

April 10, 2018

MEMORANDUM

To: Civil Rights, Utilities, Economic Development, and Arts Committee
From: Brian Goodnight, Council Central Staff
Subject: Council Bill 119231: Solid Waste Collection Contracts

At its April 10 meeting, the Civil Rights, Utilities, Economic Development, and Arts Committee will consider Council Bill 119231 authorizing Seattle Public Utilities (SPU) to execute contracts with Recology King County, Inc. (Recology) and Waste Management of Washington, Inc. (Waste Management) for solid waste collection and transfer services. This memorandum provides background information, a summary of the major components of the proposed contracts, and potential options for Council action.

Background

Current Contracts

In March 2008, the City Council approved [Ordinance 122653](#) authorizing SPU to enter into solid waste collection contracts with Waste Management and CleanScapes, Inc. (CleanScapes) for a 10-year term and an 8-year term, respectively, with service beginning in March 2009. The CleanScapes contract contained two optional two-year extension periods, and the first of these extension options was exercised by the City. Therefore, both of the current collection contracts are set to expire at midnight on March 31, 2019, and both contracts contain the option of extending service through March 31, 2021.

CleanScapes announced in 2011 that it would be merging with Recology, and the company is now doing business in Seattle as Recology. The contracts were amended once, in December 2013 via [Ordinance 124404](#), to alter provisions related to compostable waste collection and to allow for every-other-week garbage collection. The following spring, the City declined to pursue citywide implementation of every-other-week garbage collection.

Collection Services

The services covered by the contracts include the collection of residential and commercial garbage, recycling, and compostable waste, as well as garbage and recycling collection from City containers located in the public right-of-way. Most commercial customers do not contract with the City for commercial recycling and compostable waste collection, although a limited amount is included in the contracts. In 2017, the two companies combined to collect approximately 418,000 tons of garbage, recycling, and compostable waste through the City contracts.

The city is divided geographically into four solid waste collection zones: northwest, northeast, central, and south. In the current contracts, Recology provides collection services in the

northeast and central zones of the city, and Waste Management provides collection services in the northwest and south zones. In addition to collection services, Waste Management's contract also provides for "transfer services," which includes accepting, loading, and transporting garbage and compostable waste at the company's Eastmont transfer facility. The facility primarily handles material from compostable waste routes that occur at night.

Summary of Proposed Contracts

SPU released a Request for Proposals (RFP) for solid waste collection services in July 2017. The RFP requested proposals for collection of all waste streams for the four service zones within the city, and it allowed respondents to make proposals for one or more of the zones. SPU received and evaluated proposals from four firms.

The evaluation committee recommended selecting the two incumbent firms, Waste Management and Recology, with service continuing in their current zones. Due to the continuation of services by the same providers in the same geographical areas, the proposed contracts do not have any significant customer impacts or labor transition issues. A few of the major contract elements are summarized below:

Term

If authorized by the Council, the proposed contracts with Waste Management and Recology would begin on April 1, 2019 and continue for an initial term of 10 years, ending at midnight on March 31, 2029. Similar to the existing contracts, the proposed contracts would provide the City with the unilateral right to extend the contracts for two successive two-year periods. These optional extensions could extend either or both contracts through 2031 or 2033. If the City chose to extend the contracts, the same terms and conditions would apply throughout the extension period(s).

Cost

SPU estimates the combined value of the proposed contracts over their 10-year term to be approximately \$850 million. Relative to the existing contracts, the proposed contracts would result in a combined cost savings of about \$50 million for the City (approximately \$5 million per year on average during the initial term of the contracts).

Fleet

The proposed contracts would require Waste Management and Recology to provide service with a collection fleet of new trucks that are each model year 2018 or newer and powered by 100 percent renewable fuels. The contracts also would require initial steps toward electrification of the fleets.

Waste Management's primary collection fleet would use renewable natural gas, as certified under the U.S. Environmental Protection Agency's renewable fuel program. Its electric fleet will include six route manager pickup trucks and two Class 6 (medium duty) street crew trucks.

Recology would use renewable diesel sourced from animal fats and vegetable oils for its primary collection fleet. It would deploy two or more Class 6 electric trucks and at least three electric support vehicles at the start of the contract. Recology would also deploy one full-size Class 8 (heavy duty) battery-electric collection truck at the start of the contract, and a second truck by April 2020, pending a performance review of the first truck and agreement with the City over the timing of the second truck. With respect to the Class 8 electric trucks, the proposed contracts would commit the City to provide a one-time payment of \$200,000 per truck within three months after permanent deployment to share in the additional cost for the electric technology.

Council Options

- A. Approve the solid waste agreements with Waste Management and Recology as proposed.
- B. Delay approval of the proposed contracts and request that SPU reopen negotiations with the selected proposers for the development of alternative contract terms. A delay in approval may jeopardize the contractors' ability to procure equipment required by the contracts in time for service initiation in April 2019.
- C. Do not approve of the proposed contracts and request that SPU exercise the options to extend the current contracts with Waste Management and Recology for an additional two-year period. As specified in the current contracts, the City has until June 30, 2018 to notify the contractors of its desire to extend the contracts through March 31, 2021. This option would mean that the City continues to pay approximately \$5 million per year more under the existing contracts than it would under the proposed new contracts.

cc: Kirstan Arestad, Central Staff Director
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