

# Optimizing Services: Municipal Collection Contracting



**CAPTURING THE VALUE -  
TRANSFORMING MUNICIPAL  
MATERIALS MANAGEMENT**

**NATALIE STARR  
DSM ENVIRONMENTAL SERVICES**

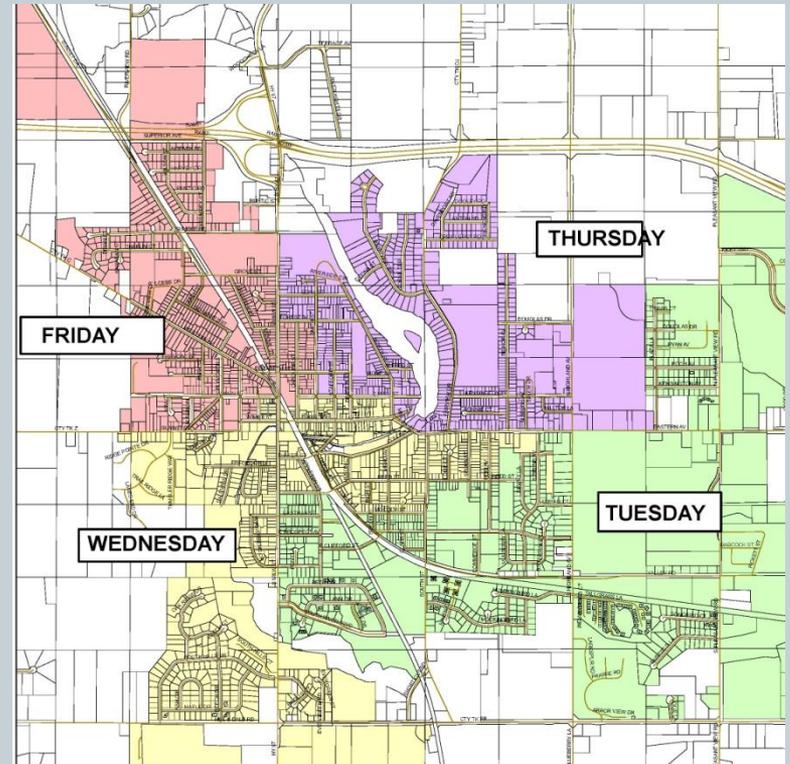
# Optimizing Collection of Recyclables Requires Three Key Components



- A collection infrastructure that makes it easy for residents to participate
  - Large carts
  - Same day as garbage collection
  - Single stream collection of a wide range of materials
- A consistent educational and promotional message
- An economic incentive to recycle

# Organized Collection Makes It Easier to Optimize Recycling

- While it is possible to have high materials recovery rates under all collection systems, maintaining some control of the collection system is often beneficial



# Collection Options



- **Subscription, free market**
  - Haulers compete for customers
  - This is the standard for commercial collection
- **Franchised – typically non-exclusive but possibly exclusive**
  - Specify service terms, license haulers
  - Haulers are responsible for billing households or businesses
- **Municipal collection contracts**
  - Primarily for residential collection
  - Municipality specifies service terms
  - Typically municipality pays monthly fee to private contractor and then recovers cost through property tax, separate utility billing, PAYT pricing, or some combination
- **Municipal crews**

# Why Manage Collection of Residential Waste and Recycling?



- By statute, municipalities have the ultimate responsibility for solid waste and where it is sent
  - Originally for public health reasons
  - More recently, for environmental reasons
- Recycling (and reduced GHG emissions) goals can be hard to meet without some control over collection
- Advantages of managing commercial collection are less obvious but may be there in certain circumstances

# Managing Collection Can Begin Through Non-Exclusive Franchising



- The least disruptive way to manage collection in areas with subscription collection is to adopt an ordinance requiring licensing of haulers and specifying minimum service levels
- This system has been used very effectively in the Chittenden Solid Waste District (Burlington), Vermont
  - All haulers must offer single stream recycling and embed the cost in the price of solid waste collection
  - All haulers must price solid waste collection with some minimum level of variable rate pricing that rewards recycling

# The Next Step Is Consolidated Collection



- **Exclusive franchise – if statute provides for that option**
  - Single hauler operating under specific service requirements
- **Collection contract with single hauler**
  - Either at municipal level or some sub-set of collection district
- **Municipal collection**
- **This presentation focuses on contracts with private firm, not municipal collection**
  - Exclusive franchise is often structured like contract collection, but with less municipal involvement

# Advantages of Consolidated Collection



- **Uniform specifications and service:**
  - Increased opportunity for PAYT pricing
  - Opportunity to add features like large volume carts
- **Less trucks on the road**
  - Can have safety, health, environmental and infrastructure benefits
- **Typically lower per household costs**
- **Reduced GHG emissions:**
  - But higher benefit from the increased recycling than from the trucks taken off the road (or added to the road to collect more recyclables)

# Disadvantages



- **Municipal responsibilities increase**
  - Does municipality have capacity
- **Change to managed competitive from free marketplace**
  - Maintain service levels and competitive drive to keep customers
- **Small haulers may not be able to bid**
- **Uniform service specifications may limit special service features**

# Key Features of Contracts



- Bundled or unbundled services
- Specified transfer or disposal/processing locations
- Performance Specifications
- Term
- Assigning Risks
- Invoicing and payment

# Careful what you ask for



# Bundled or Unbundled Service



- **Collection:**
  - Curbside
  - Containerized
  - Non Residential: Large Multi-unit, Municipal Buildings, Schools, Commercial Downtown
- **Recycling and Refuse Collection**
- **Yard Waste Collection**
- **Recycling Processing**
- **Yard Waste Processing**
- **Transfer Station or Disposal**

# Separate Disposal and Processing Contracts From Collection



- Levels the playing field for all collection bids
  - Offers haulers (typically smaller haulers) without disposal or processing facilities the ability to bid against haulers with capacity
- Explicitly defines collection costs
  - Collection costs can't be hidden in disposal or processing costs/revenues
- Allows for specification of transfer or disposal locations

# Performance Specifications



- **Be specific about performance and expectations in the contract:**
  - Who is responsible for waste/recyclables not placed in containers, or waste placed at the curb but not in PAYT bag?
  - What time of day are residents supposed to have containers at curb and who is responsible for late placement?
  - Are there opportunities for contractor and municipality to work together to achieve performance specifications?

# Performance Specifications



- How are complaints handled and monitored?
- What about unacceptable items?
- What are contractor requirements for notification of unacceptable items?
- Who is responsible for weather cancellations?
- What messages do you want on the truck?
- Do you want the public to call the contractor or the municipality?

# Good Data Drives Good Decisions



- **What data must contractor maintain?**
  - Refuse tonnage separate
  - Recycling data separate
  - Recycling set-out data
  - Change in household counts

# Monitoring Performance



- Designate contractor and municipal position responsible for performance
- Detail monitoring system you expect to implement
- Specify access to necessary contractor information
- Play a role in monitoring – back up the contractor

# Performance Penalties



- Make sure there is a formal procedure for both parties to follow for non-performance
- Include formal notification and contractor response period
- Stick to the procedures and document the problem
- Try to avoid performance requirements that are conflicting
- Specify under what circumstances payment can be withheld (note that withholding payment must be consistent with actual damages)

# Length of Contract



- Typically the private sector wants longer rather than shorter contract terms
  - Allows for amortization of collection vehicles – typically over 7 years (+/-)
  - Provides for longer term certainty and allows for bidding, contract negotiations and startup costs to be spread over longer period of time
- Typically municipality wants shorter term contracts
- A good compromise may be 3 – 5 years with 2 renewal years at municipal discretion



# Assigning Risk



- Risk should be assigned to the party most capable of managing the risk
- Municipality has better tools than private firm to force payment for service, to enforce compliance with rules, and to educate and promote
- Private contractor has better control of performance of specified service

# Invoicing and Payment



- Lowest collection bids come with municipal payment to contractor and municipal billing of households
  - Funded by property tax or user fees
- Hybrid -Contractor bills customers for collection service but municipality guarantees payment
- One of largest benefits of organized collection is ability to implement PAYT pricing
  - Flat monthly fee with bag rate
  - Monthly fee based on cart volume
  - All on the bag

# Conclusions



- Organized collection can reduce system costs and increase materials recovery
  - We would typically expect a reduction in collection costs over subscription service of 20 to 25 percent
- But municipality must take on additional responsibilities
- Over time the pool of competitive haulers may shrink