



Memorandum

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TO: Pat Urich, City Manager and Scott Reeise, Public Works Director
City of Peoria (City)

CC: Josh Gabehart and Dan Krivit, Foth Infrastructure & Environment, LLC
(Foth)

FROM: Jennefer Klennert, Foth

RE: A Comparison of Negotiations and Request for Proposal for the Solid
Waste Management Services Agreement

Executive Summary

The City of Peoria's Solid Waste Management Services Agreement with PDC Services, Inc. (PDC) ("Agreement") expires on June 30, 2019. In this memo, Foth compares two (2) procurement options for solid waste management collection services:

- ◆ Extend the existing Agreement through negotiations with PDC; or
- ◆ Conduct a competitive process, such as a traditional Request for Proposal (RFP).

This memo reviews the comparative advantages and disadvantages of each option. This memo is the second document prepared for the City as possible options for future solid waste services are considered.

Background

The City of Peoria (City) currently contracts with a vendor, PDC, to provide specific solid waste management collection services. The City last completed a RFP process in 2009 (*Invitation for Proposal, Refuse, Recycling and Yard Waste Collection, Bid #37-09*) that resulted in a change in vendors from Waste Management to PDC. The City's original *Waste Collection Agreement* with PDC commenced on January 1, 2010 and terminated on December 31, 2014. A *First Amendment to Waste Collection Agreement* changed the agreement end date to December 31, 2016. A subsequent amendment to the Agreement entitled *Roll-Out Waste Container Agreement* added terms for Roll-Out Waste Containers (carts). The latest *Third Amendment to Waste Collection Agreement* changed the end date to June 30, 2019.

Collectively these related contract documents are known as the “Agreement”. It is important to note, the collection Agreement is separate from any Peoria City/County Landfill contracts.

The City has a comprehensive Agreement with PDC with multiple services offered. The Foth Memorandum *Summary of Current Solid Waste Management Services Agreement with PDC Services, Inc.* dated February 20, 2017 summarizes the services available under the Agreement.

Methodology

For this memo, Foth described and conducted a review of two specific procurement options on behalf of the City: negotiate to extend the current collection Agreement with PDC or conduct a competitive RFP process for a new collection contract. Foth then summarized the comparative advantages and disadvantages of each option under multiple categories.

Option 1 – Negotiate to extend the current Solid Waste Management Services Agreement with PDC (Negotiate)

The City of Peoria has executed three (3) amendments with PDC since the implementation of services on January 1, 2010. The amended Agreement with PDC expires on July 31, 2019. Upon the expiration date, the Agreement with PDC will have been in place for a total 9.5 years. Additional extensions are allowed at the City’s discretion and could be completed without the City going through a competitive process. The current contractor could be requested to provide a proposal for any changes in service the City specifies. Negotiations could occur between the City and PDC to ensure the City receives the services needed.

Cities in Illinois are only required to conduct a competitive process for solid waste management collection services every 30 years¹ and have the discretion to negotiate changes and extensions up through that timeframe. Decisions to negotiate can be made based on level of service, cost, or other factors. Cities typically participate in a negotiation process to extend their existing contract when they are satisfied with the level and quality of service provided, cost and the relationship with the vendor.

Negotiations tend to be most advantageous to the City when there is little to no increase in contract prices (without justification), major service or equipment changes are not occurring, and/or when the existing vendor provides an advantageous proposal for a new or additional service.

Option 2 – Conduct a competitive RFP process for Solid Waste Management Services Agreement (RFP)

The City of Peoria last completed a competitive RFP process in 2009 for solid waste management services. Two (2) companies, Waste Management and PDC responded. The RFP resulted in a change of vendors from Waste Management to PDC. RFPs can

¹ 65 ILCS 5/11-19-1 {(8-26-14)}

allow and encourage proposers to provide creative solutions to the City's services. Also, RFPs can allow the City to choose the services that provide the best value to the City considering a wider range of proposal evaluation criteria and not just the respondent with the lowest price. After a RFP is completed and the proposals are ranked by the City, additional negotiations can occur between the top-ranked vendor(s) and the City to procure the services that represent the best value to the City.

RFPs will include a scope of work including collection service standards based on a city's needs and other best practices. RFPs can also encourage alternate proposals that encourage innovations such as new collection technologies or approaches (e.g., to incentivize increased recycling participation).

Comparative Review

A Comparison of Option 1 and Option 2

In this section, goals for the City for a solid waste management services agreement are identified and then defined. The specific item is then reviewed for advantages and disadvantages under each procurement option.

Verification of Competitive Pricing

Fiscal responsibility for services provided to residents is a key criteria for most solid waste management services programs. Economic factors include (but are not limited to):

- ◆ Verification of where money is spent (fiscal transparency)
- ◆ Control of price escalators

Negotiations

While the general market place in a local region can be analyzed, it is difficult if not impossible to directly compare prices for specific solid waste services. Every city has a different set of demographics, geography, fiscal policies, and specified collection services. Solid waste collection services are typically unique to each individual City. However, one means to generally compare the "competitiveness" of the City of Peoria's contract prices and rates charged to residents is to review the solid waste programs of similar sized cities in Central Illinois.

A separate memo, *Solid Waste Program Case Studies from Other Communities in the Central Illinois Region* dated February 10, 2017, presents case studies from seven (7) other communities. This review of other communities' solid waste programs should help the City of Peoria better understand available services, current industry practices, and a general sense of competitive price ranges for approximately similar services.

Competitive RFP

A competitive RFP process allows the City to conduct a procurement process where proposed prices can be compared directly between two or more vendors. Disadvantages include when there may not be at least two (2) viable respondents.

The more complex or capital intensive the RFP-specified services, the less likely a city will receive multiple proposals. To help promote competitive proposals, services can be divided into the various types based on equipment needs for residential, commercial or clean up services.

Opportunities for new or improved services

Technologies in solid waste services are continually changing and evolving. One example of this is the change from multi sort recycling to single stream recycling that is part of the City's current services. Such investments in new technology by solid waste service providers are often driven by other competitors offering similar services.

The City of Peoria is currently discussing improved recycling services such as every other week services (instead of the current monthly recycling schedule) and universal, citywide distribution of recycling carts to all City residents without a deposit charge. Such improvements could help reduce or eliminate some of the barriers to increased recycling participation.

Negotiations

The City could actively negotiate changes to the existing Agreement as indicated by the past multiple amendments. The amendments all resulted in a change to the existing agreement although some were larger in scope than others.

Under future negotiations, it is possible the system changes would be more incremental such that Peoria residents would continue to receive similar levels of services. Also under negotiations, it is more difficult to establish competitive market pricing for new or improved services.

Competitive RFP

With a competitive RFP process, the City would ideally receive multiple proposals for new or improved services allowing more direct comparisons of services and related pricing. The changes in service can more easily be part of a larger more comprehensive package of collection system changes.

Disadvantages can occur if only one vendor can provide the new or improved services. Competitive RFPs can allow the City to encourage alternate proposals for innovative approaches which may result in additional options and services being offered.

Consistency of Agreement Language and Terms

Solid waste collection service contracts should be consistent and enforceable and provide a simple, easy to follow format. Contract terms, conditions, definitions, insurance provisions and liquidated damage requirements should be consistent with current industry standards to help ensure compliance and ease of enforcement.

Negotiations

The current City Agreement with PDC has had multiple sections and services amended. The result is that the overall package of various documents is difficult to follow for both parties. The City, PDC and Foth have met to confirm the itemized services are offered and available².

A disadvantage of negotiating an extension under the same Agreement is that the Agreement will may become more complex and therefore even more difficult to follow. One solution may be to negotiate an entirely new Agreement with PDC which incorporates the current state of the program and provides both the City and PDC with a single, more user friendly document.

Competitive RFP

Competitive RFP packages typically include a draft contract with the terms, conditions, definitions, insurance requirements, collection services and other provisions as specified by the City. The respondents then agree to the draft contract as presented in the RFP or provide proposed changes or exceptions. One advantage is the draft contract is prepared unilaterally by the City as a clean start. Any proposed changes to the draft contract can be part of the negotiations with a chosen vendor. A disadvantage is that if the terms in the draft contract are too strict, it may discourage some respondents from proposing.

Additional Items for Consideration

Active City Involvement in Agreement Management

Historically the City has managed the Agreement with PDC with a minimum of performance monitoring and enforcement. As a general rule, PDC has done most of the active public education (e.g., web pages, other tools for resident instructions, etc.). In the future, any changes in education, outreach or programs should be specifically approved by both parties with prior notice. Another example is the need for regular reporting and communications of contract performance measures (e.g., tons of various materials collected, types and counts of bulky items collected, household counts as served, etc.)

Splitting of Services for Additional Respondents

Changes should be considered in how the existing Agreement bundles the long list of required services. The sheer number and types of services offered through the existing Agreement increases complexity and reduces the potential number of vendors willing and able to propose on the services. Current services in the Agreement include:

- ◆ Assembly and delivery of carts and cart management
- ◆ Dumpsters and dumpster management
- ◆ Pick up of residential waste using various types of trucks and equipment (e.g., rear loaders and side loaders)

² See Memorandum – Summary of Current Solid Waste Management Services Agreement with PDC Services, Inc.

- ◆ Pick up of commercial-style dumpsters using various types of trucks and equipment (e.g., front loaders)
- ◆ Roll-off trucks and large roll-off dumpsters for neighborhood clean-ups
- ◆ Single stream recycling collection, processing, and materials marketing services
- ◆ Yard waste collection and composting

A RFP could split out selected groups of services and allow respondents to propose on specific elements only (e.g., commercial dumpsters servicing City buildings, roll-offs servicing neighborhood clean-ups, recyclables processing/marketing, etc.). Such splitting could result in attracting more respondents which may make the proposals more competitive. Such splitting may also better encourage proposed innovations.

Number of Potential Respondents

If the City wants to further consider the competitive RFP option, the pool of potential respondents should be verified. Local and regional solid waste service providers could be contacted and made aware of the potential RFP.

Examples of potential respondents may include (but are not limited to):

- ◆ Advanced Disposal
- ◆ Eagle Enterprises
- ◆ PDC
- ◆ Republic Services
- ◆ Waste Connections
- ◆ Waste Management

This initial list of examples of potential respondents is for purposes of preliminary discussion and illustration only. It should not be interpreted to be any form of pre-qualification or “short listing”. Any and all qualified respondents should be encouraged to consider proposing.

Changes in Costs - Disposal Cost Discussions

Changes in cost or program service specifications are one of the reasons to reevaluate the Agreement. For example the current landfill is expected to reach capacity in 2022. It is anticipated that prices of disposal at the Landfill will drop considerably with the opening of the new landfill.

One concept would be to require as part of a negotiation or competitive RFP process that prices for residential services could be split into collection and trash disposal. The projected decrease in disposal costs could then be calculated more explicitly going forward.

Table Comparison

The following table is intended to compare the two (2) procurement options for the City Agreement.

- 1) Negotiate an extension with PDC
- 2) Conduct a competitive RFP process

Comparison of Procurement Options for the City of Peoria Solid Waste Management Services Agreement

	Standard Collection RFP	Negotiate to Extend with Incumbent
Current industry standards for services verified	Yes	Potentially
Opportunities for new/improved services	Yes	Yes
Better understanding of where money is spent (e.g. fiscal transparency)	Yes	Potentially
Opportunity to revise contract language (e.g. liquidated damages, reporting, service level requirements, etc.)	Yes	Potentially
City control of price escalators	Yes	No
Increased diversion potential	Potentially	Potentially
Improve billing system and account information	Yes	Potentially
Better understanding of waste stream and what happens to it	Yes	Potentially
More active City involvement and management of the contract	Yes	Potentially
City may receive limited responses	Yes	No
Contractor is familiar with the City	Potentially	Yes
Unknowns including cart capital needs	Yes	Potentially