

February 26, 2019

MEMORANDUM

To: Civil Rights, Utilities, Economic Development, and Arts Committee
From: Brian Goodnight, Council Central Staff
Subject: Council Bill 119464: Construction Waste Collection Contract

At its February 26 meeting, the Civil Rights, Utilities, Economic Development, and Arts Committee will consider [Council Bill 119464](#) authorizing Seattle Public Utilities (SPU) to execute a contract with Waste Management of Washington, Inc. (Waste Management) for construction waste collection services. This memorandum provides background information and a summary of major contract components.

Background

Current Contract

In August 2008, the City Council approved [Ordinance 122760](#) authorizing SPU to enter into a construction waste collection contract with Waste Management for a 5-year term with service beginning in April 2009. The contract also contained two optional extension periods, the first extending the term through March of 2017, and the second extending the contract through March 2019. Both of the optional extensions were exercised, and the current contract is set to expire on March 31, 2019.

Collection Services

The contract provides for the citywide collection of construction waste from “drop boxes,” which are metal containers that are temporarily placed at construction sites. The services provided through the contract do not cover recyclable material or construction waste that is self-hauled to disposal facilities, which is a common practice among larger construction firms. Overall, the contract covers less than 10 percent of the construction waste disposed of within the city.

Summary of Proposed Contract

SPU released a Request for Proposals (RFP) for citywide construction waste collection services in September 2018. Staff engaged with six firms during the procurement process, but received final proposals from only two firms. After evaluating the proposals and interviewing both firms, the evaluation committee recommended selecting the incumbent firm, Waste Management, to continue providing the construction waste collection service. Due to the continuation of services by the same provider for citywide service, the proposed contract does 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 contract with Waste Management would begin on April 1, 2019 and continue for an initial term of six years, ending at midnight on March 31, 2025. Similar to the existing contract, the proposed contract would provide the City with the unilateral right to extend the contract for three successive two-year periods. These optional extensions could extend the contract through 2027, 2029, or 2031. If the City chose to extend the contract, the same terms and conditions would apply throughout the extension period(s).

City Revenue

Consistent with the structure of the current contract, the City would receive a small amount of revenue from the proposed contract resulting from a fee assessed to the contractor per drop box haul. The proposed contract sets this rate at \$16 per haul, and the fee would be adjusted for inflation annually. Overall, the City is expected to receive approximately \$20,000 per year as a result of the contract, which is about \$5,000 more per year than the City receives through the current contract.

Customer Price

The maximum retail rates that Waste Management could charge for services are detailed in Attachment 1 to the contract. Rates are specified for drop box delivery and hauling, equipment lids and locks, and daily and monthly rental rates that vary based on the size of the drop box. The rates specified in Attachment 1 would be effective from April 2019 through March 2020, the first year of the proposed contract, and in subsequent years those rates would be adjusted for inflation. Overall, the proposed rates are comparable to the rates currently being charged in the final year of the existing contract.

Unlike the expiring contract, however, the proposed contract contains differential delivery and hauling fees for drop boxes based on a construction site's location. The contract separates the city into three geographic zones: the north zone for the area north of the Ship Canal, the central zone for the area south of the Ship Canal and north of Interstate 90, and the south zone for the area south of Interstate 90. The impact to customers of this differential pricing is that construction sites in the north and central zones would likely experience increased costs relative to the current contract, and construction sites in the south zone would experience decreased costs.

The table below shows the costs that would be charged under this contract to customers that rented a 20-yard drop box for one day. The table shows both the costs for a customer in the south zone and a customer in the north zone.

	<u>South</u>	<u>North</u>
Delivery Fee (Empty):	\$ 85	\$ 115
Daily Rental Charge:	\$ 4	\$ 4
Hauling Fee (Full):	\$ 130	\$ 160
	\$ 219	\$ 279

In addition to the costs shown above, the customer would be responsible for applicable taxes and the tipping fees (based on weight) associated with the actual waste disposal.

cc: Kirstan Arestad, Central Staff Director
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