – how many people would be converted and does that also enable full year

composting? ***The calculated cost increase of \$275,000 resulting from transitioning FY2018 compost collection staff from temporary to regular (permanent) labor was calculated based on the ratio of unit labor costs for City trash collection compared to unit labor costs for compost collection during FY2018. Unit labor costs for trash collection were \$62.17/hour, and unit labor costs for compost collection were \$37.82/hour in FY2018, or approximately 64% greater for trash than compost collection. Total compost labor costs were therefore increased by 64% to reflect the increase in unit rates to equal trash collection labor. This change in employee type impacts four compost collection employees.***

This adjustment for the change in labor type does not reflect the added cost to provide year-round composting. This cost was calculated separately in Attachment D.2 of the SWRMP and projected to be approximately \$147,000 per year.

Q6. Regarding consolidating commercial collection, the savings shown in the financial model (Att D10) are \$1.3M a year, while the presentation slides indicate \$660K annual savings – what am I missing? ***The \$1.3 million savings calculated in the financial model output in Attachment D.10 of the SWRMP is accurate; the \$660,000 annual savings in the presentation slides and in the body of the SWRMP was entered in error and will be corrected in the final SWRMP report. The calculated savings reflect only the impact to the City’s operational costs to perform collection services in the commercial sector (i.e., collection labor, fleet, maintenance, and fuel). Additional costs will be incurred through the charging of contractor collection fees for the added customers being serviced through the commercial collection franchise, and as noted in the SWRMP these costs have not been estimated in the report. However, it is reasonable to expect that the contract collection cost would be less than the City’s cost to provide commercial collection services based on the cost of service analysis finding that Waste Management’s contract fee for collection is less than the City’s cost for similar collection (\$9.33 per lift for Waste Management compared to \$11.13 to \$18.22 per lift for City front-load collection). Actual contracted collection costs will be dependent on contractor pricing for cart-based collection and customer selection of service levels in the transition to a private hauler.***

Q7. On slide 23 – the strengths, weaknesses, opportunities, needs slide – one of the opportunities identified is better collaboration with UM. I raised this at the meeting because it seems to me there may be a significant opportunity in that regard, but I just don’t know the magnitude. What collaboration is there now with UM (if any), what are the areas of further collaboration triggering its mention as an opportunity on the slide, and do we have a sense of how significant the opportunities may be? ***The University of Michigan manages the vast majority of its solid waste material streams with its own resources, and this is anticipated to continue in the future. However, they utilize the City’s compost facility through our contract operator (WeCare Denali) for organic food waste from their facilities and the U-M Athletic Department as it works to have their events, particularly football games, become Zero Waste Events.***

U-M has demonstrated an interest in and support for potential collaboration with the City on solid waste matters, and U-M’s Sustainability Programs Coordinator participated on the SWRMP’s Advisory Committee as well as the Advisory Committee for the previous development of the Comprehensive

Organics Management Plan. Areas for further collaboration are primarily centered on education, outreach, and awareness. Many U-M staff are also City residents and many U-M students live in off-campus housing served by the City - these groups spend significant time on-campus with one set of programs and diversion opportunities available to them, then have a second set of programs available at home through City-provided or City-managed services. Collaborating with U-M on education and outreach, particularly to better streamline recycling and composting guidelines between home and U-M, will benefit both sets of programs and provide a more holistic messaging around resource management. Secondly, collaboration through work with student groups and select academic programs could provide avenues for development of education strategies and materials, volunteers to perform grassroots outreach, and opportunities to track and analyze greater amounts of information about program participation and performance.

Q8. The education and outreach recommendations are to add \$470K in direct cost and up to 5 FTE's. That's a significant investment and I have a couple of questions on that element.

Q8A. The survey respondents expressed interest in additional information, but the demand was in specific areas. Would the education and outreach efforts be targeted? ***In addition to the demand for information in specific areas, nearly half (46%) of respondents indicated a need for more information on all City resource management services, and nearly 40% indicated a need for more information about recycling and composting services. Given this notable need for more information on all City services including its core diversion programs, as well as the transient nature of residents in the community, a comprehensive education and outreach program is envisioned in the SWRMP recommendations. This program should include both broad-based information on a range of solid waste topics as well as focused information keying in on individual topics or waste types at various points. By instituting a broad-based and comprehensive outreach strategy, routine avenues of outreach will be established. This framework can then be utilized to deploy targeted information as needed; this could occur in conjunction with development and rollout of a new program (e.g., year-round compost collection), at key times during the year when demand for certain services increases (e.g., electronics management after the holiday season or bulky item collection around move-in and move-out seasons), or in response to observed changes in setout behaviors (e.g., if recycling contamination increases or specific contaminants are noted). Hiring an Education and Outreach Lead will also provide dedicated staff responsibility to monitor and track program performance and allow for targeted education and outreach to be performed in select neighborhoods or demographic sectors where behaviors may lag behind other areas of the City (e.g., if diversion is lower in houses with student residents compared to traditional single-family homes, the student sector could be targeted), and to coordinate with Washtenaw Regional Resource Management Authority (WRRMA) as they begin and undertake their education and outreach efforts.***

Q8B. It was mentioned at the meeting that there were studies / research / examples that demonstrated education and outreach drove higher diversion rates. Can you please provide the information you were referring to? ***Benchmark community research performed for the SWRMP identified education and outreach strategies similar to that recommended in the SWRMP have***

been implemented in at least three of the communities: Austin, San Francisco, and Seattle. None of these communities have analyzed the impact of their efforts on their diversion rates directly, and they have noted that this is an area of interest for them in the future. San Francisco is beginning to perform more data collection to assess outreach effectiveness using metrics such as reported awareness before and after a round of outreach and route-level tonnage comparisons, though quantified assessments of outreach impact are not yet available.

Q8C. Intuitively, one would expect the cost-benefit of incremental education to be less for communities with already high diversion rates (like AA) – the diminishing returns concept. Is that accurate/is there research? *The recommendations in the SWRMP are based on the level of effort applied to education and outreach in benchmark communities achieving the highest diversion rates. While the recommendations in the SWRMP identify up to five new FTEs, a prudent approach would be to first establish the Education and Outreach Lead position (1 FTE) and, pending their outlined program activities, start additional implementation with volunteers and/or part-time employees, contracted services, or partnership with WRRMA to perform grassroots outreach.*

The cost-benefit of education efforts and resulting diversion performance has not been tracked or reported by many - if any - communities. This is an area that benchmark communities have noted as requiring increased data collection. Communities like Ann Arbor may benefit from an established strong behavioral mindset around diversion, which may lessen the need for investment in education and outreach; however, effort is required to sustain and increase awareness and participation and bring information to new residents entering the City on a consistent basis.

Q9. Regarding recommendation C-5 on commercial participation enforcement, I'm a bit confused on the difference between the low impact and high impact scenarios and don't understand the relative high costs for both (\$800K for low and \$1.5M for high). Can you please clarify the difference between the two scenarios in terms of the enforcement activity and also elaborate a bit on what drives the high incremental costs? *The main components of the cost for this recommendation are: (1) additional staff costs for resources to ensure that all commercial properties in the City are participating in the City's solid waste programs as required by City code; (2) added costs to collect the additional materials from properties currently not being serviced by the City or its contractors (and therefore not already included in the City's costs); and, (3) added costs to process/dispose the additional materials (again, not already included in the City's costs). The cost components in the "low" and "high" scenario are impacted as follows:*

- 1. Enforcement activity, and therefore cost, in each scenario is estimated to be the same, equaling approximately \$154,000.*
- 2. The "low" scenario is projected to require an additional 0.5 FTE driver and associated fleet expense at a cost of \$133,000. The "high" scenario is projected to require an additional 1.0 FTE*

driver and associated fleet expense at a cost of \$266,000. This results in a cost difference of \$133,000 between the two scenarios.

- 3. Both scenarios assume an additional 4,000 “new” tons of waste are added to the City’s system at an added cost of approximately \$150,000.*
- 4. The “low” scenario assumes an additional 1,700 “new” tons of recycling are added to the City’s system at an added processing cost of \$393,000. The “high” scenario assumes an additional 4,400 “new” tons of recycling are added at an added processing cost of \$1,018,000.*

The incremental cost increase from the “low” to “high” scenario is principally related to the high cost of recyclables processing. As additional customers begin to participate in the City’s system there will be costs for this “new” material, and as the City works to increase the recycling participation by these new customers (or its existing customers) over time more material will be processed at a higher cost per ton.

Q10. At the meeting (and in the report) it was mentioned that the bulky item pickup would be fee based. Perhaps I missed it, but I didn’t see whether the fees would cover the costs – will they? ***Yes, the approach would be to develop the fee structure to cover the costs of the service.***

Q11. I may have misinterpreted the Q or A, but at the meeting I thought I heard that the commercial composting/organics would also be fee based. Is that accurate and if so, how would it work and will the revenues cover the costs? ***Yes, the approach would be to develop the fees to cover the costs of the service. This is similar to current commercial waste collection pricing. Pricing for commercial organics collection is proposed to be obtained through the next commercial franchise procurement, through which commercial organics collection could be selected as an optional service by each commercial customer. Contract costs could be passed on fully or partially to the customers electing this service, at the option of the City.***

Q12. On the slide showing expiring contracts (slide 50), there are a couple of open items related to the commercial waste collections contract (e.g., whether to include the downtown area and whether to include commercial/multi-family recycling) – what is the process and criteria to make those decisions? ***The SWRMP recommendations include a recommendation to have a single service provider serving the downtown area, with separate specifications and pricing from other contracted commercial collection services. A separate collection contract for commercial properties outside of the downtown area, including multi-family sites, would also be procured. These procurements could be completed through either a single, combined Request for Proposals, or through separate Requests for Proposals. City Council will ultimately need to approve the award of the proposed contract(s).***

Recycle Ann Arbor (RAA) Sep. 9 Letter Questions

The RAA letter contends the \$775K in savings reflects “significant omissions in that calculation, that negate virtually all of the savings.” Three areas are mentioned:

1. Additional costs of servicing multi-family and commercial locations (\$283,610)
2. Additional management, administrative, customer service, and education expenses incurred by RAA (\$335,263)
3. New vehicles vs existing vehicles (\$200,000-\$400,000)

Q13. Although the RAA letter includes specific dollar estimates, there is no detail supporting the projections/contentions provided. Did RAA provide any line-item detail to support the numbers and, if so, can you please share it? If not, can you please formally request it. ***No further detail supporting RAA’s figures has been provided. Staff and the consultant disagree with the additional costs identified by RAA and have provided line-item detail supporting the SWRMP calculations. No information provided by RAA has identified an error in the SWRMP calculation. Staff has requested line-item detail from RAA supporting their projections/contentions as requested.***

Q14. The largest RAA difference is the \$335K for “management, administrative, customer service, and education expenses”. Although I am interested in seeing the line item detail behind the \$335K, the primary benefit of any consolidation/in-sourcing is to eliminate duplication of overhead and the overhead/indirect costs RAA incurs now are irrelevant. What is relevant is any incremental overhead cost the City will incur to support the insourcing. The gross savings of \$1.05M for in-sourcing have already been reduced by \$275K for making temporary employees permanent, but are there any other incremental overhead costs the city will incur that should be reflected in the analysis? Also, I thought education programs were accounted for separately and under different contracts, so what “education” is RAA referring to? ***There could be some incremental supervisory costs if the city continues to perform collections in the downtown and/or front-load collections. There also could be small incremental costs for the portion of customer service requests that are currently provided directly to Recycle Ann Arbor, which would be directed to the City along with those that the City already receives.***

The contract with RAA for recyclables collections does include an item for RAA to provide educational service to City-served businesses with a specific fee associated with that service when it is performed. In FY2018, RAA provided and was compensated for education services under the recycling collection contract equating to \$150.

The City has separate contracts with the Ecology Center for education programs - - one contract for in-school education sessions and another for ten monthly open-house style education sessions on Saturdays, which are currently held at City parks facilities (more information at https://www.a2gov.org/departments/trash-recycling/Documents/parksandcrafts_2019.pdf). These contracts are not part of, or impacted by, the recycling collection contract.

As RAA has not provided line-item detail regarding their statements, staff is unable to determine “what education” RAA is referring to in their letter.

Q15. RAA has indicated they incur incremental cost of \$283K because it is more labor-intensive to service multi-family and commercial recycling carts than single-family carts. I am particularly interested in the detail and backup supporting this calculation because (since the city pays for the vehicles), the extra cost must be labor only and \$283K is quite a lot of extra labor hours. Can you please comment on this – both the “semi-automated” point and the magnitude of the dollar amount – and also please do share (or request) back-up data RAA has supporting this \$283K? ***The City does not receive back-up data from RAA regarding the incremental cost to serve the properties that have multiple carts because the current collection contract compensates RAA based on a per-tip cost regardless of type of property serviced or labor effort to serve the cart.***

We agree the magnitude of the additional expense RAA cites to serve these properties is significant and would equate to extra labor hours. While RAA contends that these properties have multiple carts at one location and therefore require manual or “semi-automated” collection leading to the much higher labor cost per stop, an alternative would be to implement more efficient collection at these properties as the SWRMP recommendation will provide. At least a portion of the properties with multiple carts could instead be serviced with dumpsters, which would be less labor-intensive, more efficient, and less costly.

Q16. At the meeting and in emails, it’s been stated that in-sourcing collection will result in a deterioration to the recycling material. It’s not clear to me how that could happen as the processes seem identical - the RAA driver doesn’t get out of the truck, inspect the recyclables, and leave tags as some have suggested, they just drive by and load the cart (exactly as the solid waste drivers do). Can you please comment on this and on what basis folks could argue the quality of the recyclables will be any different if collection is in-sourced? ***We share the view that the quality of the recycling material will not be impacted with a change in the service provider, as the collection will be unchanged. Neither staff nor the consultant have identified a basis on which it could be argued that recyclables quality will be impacted with a change in provider. The quality of material is due to customer behavior and choice when placing materials in the cart, not the entity performing the collection. The recommendations in the SWRMP regarding Education and Outreach will be key components to improve the quality of materials. To the extent that any tagging of carts is performed, this is an activity that City solid waste drivers also currently perform when collecting trash and compost if carts are unable to be serviced because they do not meet setout requirements (e.g., overflowing, unacceptable materials visibly present, not accessible, etc.), and this would also be done if residential recycling collections were to be in-sourced and performed by the City.***

MRF Operations and Recycling Processing RFP Questions

Thanks again for sharing the link to the RFP and addendum. I fully support the approach you've taken in this RFP which is not to presume a best approach, but rather to allow flexibility for bidders in terms of how they use the facility (as a transfer facility or as a sorting/processing facility or some combination), the duration (five or 10 years), and with or without 3rd party recyclables (and if so, with a corresponding revenue credit to the City). I also support that the City does not guarantee volumes which was an element of RAA's unsolicited proposal.

My questions on the RFP are as follows:

Q17. While I do support considering both 5 and 10 year agreements, how will the City evaluate and compare a 5 year proposal with a 10 year proposal from a financial perspective – will just the 5 years be compared? ***Staff will compare and evaluate both 5-year and 10-year proposals if proposed. If differences exist between proposals in this regard, when bringing a recommendation to Council staff will explain the evaluation methodology that led to the recommendation.***

Q18. Page 9 of the RFP includes the statement, “the City encourages potential vendors to bring forward emerging and progressive products and services that are best suited to the City’s environmental principles.” What does that mean and how will it be factored into the scoring and evaluation of proposals? ***This is a boilerplate item in the City’s standard formal solicitation documents that express the City’s desire for environmentally friendly products and services. Scoring of an offeror’s inclusion of such products or services would be included in the Work Plan scoring when applicable.***

Q19. On page 3 in the objective section, it indicates firms can propose using the facility as a transfer facility or as a processing facility or some combination of the two, or propose “an alternative approach to performing these services.” What other alternative might there be beyond a transfer facility or sorting/processing facility? ***None are necessarily anticipated, but the RFP process allows for offerors to offer, and the City to consider, alternative methods or solutions to achieve the goals of the RFP. This statement ensures offerors do not believe they are precluded from proposing an alternative that the City has not previously contemplated.***

Q20. Regarding Saturday and Sunday operating hours, why are we requesting a separate daily rate rather than just incorporating these operating hours into the base per ton rate bid? ***It is not yet determined if/when regular Saturday and Sunday collections would take place in the downtown as***

recommended in the SWRMP. Until that collection is implemented, there is not a need for weekend operations and it would not be desirable to have these costs included in the base operating rate.

Q21. The schedule on page 8 shows that the pre-proposal conference was conducted August 27. The bids are due Sept 17th which is less than three weeks to complete the proposals. When was the RFP issued, and is this timing standard for a service of this magnitude and complexity? ***The RFP was issued on August 16, 2019. The four week proposal development period was a compressed time frame compared to prior similar procurement completed by the City. The accelerated response period was necessitated by the overall schedule and timing to bring a recommendation to Council and execute a contract by this fall prior to the expiration of the current contract.***

Q22. The proposal evaluation scoring process has 70% for qualitative factors (20% for qualifications, 15% for past experience in similar projects, and 35% for the work plan) and 30% for the fee proposal. While I understand this relative scoring is typical for consulting/professional service contracts, having just 30% on the financial aspect seems much too low to me on this one which is largely a production contract. Can you please comment on that? ***The typical scoring percentage for cost in a consulting/professional service contract is 10-15%. If a scoring percentage greater than 30% were to be desired/required, then under our procurement practices an Invitation to Bid (ITB) may be more appropriate. However, an ITB would require that the means and methods for the work would need to be specified (such as for a construction contract), and the opportunity for evaluation of offeror qualifications and the methods of an offeror's work plan in determining the selected contractor would be lost.***

Q23. Also on scoring and process, it's indicated that after the qualitative scoring takes place, only selected fee proposals will be opened. I recognize that's something we do sometimes for professional services, but it would seem to me that for this one (again, largely a production contract) the more appropriate approach would be to open the fee proposals for all bidders deemed qualified. Can you comment on that as well? ***A key part of the RFP process is the evaluation of the qualifications of the offerors, as well as the methods and approaches of an offeror's work plan in determining who should be selected for further consideration. If an offeror is found to not be worthy of further consideration for award, then their fee proposal is not opened and thus not subject to review.***

Q24. On page 15 section C, it says that if a bidder's proposal is to use the facility as a sorting/processing facility, they need to purchase the city-owned baler. How will that price be determined and roughly how much is it worth? Also, what other existing equipment in the facility (if any) is of significant value beyond the baler? ***The purchase price for the baler would be determined based on an appraised valuation of the baler. The other equipment in the MRF does not have "significant value," however as noted at the Work Session there is depreciation still remaining to be "booked" for this equipment.***

(Councilmember Smith)

1. Mr Hupy stated that we “cannot do year-round organics collection without bringing recycling services in house”. I believe this is a false choice. ***Achieving savings is essential to fund any new or expanded programs if a fee is not intended to be charged for the program. Because year-round organics collection from the residential sector is not proposed to be funded by charging a user fee to residents, a sustainable on-going funding sources/cost reduction (as would be achieved by bringing recycling collection in-house) is needed to fund it.***
 - a. Adding year round compostable pickup adds about \$150k to annual costs based on Attachment D-2 (\$147k in slide deck) ***Correct.***
 - b. Other costs allocated to Solid Waste Fund that could (should, in my opinion) be service fees but in looking at the model are identified as having financial impacts to the solid waste fund: ***There are items in the model that would have fees associated for those services and the impacts for these services are included in the financial model to identify the costs to determine the fees for those services. The items below would be fee-based but on a cost recovery basis. No additional money would be available to fund other programs such as year-round compost.***
 - i. Bulky item collection (\$380k) ***This will have a fee for service intended to cover the cost of the service program.***
 - ii. Student Move in Support (\$55k) ***These costs will be distributed over the properties receiving the additional service.***
 - iii. Mandatory downtown Sunday collection (\$330k) – not sure why this isn’t just a pass through charge ***This will have a fee for service intended to cover the cost of the service program.***
 - iv. These total \$765k; ***These costs will be recovered as noted above.*** Projected savings of bringing residential collections in-house \$775k. ***The projected residential savings can be utilized to fund expanded year-round compost collections, as there is not intended to be fees to single-family residential customers for this program expansion.***
2. Solid waste Plan issues:
 - a. No significant discussion of re-starting the MRF
 - i. Specifically the recommendations as follows:
 1. Continue to seek proposals for a new recycling processing contract with services to commence July 1, 2020. Encourage potential vendors to propose investment in and operation of the City’s MRF as a processing facility. ***During the development of the SWRMP, MRF options were a key element of the ongoing regional authority development conversations regarding the efforts and objectives of WRRMA. As stated at the work session, the situation with the City’s MRF was a key foundational item in the County’s examining and ultimately establishing the WRRMA regional authority. In addition, the City***

received an indication of interest from RAA in redeveloping the MRF in the early stages of the SWRMP project and ultimately received an unsolicited proposal from RAA in early 2019. Therefore, a separate parallel examination through the SWRMP effort would duplicate these ongoing discussions. In addition, given current recycling and processing market conditions, proposals in response to the RFP for the next MRF contract are being evaluated now by staff and will provide timely and best available current information to Council to make a decision regarding future MRF operations.

- b. No significant discussion of fixing the drop off station – *in fact the plan states Ann Arbor shouldn't take the lead on this – I believe this is completely contrary to the will of the community and dismisses our city's commitment to regional recycling. **The City has long viewed replacement of the Drop-Off Station as a regional effort, requiring funding from other units of government because over half of the users of the facility reside outside of the City. Replacement of the Drop-Off Station has been included in the City's Capital Improvements Plan (CIP) for several years, with only half of the cost programmed from the City. As stated at the work session, the matter of replacing the City's Drop-Off Station was recently examined by the County with the City's participation, both in terms of funding and staffing the project team, with the study making this examination from a county-wide/regional perspective. This study and its recommendations were reaffirmed and incorporated into the Washtenaw County Regional Authority Study that led to the establishment of WRRMA, concurrently with the SWRMP process. Thus, utilizing further project resources on this item was not warranted.***
- c. No significant discussion of the Zero Waste Vision to which the City aspires. *Discussion regarding the SWRMP and its relationship to the existing Sustainability Framework goals and metrics for the City's solid waste programs will be added to the final plan.*
- d. Not enough stress on the importance of WRRMA membership – particularly regarding education and the Drop-off Center. *Where the City would benefit from WRRMA membership has been noted in the SWRMP both in the analysis of options and in stated recommendations. In particular, this applies to the MRF, the Drop-Off Station, HHW, e-waste, and education.*
 - i. Why would we want to bring recycling and composting services in-house? Our performance managing our key solid waste asset – the MRF, is atrocious. Our taxpayers expect and deserve better performance. *Residential compost collection is already performed by City staff and no changes are being proposed. The cost savings obtained by bringing recycling collection service in-house is significant. Residential compost and trash collection services are currently performed in-house with no issues at a lower cost than current contracted recycling collection services, and City-performed residential recycling collection is an identical service. City staff collect recycling from carts downtown and from dumpsters throughout the City. With respect to past performance related to the MRF, the City has never operated the MRF with*

City employees. In July, 2016 the City took the facility off-line as a processing facility because of poor performance by the City's long-term contracted operator's ability to process the City's recyclables safely and effectively. The contracted operator's failure was due in part to their lack of maintenance of the facility and equipment as well as to the complex structure of the operating contract. Since 2016, the City has maintained uninterrupted recycling service to the community of Ann Arbor in spite of the MRF shutdown.

- ii. We have not been able to recruit a leader in recycling to head this division for us for 2 years. The cost of what we'll have to pay to bring in the expertise to manage this program has not been adequately calculated in the projected savings presented – this position is a \$150k annual expense, at least. . **This position was approved and included in the current FY2020 budget that began on July 1, 2019. The position has now been filled effective October 1.**
- iii. The fix-it tickets reported in Oct-Nov 2018 (last month that has data available on the web) Compost pickup issues – 240; Trash pickup issues 194; recycling pickup issues 52. Trash pickup issues are 4.6 times that of recycling and trash pickup issues are 3.7 times that of recycling. **Based on reports from RAA and the City's Cityworks System, it appears that from 1/1/18 to 10/1/19 there was a total of 2,639 missed recycle cart pick-ups reported to either the City or RAA. During this same timeframe, there were 3,021 reported trash cart pickup issues, and 2,146 compost pickup issues.**
- iv. According to the 2018 National Citizen Survey, 86% of residents are satisfied or very satisfied with recycling in Ann Arbor. **The National Citizen Survey also indicates that 90% of residents are satisfied or very satisfied with garbage collection services (which City crews perform), a higher level of satisfaction than is stated for recycling.** Based on the APTIM Survey 93% of surveyed residents are satisfied with Recycling collection. **The APTIM survey also found 96% of surveyed residents are satisfied or very satisfied with City-performed garbage collection services -- again, a higher level of satisfaction than for recycling collection.**
- e. Downtown Area –
 - i. Why no more detailed analysis of a special assessment district for the DDA to develop and manage their collection and the alleyways. **This was discussed and examined in Option 3.4.2 7-Day Collection, including Mandated Container and Special Fee Assessment, which formed the basis of Recommendation D.2 that includes “developing a cost-distribution formula to apportion costs for consolidated container services based on property type, size, usage, hours of operation, etc. and establishing the management structure for downtown services.” The establishment of the management structure can include consideration of DDA serving as the responsible party for services in the downtown. The creation of a Business Improvement Zone (BIZ) for this management structure would impact the existing Main Street BIZ as there cannot be overlapping BIZ boundaries, so this is not included in the**

recommendation as a specific direction, though it could be examined in the initial implementation efforts.

- f. If we're going to have city crews collecting residential waste and recycling, why also have contracts for commercial and multi-family? That sort of defeats the purpose of contract consolidation. ***The purpose of contract consolidation is to achieve cost and operating efficiencies and provide clarity and streamlining of services to the customer. The City can perform residential recycling collection for less cost than the current contractor. In addition, City crews currently perform the majority of residential collection, and the City provides the fleet, fuel, and maintenance for all recycling collection now; consolidating all residential collection services to the City therefore is a logical choice and will achieve significant cost savings.***

Likewise, the City currently contracts for commercial waste collection with a franchise hauler, and based on the cost of service analysis the cost is lower in that sector with a private hauler. This is due in part to the density of customer accounts served by the franchise hauler compared to the accounts serviced by the City. Under current conditions, the City services commercial recycling dumpsters and multifamily trash dumpsters but the overall number of accounts serviced is much less than what is serviced by the franchise hauler. The City must own and maintain specialized equipment to service these accounts. The current equipment uses compressed natural gas (CNG) for fuel, of which the closest fueling station is on the east side of Washtenaw County. As such, these CNG fleet vehicles are incurring high operational costs and fueling challenges. The fueling challenges and lack of redundant equipment puts the City at risk for interruptions in service when equipment is down. It also means higher costs and lack of flexibility of operations for City-performed commercial collection. The SWRMP recommendation to consolidate all of these services to a single contracted provider will result in economies of scale in service delivery, greater flexibility in the collection of materials, and right-sizing (in both container size and collection frequency) of service for customers.

- g. Funding
- i. Headlee override is a lazy recommendation which ignores the reality of local government funding in Michigan. If the City is going to ask voters for a Headlee rollback, it would be for the general fund. ***The recommendation to pursue a Headlee override would include, as a first step, securing Council support to place it on the ballot. Because the SWRMP resident survey found that 68% of respondents support paying for solid waste services based on the value of their home, i.e., tax/millage based funding, and given that an option exists to increase funding by this method and that it is an established funding method, it is appropriate for inclusion in the SWRMP. In addition, 70% of residents surveyed stated they would be willing to pay \$4 - \$5 more per month for additional solid waste services, and 67% would be willing to pay \$6 - \$7 more per month. An increase to the solid waste millage rate of 0.36 mils to a rate of 2.7149 mils (still below the full enabled 3 mils) would cost \$6 per month***

for a home valued at \$200,000, and result in approximately \$2.2M of additional solid waste funding. The SWRMP considered the broad desires of the community for increased services and balanced that with options for securing additional funding to implement those added services.

- ii. It is irresponsible to provide a recommendation which the consultant cannot verify as legal in Michigan, When asked about this at the Environmental Commission, the consultant said “that’s not our responsibility, it’s your attorney’s responsibility” ***This is an inaccurate characterization of the discussion on the recommendation to review the City’s authority to implement a waste diversion fee (Recommendation F.2). The consultant indicated this is a funding method established in some benchmark communities, citing Austin and Boulder, and that it would require legal review to confirm it can be implemented in Michigan. The legalities of government authority to establish and collect fees for various purposes varies from state to state and is a complex matter. A legal review has not been completed, and the consultant is not an attorney and cannot provide a legal interpretation. It must be researched and opined by the City Attorney’s Office, and is outside of the scope of the consultant’s contract.***
- iii. A \$660K “savings” has been identified in the consolidation of commercial savings, but no increase in contract cost has been proposed – I think this underestimates the potential increase in costs for customers and overestimates the savings to the City. ***The \$660,000 savings (which as noted in response to CM Lumm’s Q6 is actually a \$1,300,000 savings) reflects the operational cost savings that would be realized from the City’s vehicle and container fleet being removed from commercial service and the reduction in City labor costs to perform these collections. The SWRMP notes that contracted collection costs have not been calculated and would be applied against the City’s operations savings. Based on the cost of service analysis, the franchise hauler performs collection services at a lower cost than the City, and therefore it is expected that costs to customers will be lower than under the current system.***

3. RAA –

- a. How are the administrative costs incurred of recycling compared?
 - i. For RAA, their administrative costs and overhead is fixed within the seem to be categorized within their per/cart tip fee, yet when presented with the in-house option for recycling collection, these fees are allocated to different funds. Please reconcile this for me. ***RAA’s contract rate is a fixed price paid per tip with no detail available on how that cost is allocated among various operating costs, administrative costs, and overhead. By contrast, with the City’s costs of service, line-item detail of all expenses for all functions is available and was analyzed in developing the cost of service. City administrative allocations were made to each function, recognizing that many overhead elements apply across all functions.***

Addition of recycling collection to the City's in-house services would result in minimal additional administrative cost to the City as noted in response to CM Lumm's Q14. Currently, contract administration is required, which would be omitted by bringing collection in-house. Under in-house collection, if all commercial and downtown collection services are contracted to a franchise hauler, the existing supervisor would be able to also fill the recycling collection supervisory role.

- b. RAA also provides the sum of the city's expertise (and credibility) in recycling and material recovery. Why would we jettison that expertise? ***The cost savings to be realized by bringing residential recycling collection in-house are substantial and were the primary basis for further consideration of the option as the SWRMP was developed. The option grew to a recommendation because the experience and expertise exists with the City to perform residential collections. The City has been collecting waste in carts longer than RAA has been collecting recycling in carts, and the City performs semi-automated collection of compost in carts and in bags, as well as collecting all downtown recycling carts and all recycling dumpsters in the City. As noted above, the National Citizen Survey and SWRMP resident survey both identified higher satisfaction responses for City-performed trash collection than RAA-performed recycling collection. Expertise in collection is different than expertise in recycling education and programming. The shift included in the SWRMP recommendations is in collections, of which the City has experienced and highly skilled drivers.***

As always, please do not hesitate to contact me if I can be of further assistance on this topic.

cc: J Fournier
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