

ORDINANCE TO AMEND SPU DISPOSAL CONTRACT

*Authorizing SPU to amend the Landfill
Disposal Contract with Waste
Management*

Background

- Seattle contracts with Waste Management (WM) for rail haul and disposal of all City garbage at the WM landfill in Arlington, Oregon.
- Agreement began in 1991 and runs through 2028, with a current City opt-out option for 2019.
- City has amended the contract on three occasions to provide savings, improve services, enact other enhancements, and shift opt-out deadlines.
- Most recent amendment allowed City Light to purchase green energy from methane-based power generation at the landfill.

Future Contract Options

SPU had three options for addressing a potential opt-out window in 2019:

- Negotiate City savings for potential shift in 2019 opt-out window.
- Request market proposals in 2017 for new 2019 services.
- No action – allow the 2019 opt-out option to pass without potential savings

City Market Review and Negotiations

- The available market is primarily three private landfill firms in Eastern Washington and Oregon, supported by long haul rail shipping.
- SPU reviewed private landfill disposal terms and prices paid by other cities or counties in Portland and Seattle areas. The prices were similar or more expensive than Seattle, and in many cases the services were less reliable, and have less favorable terms or performance.

City Market Review and Negotiations

(continued)

- In addition, alternative disposal technologies, such as fuel conversion, have been promoted in concept, but none are locally available or appear cost competitive.
- Simultaneous negotiations with WM landfill produced favorable outcomes with both significant near-term savings for City, strong service performance, and a future opt-out window retained.

Proposed Amendment

- City saves \$0.6M/year beginning immediately, and increasing to \$1.4M per year by April 2021.
- Cumulative savings of \$8M over next 6 years, providing future rate savings for customers.
- Delays City opt-out 5-years, from March 2019 to March 2024.
- Retains unique performance terms and insulation from fuel inflation and other added fees.
- Retains contract end date of 2028.

Conclusions

- City review indicates that a short-term RFP for alternative services would sacrifice near-term savings, produce no better long-term value, and eliminate favorable City position for future service purchase.
- Proposed amendment provides \$8M in savings over 6 years, matches or surpasses most favorable prices in region, and retains strong near-term service performance.
- Amendment also preserves City option of robust procurement for 2024, if desired, to encourage diverse and successful competition from a variety of vendors and options for future disposal systems.

Questions?