

**REFUSE AND RECYCLING SERVICES
SYSTEM DESIGN**

Prepared for the City of

HAWTHORNE, CALIFORNIA

**Prepared by
Gary Liss & Associates
MSW Consultants
Constance Hornig, Esq.**

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Hawthorne Refuse and Recycling Services System Design
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Hawthorne Refuse and Recycling Services **Executive Summary**

Gary Liss & Associates (GLA) recommends the following major changes in refuse and recycling services for Hawthorne:

1. Allow businesses to choose one or more refuse and recycling service providers.
2. Establish semi-exclusive franchise system for commercial refuse haulers.
3. Require businesses to submit recycling plans with business permit fees.
4. Require apartments to provide “opportunity to recycle” to their tenants.
5. Require commercial refuse haulers to provide recycling services, unless businesses arrange for their own.
6. Provide economic incentives to all to maximize waste diversion.
7. Provide rolling carts to single-family residents for refuse and recycling.
8. Specify semi-automated collection system for single-family residents.
9. Require haulers to bill for commercial and have City bill for single-family residential.

In addition, the report details next steps for the procurement process and process integrity guidelines to ensure an open and fair procurement.

Hawthorne Refuse and Recycling Services **Background and Objectives**

The City of Hawthorne (City) provides refuse collection and recycling service to its residents and businesses through an exclusive franchise agreement with H & C Disposal (H & C). The City's current franchise agreement with H & C expires on September 27, 2002. On September 10, 2001, the City Council voted to solicit proposals from qualified firms to provide refuse collection and recycling service after the current agreement expires. To provide the City with an adequate amount of time to conduct a competitive procurement, the City and H&C have agreed to extend the current agreement, if necessary, on a month-to-month basis, through June 1, 2003.

The City retained our team of Gary Liss & Associates (consisting of Gary Liss, David Davis, and Constance Hornig, Esq.) to assist the City in:

- ◆ Reviewing its refuse and recycling policies;
- ◆ Developing a procurement strategy;
- ◆ Preparing a Request for Proposals (RFP) package;
- ◆ Evaluating proposals;
- ◆ Assisting in negotiating a new franchise agreement; and,
- ◆ Reviewing and updating its current City Refuse Ordinance.

This report describes our review of the City's refuse and recycling policies and our proposed procurement strategy. This report, along with City staff's recommendation, will serve as the basis for developing a framework for discussion of these issues by the City Council. Once the City Council has provided its direction regarding the City's refuse and recycling policies and its procurement strategy, that direction will be used to develop the RFP package and implement the City's procurement strategy.

In our review of the City's refuse and recycling policies we performed the following tasks:

- Reviewed background documents provided to us by City staff;
- Developed a survey instrument to gather information from the general public regarding a variety of refuse and recycling issues (see Attachment A);
- Interviewed members of the City Council, City staff and community leaders to discuss their preferences regarding the City's refuse and recycling policies;

- Helped organize and conduct a Special City Council/Community Meeting to solicit input from the general public;

Based on our review, we have identified four major policy issues. Sections 3 through 6 of this report discuss the advantages and disadvantages of each of these policy issues, and include our recommendations. Section 7 describes our proposed procurement strategy. The four major policy issues and the questions we address in our report are outlined below.

1. Multi-family and Commercial Haulers

Should the City arrange to have multi-family and commercial customers receive refuse and recyclable collection service from a single exclusive hauler, or by multiple haulers competing with one another?

If the City decides to arrange for multi-family and commercial customers to receive service from multiple haulers, what type of multiple-hauler service arrangements should the City implement?

2. Single-family Residential Service

Should the City's residents continue to furnish their own 30-gallon cans and receive manual collection service? or

Should the City require its residential hauler to provide rolling carts to residents and implement either semi- or fully automated collection service?

3. Billing Arrangements

Should the City or the hauler be responsible for performing the billing function for multi-family and commercial service?

Should the City continue to bill residents through property tax assessments?

4. Policies and Incentives to Encourage Waste Diversion

What policies, programs and economic incentives should the City adopt to encourage waste generators (residents and businesses) and haulers (refuse and recyclables) to encourage waste prevention, reuse, recycling and composting?

In addition, there were a number of other issues that were raised that should be considered in designing the City's procurement documents, including some issues identified in the initiative proposed last year on this subject. These issues are identified in Attachment B, along with recommendations from GLA to staff on how to address those issues.

Refuse Program Objectives

This is a unique opportunity for the community to decide on its goals and objectives for refuse and recycling services for the next decade. GLA looks forward to working with everyone involved to fully describe the issues and options, and design a system that will meet the unique needs of Hawthorne residents and businesses.

As the first step in this process, GLA recommends that the City adopt clear objectives to guide the procurement process. Through the procurement process, these objectives will lead to more specific selection criteria that will be used in evaluating potential proposers.

GLA recommends the following City objectives for this procurement process:

- 1. Receive safe and reliable service at a competitive cost.**
- 2. Achieve State 50% waste diversion goal.**
- 3. Minimize City liabilities and administrative burden.**

Although many of the following proposed 13 objectives have great merit, it is useful to focus on a few key objectives to provide clear direction about local priorities. The Mayor and Council could choose to add any of the other proposed objectives, or others, as part of their direction on overall objectives. Alternatively, the Mayor and Council could direct staff and consultants to consider some of these as issues to address in the drafting of the procurement documents, just not as key priorities.

Additional objectives that could be included are:

4. Maintain a clean city by quickly collecting illegally dumped items and litter.
5. Provide state-of-the-art containers and collection equipment.
6. Use state-of-the-art processing and material recovery equipment.
7. Use alternative-fueled vehicles and processing equipment.
8. Pursue the highest and best use of materials reused, recycled or composted.
9. Ensure that any disposal facility proposed exceeds state and federal standards
10. Provide opportunities for small companies and non-profit organizations to offer refuse and recycling services.
11. Provide choices to Hawthorne residents and businesses for refuse and recycling services.
12. Provide incentives to Hawthorne residents, businesses and service providers to reduce waste
13. Encourage innovations throughout the contract.
14. Encourage the use of local women and minority-owned businesses and non-profit organizations as subcontractors in providing services.
15. Use prevailing wages.
16. Design the system to achieve Zero Waste to decrease City's long-term liabilities.

Multi-family and Commercial Haulers

The major policy issue raised by multi-family dwelling owners and other commercial businesses is:

Should the City arrange to have multi-family and commercial customers receive refuse and recycling service from a single exclusive hauler, or by multiple haulers competing with one another?

If the City decides to arrange for multi-family and commercial customers to receive service from multiple haulers, what type of multiple-hauler service arrangements should the City implement?

There are several general issues that could impact on the policy of whether to provide businesses with a choices of haulers, including:

- ◆ **City Administrative effort** – An advantage of having a single exclusive hauler is that the City only has one contract to manage. With multiple haulers, the City must oversee detailed service, reporting and financial arrangements for each hauler, which could require more meetings, followup calls, vehicle inspections, program and fiscal audits and response to citizen complaints than with a single hauler system. On the other hand, with multiple haulers, there is more self-policing of the system, as businesses could change haulers if they are dissatisfied, and legal operators bring “illegal” operations to the attention of the City.
- ◆ **Traffic and environmental impacts** – With a single hauler, there are fewer traffic and environmental impacts. However, the impacts from multiple haulers are environmentally not that significant. Hilton, Farnkopf and Hobson and Environmental Science Associates evaluated the potential environmental impacts on traffic, roadway structure, noise and vibration, air quality and aesthetics in analyzing the proposed Refuse Initiative in May 2001.¹ They concluded that a system that included 15 to 30- haulers would
 - “increase traffic by about one percent above existing overall traffic volumes, which is within the daily fluctuation of volume and would not noticeably affect traffic operating conditions at area intersections and on area roadways.”
 - “An increase of approximately one percent in peak-hour traffic volume would cause no increase in the Traffic Index for area roadways, and would have a minimal effect on the physical condition of roadway pavements, particularly because the roads predominantly affected are arterials and freeways, which are built to carry truck traffic.”
 - “...The impact of increased commercial waste collection vehicle trips...on roadside noise levels would be less than significant (less than 3 decibels, DNL) when compared to existing noise levels.”
 - “...Vehicle mileage is projected to increase between 700,000 and 1,100,000 miles per year. Based on the assumption regarding increased mileage, the estimated

¹ *Draft Report, Analysis of Proposed Initiative Measure*, May 31, 2001, prepared by Hilton, Farnkopf & Hobson, LLC for the City of Hawthorne, page 4.

increase in emissions of each pollutant is not considered significant using the significance criteria in the South Coast Air Quality Management District's CEQA Air Quality Impact Handbook (April 1993).”

GLA concurs with this assessment.

- ◆ **Enforcement and Quality of Service** – The City can clearly specify requirements for health, safety, quality of service, waste diversion, accounting and reporting requirements as part of a governing ordinance or contract with multiple haulers. As noted above, under a multiple hauler system, there is more self-policing of the system. Businesses could change haulers if they are dissatisfied, and legal operators could bring “illegal” operations to the attention of the City. A key to this will be proper identification (e.g., City decals, phone numbers and company names) on all refuse and recycling bins and trucks operating in the City. In a multiple hauler system, the City could determine that one hauler is out of compliance, and rescind their authority to operate, without severely impacting the overall system. In that case, the City would notify customers and other haulers, and during a transition period, businesses could make new arrangements with another authorized hauler.

Although a single hauler system may be easier to enforce if the operator is cooperative, it can be very difficult for the City if the exclusive hauler is not responsive. Often it is a difficult decision for cities to terminate such an agreement, or to find the contractor in default of the agreement (if the agreement is even clear enough in the first place about the issue of concern). The fact that cities are increasingly including specific performance requirements and liquidated damages in their exclusive agreements to address these problems is a testament to how much a concern this issue is.

- ◆ **Recycling policies, requirements and incentives** – There are many tools that can be adopted by cities to encourage greater waste diversion by waste generators and haulers (see section on Waste Diversion Policies and Incentives below). In a multiple hauler system, waste diversion requirements and incentives could be included in governing ordinances or contracts in a similar way that they are included for single hauler contracts. One of the major advantages a single hauler would have for waste diversion is spreading the costs of servicing all businesses over the entire commercial rate base. One of the major advantages of a multiple hauler system is that different haulers have different existing investments in recycling collection and processing equipment. Some of the multiple haulers may be able to achieve much higher levels of waste diversion than others, with no additional capital investment (by the City, generators or the hauler).
- ◆ **Innovation during contract term** – With a single hauler, it is a relatively simple process for the City to suggest amendments to the contract for the hauler to provide additional services. However, the City is not in a good bargaining position to ensure a fair price for the service. With multiple haulers, the City would likely have a competitive process to pursue contractual innovations. Alternatively, under a multiple hauler system, the City might be able to convince one hauler to offer the innovative service at no cost to the City, as a way to get a competitive advantage in soliciting work from businesses in Hawthorne.

- ◆ **Rate ceilings** – With a single hauler, the City adopts the rates proposed by the exclusive hauler, with whatever modifications the City chooses (e.g., adding franchise and administrative fees). With multiple haulers, the City could choose to establish maximum rates that could be charged by any hauler, or let the free market regulate rates completely. If the City chooses to establish maximum rates, it could do so by adopting the rates proposed by each hauler in a competitive process as the maximum they are authorized to charge. The advantage of the City being involved in setting rate ceilings for customers is that smaller customers are not disadvantaged, as the hauler is not allowed to charge extraordinary amounts for smaller accounts. Another advantage to the City of rate ceilings is that there is clearer accountability to the City for the reporting and payment of franchise and administrative fees.

A disadvantage of rate ceilings is that they are more likely to be challenged under Proposition 218.

Hawthorne could proceed with multiple haulers with or without rate ceilings. If Hawthorne proceeds without rate ceilings, the process for authorizing multiple haulers to operate in the City could be considerably streamlined, as the City would not have to consider all the rate-related issues.

- ◆ **Flow control and Fee for Service Recycling** – One of the more difficult legal issues for cities to address is the very definition of “refuse” and who is authorized to collect it for a fee. Recyclers contend that all wastes *could* be recycled, with the proper economic incentives and markets or positive uses in place. Exclusive waste haulers often contend that anything that is discarded by a resident or a business is their exclusive responsibility to collect (and to be paid for that service). This is an issue that has been addressed many times in the last decade by state and federal courts.

The California Supreme Court has held that “the maximum scope of an exclusive franchise is the collection of ‘solid waste,’ which the Court defined to mean material that a generator pays to have taken away (“fee for service”).² Materials that are discarded but recycled for free (donated) or that generate revenue, are clearly outside the jurisdiction of local governments to direct their flow. In a subsequent case,³ a California Court of Appeal upheld the Supreme Court’s fee-for-service test and clarified that it was up to each community to decide whether to allow fee-for-service recycling outside of the exclusive franchise. In another recent California case from Antioch, CA,⁴ the Court of Appeal of the State of California, First Appellate District in August 2001 decided on legal precedents that include definitions of “property,” “waste,” and “discards.”⁵ The Court again applied California's fee-for-service test and definition of "discard" to determine under federal law whether the material was solid waste or not.⁶

² Recyclers for Competition, *Open the Flow: Maximize Recycling for AB939 by Open Competition*, 1999, p. 6

³ City of San Marcos v. Coast Waste Management, Inc., 47 Cal. App. 4th 320 (1996).

⁴ Pleasant Hill Bayshore Disposal, Inc. v. Chip-It Recycling Inc.

⁵ “Chip-It Decision Summary,” *RecycleScene*, California Resource Recovery Association, February 2002, page 7.

⁶ John Moore in “Chip-It Decision Summary,” *RecycleScene*, California Resource Recovery Association, February 2002, page 7.

For Hawthorne, this all means that, in designing a new system, the City should be mindful of the legal boundaries in which it can operate in directing the flow of refuse and recycling. If the City uses one single commercial hauler, the City could choose to direct all “fee for service” recycling to be done by that hauler, as it has done currently with H&C Disposal and the City’s Commercial Recycling Ordinance. However, the City is not required to do that, and businesses generally prefer to be able to use whatever recycling services are available, even if there are fees associated with that service. By changing the City’s Commercial Recycling Ordinance to allow “fee for service” recycling in Hawthorne, the City would enable businesses to save money by recycling, even if it still cost the business some money to recycle.

If the City has multiple haulers, the same definition issues apply.

- ◆ **Limits on the number of haulers** – In the neighboring cities of El Segundo, Gardena, Lawndale, and Torrance, the number of commercial haulers ranges from nine in Lawndale to thirty in El Segundo and Torrance.⁷ This suggests that there are many haulers operating in the area that would likely be interested in providing service to Hawthorne businesses. To decrease the administrative and enforcement problems overseeing large numbers of multiple haulers, some cities have restricted the number of haulers that can operate in an “open” system. There are a number of ways that could be done. The City could solicit proposals for commercial haulers similar to how they would solicit an exclusive hauler, then rank the qualified proposers to establish a list of eligible haulers. This could include evaluation of the rates offered to businesses, the quality of service, the innovations in waste diversion programs offered, and other qualitative and quantitative criteria. Alternatively, the City could offer a standard contract and bid out a certain number of available “medallions” that would be awarded to the highest (in terms of fees to be paid to the City) qualified bidder (like a taxicab franchise in some cities). Other options for selecting haulers could also be devised.

Figure 1 - Summary of Multiple Haulers vs. Single Hauler Advantages and Disadvantages

	Multiple Haulers	Single Hauler
Advantages	<ul style="list-style-type: none"> ◆ Customer Choice ◆ Generally lower rates ◆ Immediate incentives to provide reliable service ◆ Less likely to be challenged under Proposition 218 	<ul style="list-style-type: none"> ◆ Greater route efficiency ◆ Less traffic on City streets ◆ Less administrative effort ◆ Can subsidize recycling over whole rate base
Disadvantages	<ul style="list-style-type: none"> ◆ Less route density ◆ More truck traffic ◆ More difficult accountability ◆ More cumbersome recycling incentives 	<ul style="list-style-type: none"> ◆ No customer choice ◆ No immediate competition incentive to provide reliable service ◆ Rates are generally higher

⁷ *Draft Report, Analysis of Proposed Initiative Measure*, May 31, 2001, prepared by Hilton, Farnkopf & Hobson, LLC for the City of Hawthorne, page 8

Multiple-hauler Service Arrangements

If businesses are provided with a choice of haulers, there are a number of ways that such a choice could be offered:

- ◆ Open permit system.
- ◆ Non-exclusive franchise system.
- ◆ Semi-exclusive franchise system.

Key aspects of these approaches are detailed below.

Open Permit System

- ◆ Refuse services are governed by a local ordinance in which the City unilaterally sets the rules for service providers to operate within the City.
- ◆ The City can include health, safety, quality of service, waste diversion, accounting and reporting requirements as part of the governing ordinance.
- ◆ The City grants permits to haulers (permittees) and acts as a regulator in enforcing the ordinance.
- ◆ Haulers are independent from the City.
- ◆ Haulers (permittees) compete with one another and bill customers directly.
- ◆ The City does not charge significant administrative or recycling fees to the haulers.
- ◆ The City does not limit the number of haulers, set rates or establish acceptable territories.

Non-exclusive franchise system

- ◆ Refuse services are governed by a standard non-exclusive contract between the City and each hauler.
- ◆ The City and haulers mutually agree to the terms of the non-exclusive contracts and both parties sign the contracts.
- ◆ Haulers are contractors of the City, operating as a franchisee according to the terms of the contract.
- ◆ The City can include detailed health, safety, quality of service, waste diversion, accounting and reporting requirements as conditions of the contract.
- ◆ The City may include a franchise fee to be paid the City for the right to operate within the City, as a condition of the contract.
- ◆ The City may include an administrative fee for the City oversight requirements as a condition of the contract.
- ◆ The City may include a waste diversion fee to cover the costs of City waste diversion programs and promotions as a condition of the contract.
- ◆ The City administers the contracts and may or may not set a maximum rate to be charged for services.
- ◆ The City does not establish service territories for haulers.
- ◆ Haulers (contractors) compete with one another and bill customers directly.
- ◆ The City does not limit the number of haulers.

Semi-exclusive franchise system

- ◆ The City and haulers mutually agree to the terms of non-exclusive contracts and both parties sign the contracts.
- ◆ The City limits the number of haulers to reduce traffic and environmental impacts, and to reduce City administrative burdens.
- ◆ Haulers are contractors of the City, operating as a franchisee according to the terms of the contract.
- ◆ The City can include detailed health, safety, quality of service, waste diversion, community outreach, accounting and reporting requirements as conditions of the contract.
- ◆ The City may include franchise, administrative and/or waste diversion fees, as above.
- ◆ The City administers the contracts and may or may not set a maximum rate to be charged for services.
- ◆ The City may or may not establish service territories for haulers.
- ◆ Haulers (contractors) compete with one another and bill customers directly.

GLA Recommendation on Multi-Family and Commercial Service Arrangements:

Given the input received from the community, GLA recommends the following system for multi-family and commercial services served by front-loading bins or roll-off trucks. GLA recommends:

- ◆ A Semi-Exclusive franchise system with waste diversion requirements for businesses (see below). This will provide the best balance of choice for businesses, and control for the City.
- ◆ Soliciting multiple commercial haulers through a competitive process that ranks all qualified proposers. The top-ranked 5-10 haulers that offer both refuse and recycling services should be authorized to operate in the City. Allowing more than 3-4 haulers will likely result in a combination of large and small haulers providing services. This will help keep the system more competitive in price, innovations and quality of service.
- ◆ At least 3-4 of the authorized haulers should have demonstrated experience in serving multi-family dwellings (MFDs) and achieving greater than 10% waste diversion from those complexes served. At least 2-3 of the authorized haulers should have demonstrated experience in providing services for construction and demolition (C&D) debris, and commitment to complying with the City's C&D Recycling Ordinance and C&D Waste Minimization Plan.
- ◆ Allowing "fee for service" recycling services on a permit system. Such reuse, recycling and composting businesses that operate within Hawthorne should be asked to provide reports to the City needed to document their waste diversion efforts.
- ◆ Commercial waste generators should also be required to report to the City the same data required of semi-exclusive haulers as part of annual recycling plans (see Waste Diversion below), if a generator uses recyclers other than the semi-exclusive haulers.
- ◆ Buyback recyclers (such as AB2020 recycling centers within the City limits) should be asked to provide waste diversion reports to the City.
- ◆ Setting as maximum rates of service the prices proposed in the City structured competition, adjusted annually by an inflation index and any adjustments to City franchise or administrative fees.
- ◆ Letting H&C be the default commercial service provider starting the expiration date of their current contract, if they are selected to be one of the eligible commercial haulers through the competitive process. This will decrease the number of transition problems while enabling those who want to change immediately to do so.
- ◆ Limiting the term of commercial contracts to a month-to-month basis, or no more than 12 months initially, so that businesses can see how the new system operates without getting locked in.
- ◆ Requiring that any reduction in refuse collection service needs due to increased recycling should result in a corresponding decrease in the rates charged for refuse collection service.

Single family Residential Services

The major policy issues for Hawthorne to consider for single-family residential service are:

Should the City’s residents continue to furnish their own 30-gallon cans and receive manual collection service? OR

Should the City require its residential hauler to provide rolling carts to residents and implement either semi- or fully automated collection service?

The advantages and disadvantages of these options will be described below.

Manual Collection Service

Currently Hawthorne single-family residents place refuse out in bags or cans, which are collected manually by the contractor. Residents may place an unlimited amount of refuse at the curb for the base rate. Residents are also encouraged to place recyclables and yard waste in bags, and set them out at the curb with “Recycling” or “Yard Waste” tags on them.

The major advantages of this option are:

- ◆ **Familiarity** – Residents understand the current system.
- ◆ **Unlimited garbage service** – Residents may set out an unlimited amount of refuse.
- ◆ **Recycling bags are easy** – Hawthorne’s Bag-it and Tag-it programs are simple to understand and use.
- ◆ **No City capital costs for containers** – Residents provide their own refuse cans or bags.

The major disadvantages of this approach are:

- ◆ **Larger wasters are subsidized** – Residents that regularly set out more refuse are subsidized by those who set out less refuse. The largest number of cans or bags reported to date to have been set out in Hawthorne was 65.⁸ Everyone else in Hawthorne helped pay for that resident’s refuse service.
- ◆ **Worker injuries** – Manual refuse and recycling services have high injury rates and workers compensation claims and insurance costs. Besides the human loss involved for each worker affected, this also results in higher turnover rates for employees, as older workers are not able to continue collecting 10-15 tons/day as younger workers do.
- ◆ **Lack of waste diversion incentive** – Unlimited garbage service provides little incentive for residents to reduce the amount of waste they create, or to reuse, recycle or compost it.
- ◆ **Lower recycling participation** – Bag-It and Tag-It does not get as much participation or tonnage diversion as could come from mixed recyclables collection in rolling carts.

⁸ Preliminary Results from *Hawthorne Community Refuse and Recycling Survey 2002*, see Attachment A.

- ◆ **Aesthetics** –Uncovered refuse cans, or bags torn open by animals result in refuse littering of streets, unsightly messes, odors and public health risks. Sprawling bags and beat-up refuse cans of different shapes and quality may also be unsightly.⁹

Rolling Carts

Rolling carts may be provided for ease in collection of refuse and/or recyclable materials. Carts come in different sizes, generally 30, 60 and 90 gallons. In many communities throughout the United States, 30-gallon refuse containers collected by semi-automated equipment are common, particularly when coupled with rate incentives (see discussion below under Waste Diversion Incentives).¹⁰ The 30-gallon rolling carts look similar to those sold in retail stores, but are more heavy duty and designed to be collected by mechanical lifting equipment. Rolling carts designed for automated systems are so well constructed that they generally have 10-year warranties.¹¹ In the Los Angeles area, more typically 60-gallon containers have been provided for refuse.¹²

Some of the major benefits of using rolling carts are:

- ◆ **Higher participation and tonnage in recycling** – use of carts combined with mixed processing at material recovery facilities (MRFs) is dramatically increasing the number of people participating in recycling, and the amount of materials collected. It's just easier to put all the recyclables in one bin, the yard trimmings in another, and what little is left in a third bin as refuse.
- ◆ **Customer convenience** – Rolling carts are much easier to use than carrying a lot of loose bags of recyclables out to the curb, or carrying standard 32-gallon garbage cans (that can weigh up to 60 pounds). Where programs offer choices in sizes of carts, residents can choose the size they prefer.
- ◆ **Aesthetics** – Rolling carts have lids that are attached to them, which results in less spillage and litter on streets due to uncovered refuse cans, or bags torn open by animals. Containers with lids help contain odors and reduce public health risks. In addition, many view the look of consistently designed, well-maintained and uniformly placed carts at the curb as more aesthetic than the look of sprawling bags and beat-up refuse cans of different shapes and quality.¹³
- ◆ **Automation-compatible** – Rolling carts are generally only provided as part of an integrated system that includes the use of semi-automated or automated collection vehicles. See descriptions, advantages and disadvantages below of those automated collection vehicles.

Disadvantages of rolling carts include:

⁹ *Collection Efficiency: Strategies for Success*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-K-99-007, December 1999, p 6.

¹⁰ *Getting More for Less: Improving Collection Efficiency*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-R-99-038, November 1999, page 27.

¹¹ Personal communication, February 8, 2002, Susan Wood, Rehrig Pacific Company, on GLA arranged tour for Hawthorne officials of rolling carts used in Culver City, 323-262-5145.

¹² Ibid.

¹³ *Collection Efficiency: Strategies for Success*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-K-99-007, December 1999, p 6.

- ◆ Large carts require **larger side-yard gates** and larger storage areas.
- ◆ Large carts may be **difficult** for some residents **to move**.
- ◆ Set outs may be **limited** to what will fit in the cart (especially with fully automated systems)
- ◆ **Costs** to purchase carts.

The City or the exclusive hauler usually provides carts to residents. In either case, they usually are the property of the City, or become the property of the City at the end of the hauler's contract. This means that the cost of these containers must be amortized over the life of the hauler's contract. Carts cost about \$35-55, depending on size and manufacturer, and including costs to deliver them to residents. For Hawthorne, assuming about 1/3 of the residents live in single-family households, and an average of 3 persons/household, Hawthorne single-family residents would require about 10,000 sets of three rolling carts. Assuming GLA recommended sizes and costs (1-60-gallon @ \$45 and 2 90-gallon @ \$55), the total capital for providing carts to single-family residents would be \$1,550,000.

If the purchase of carts is amortized over a 10-year warranted life, the cost would be about \$1.29/household/month to provide these in Hawthorne. If the average household in Hawthorne places about three garbage cans out,¹⁴ and each can costs \$10, and needs to be replaced every five years, then residents will also save \$60 over this same ten year period, or about \$0.50/household/month. The net additional cost to residents would therefore be about \$0.79/household/month. Given the current refuse rates, it is also likely that carts could be specified by the City in the RFP and residents would still obtain reduced garbage rates through this procurement process.

Options for Rolling Carts include:

- ◆ Providing residents a **choice of the size** of carts, to enable residents to choose the level of service most appropriate for them. Some residents like larger carts, so they don't have to put them out as often (particularly for mixed recyclables). Some elderly residents prefer smaller carts, but like the convenience of rolling the carts to the curb, and having attached lids to minimize litter. Some residents may have difficulties in getting larger carts through gates in fenced yards, so they prefer the smaller ones as well. Providing such choices to residents is very popular, but is less efficient for distribution of initial carts, and maintaining an inventory of replacement carts. However, if recycling carts are obtained from a California manufacturer, the City's hauler could use just-in-time inventory to reduce the costs of inventory for this approach.
- ◆ Providing a set of **three carts** to every household (one each for recyclables, yard trimmings and refuse). This has become the trend in most major urban areas in California, where there is sufficient processing capacity to properly sort the mixed recyclables stream, and to properly compost the collected yard trimmings. Carts are usually provided in different colors, to highlight what types of materials they are designed to accept (e.g., blue for recyclables, green for yard trimmings and black or gray for refuse).

¹⁴ Actually 2.92, based on single-family resident responses to *Hawthorne Community Refuse and Recycling Survey 2002*, see Attachment A.

- ◆ Providing **only one cart** for refuse, for recyclables, or for yard trimmings. This is often done to supplement an existing program with which residents are comfortable. In Hawthorne, one option would be to add **only a 90 gallon mixed recyclables cart**, to decrease the costs of introducing rolling carts. Residents could also be encouraged to place these out only when full, which would decrease the number of stops required for recyclables collection, thereby increasing the efficiency of such collection.
- ◆ Providing specialized carts for **combined “organics”** of yard trimmings and food discards (including food contaminated paper). Food discards and food-contaminated paper are often 10-15% of the total residential waste stream. Hawthorne is fortunate that there are composting services in the area that could accept and properly process such combined organics. This could dramatically increase the overall tonnage of waste diverted from landfill, at a small incremental cost. Combined organics carts are somewhat more expensive, as they include ventilation systems to keep the organics from creating bad odors, and hinged false bottoms to eliminate trapped materials during dumping.
- ◆ Providing a **standard size of carts** to all (e.g., 30- or 60-gallons for refuse, 90-gallons for recyclables and 60- or 90-gallons for yard trimmings). This is the most efficient way to distribute carts and to maintain an ongoing replacement inventory. The larger the standard carts, the less frequently they need to be collected, resulting in additional collection efficiencies. However, the larger the refuse carts, the less incentive there is to recycle. This approach also generates the most complaints from residents, as they are not able to choose the size of cart that would best meet their needs (as described above).
- ◆ **Not requiring rolling carts** to be provided. The City could solicit proposals for the same type of service it has currently - manual service with customer provided cans or bags. The benefit of that would be the City would actually find out how much it could save just through competition. The disadvantage would be that the City would not get state-of-the-art refuse and recycling services. An alternative would be to leave the system design to the proposer (let them propose the current system, semi-automated or fully automated with carts). If it's understood at the outset in the RFP that the City's basis of comparison on this issue will not try to equalize the different levels of service provided, then price will determine which of these systems wins. Finally, another alternative would be to ask for a price for the current system, and a price for a rolling carts system. Then the Mayor and Council could decide at the time of the award. The latter two alternatives would make the contract award decision more difficult (and the evaluation more costly), as it will be comparing apples to oranges.

Automated collection systems

Many communities are automating their refuse and recycling collection systems, either with semi-automated or fully automated collection vehicles. Key reasons communities are pursuing automation are:

- ◆ **Increased collection efficiency** – Fully automated systems can collect more households per worker per hour than manual systems, by up to 300 percent.¹⁵

¹⁵ *Collection Efficiency: Strategies for Success*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-K-99-007, December 1999, p 5.

- ◆ **Safer working conditions** – Worker injuries from fatigue and lifting are reduced, also reducing workers compensation claims. This also helps the City avoid the liability of a potential OSHA review of the refuse and recycling collection system in the future. Safer working conditions also reduce the physical job requirements, allowing for a more diverse work force (including women). It also enables drivers to continue working longer (and until retirement, which is very difficult in manual systems), reducing costly employee turnover.¹⁶
- ◆ **Increased waste diversion** – Coupled with rate incentives (see Waste Diversion Incentives below), mixed recyclables collection and the use of rolling carts, automated systems typically double the waste diversion compared to traditional curbside recycling programs.¹⁷
- ◆ **Reduced labor costs** – Many communities have used automated systems to switch from 2-3 workers per truck to one-person crews.
- ◆ **Reduced fleet size** – Fewer collection vehicles are needed to collect the same amount of refuse and recyclables with fully automated systems. This also decreases traffic, air emissions and fuel costs.

However, automation is not without its challenges. “Narrow streets, one-way streets, streets with “bumper-to-bumper” on-street parking, and dead-ends or tight cul-de-sacs present special challenges for automated collection vehicles...Most semi-automated and fully automated collection vehicles have complex hydraulic systems that require more maintenance than manual collection equipment... Depending on local demographics, 1 to 6 percent of your residents have physical limitations that make it difficult for them to handle large carts.”¹⁸

The most difficult issues for Hawthorne to address will be the street limitations noted above. However, neighboring communities with similar street limitations have successfully implemented automation programs. Higher individual maintenance costs are more than offset by the maintenance of fewer trucks. Special assistance such as back-yard pickup can be offered to residents who demonstrate a need. Choices of cart sizes help solve this problem.

Semi-automated collection vehicles

Semi-automated collection vehicles rely on hydraulic lifting systems to lift refuse and recycling containers to dump them in the collection vehicle. Under a semi-automated collection system, residents roll their carts to the edge of the sidewalk, by the curb. Refuse and recycling crews then roll the carts from that point to the collection vehicle and line the carts up with a lifting device. The lifting devices generally used are hydraulic “flippers” mounted on the truck body. Once emptied, the crews return the empty containers to the curb.

Key advantages of semi-automated collection are:

¹⁶ *Getting More for Less: Improving Collection Efficiency*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-R-99-038, November 1999, page 28.

¹⁷ *Conversion to Cart System/Fully Automation*, Rehrig Pacific Company handout, from GLA tour of rolling carts in Culver City on February 8, 2002, page 2.

¹⁸ *Collection Efficiency: Strategies for Success*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-K-99-007, December 1999, p 6.

- ◆ **Handle extra setouts** – Collection crews can collect bags or oversize materials left beside the carts, to accommodate periodic large parties or other special events that create lots of discards.
- ◆ **Easy to spot contamination** – Collection crews can inspect the contents of refuse to avoid collecting hazardous wastes, and inspect recycling and yard trimmings containers, to make sure materials collected are able to be processed and marketed.
- ◆ **On-street parking less of problem** – As collection crews still dismount from trucks, they can work around parked cars, just as current manual collection crews do. Collection crews could also work both sides of the street on one-way streets with some semi-automated vehicle designs, unlike fully automated systems.
- ◆ **Use of existing trucks** – Semi-automated lifters can be retrofitted on existing trucks.

Some disadvantages of semi-automated collection are:

- ◆ Collection efficiency is only minimally increased compared to manual collection (especially of bags), as workers still dismount and move containers at each stop.
- ◆ Mechanical lifters are sometimes not powerful enough to lift heavier set-outs.
- ◆ Mechanical lifters may not be quicker to operate than manual system.

Fully automated collection vehicles

Fully automated collection vehicles rely on mechanical and hydraulic lifting systems to lift refuse and recycling containers to dump them in the collection vehicle. Under a fully automated collection system, residents roll their carts onto the street and place them on the street next to the curb, typically facing outward. Refuse and recycling drivers do not leave the cab. Instead, a mechanical “arm” is stretched from the collection vehicle to the cart, the mechanism grasps the cart, then lifts it and empties it automatically into the truck. Automated collection arms or claw-like grippers are hydraulically controlled from the cab. Drivers only get out if there are problems, such as overflowing materials, improperly prepared materials, or obstructions that don’t allow the mechanical arm to be used.

Key advantages of fully automated collection vehicles are:

- ◆ **Greatest collection efficiency** - Fully automated systems can collect more households per worker per hour than manual systems, by up to 300 percent.¹⁹
- ◆ **Collects large containers** - Can collect containers over 400 gallons, which could also service multi-family dwellings (e.g., using two 400 gallon containers instead of one 3 cubic yard bin)
- ◆ **Worker safety increased**, - Virtually no exposure to lifting injuries, puncture wounds, lacerations and adverse weather. This also decreases worker compensation claims and insurance.
- ◆ **Better jobs** - Often fully automated vehicle operator job classifications are higher than manual collection crew positions, providing workers higher wages.²⁰

¹⁹ *Collection Efficiency: Strategies for Success*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-K-99-007, December 1999, p 5.

²⁰ *Getting More for Less: Improving Collection Efficiency*, U.S. Environmental Protection Agency, Solid Waste and Emergency Response, www.epa.gov, EPA530-R-99-038, November 1999, page 28.

- ◆ **Reduced labor costs** – Many communities have used automated systems to switch from 2-3 workers per truck to one-person crews.
- ◆ **Reduced fleet size** – Fewer collection vehicles are needed to collect the same amount of refuse and recyclables with fully automated systems. This also decreases traffic, air emissions and fuel costs.

Some disadvantages of fully automated collection are:

- ◆ **On-street parking** - If cars are parked too close to carts, fully automated collection vehicles are not able to collect them at all, or require the driver to get out and move the carts, defeating the efficiency of this collection approach.. As the carts are generally placed on the street with these systems, a fully automated system could exacerbate the problem of finding parking on streets on refuse collection days.
- ◆ **Other street limitations** – Low hanging wires, narrow, one-way and dead-end streets are all difficult to service with fully automated vehicles.
- ◆ **Difficult to handle extra setouts** – Hopper loading heights don't allow for manual collection of extra bags or oversize discards.
- ◆ **More expensive** – Vehicles and maintenance are more expensive than manual or semi-automated. This is usually offset by increased productivity and the need for fewer vehicles.
- ◆ **Labor issues** - Staff could be laid-off, particularly with fully automated systems. Most communities use attrition and reassignment of staff no longer needed to minimize layoffs.

GLA recommendation on Rolling Carts and Collection Vehicles

Given the input received from the community, GLA recommends the following system for single-family residential services:

- ◆ Providing a set of **three rolling carts** to every single-family household, labeled and in different colors (e.g., blue for “mixed recyclables,” green for “organics” and black or gray for refuse).
- ◆ Providing a **choice of the size** of carts, to enable residents to choose the level of service most appropriate for them.
- ◆ Providing a 60-gallon cart for refuse, and up to 90-gallon recycling and up to 90-gallon yard trimmings service with the base level of service.
- ◆ Allowing residents to place additional bags of refuse beside the rolling cart for periodic additional refuse needs (no more than once per month). If additional refuse service is needed more frequently, the residents will need to subscribe for additional regular service.
- ◆ Residents be given the option of using their existing refuse storage containers (i.e., cans or bags) for the first six months of the new system, to assist in the transition to this new system. This will allow residents to see exactly how much refuse service they need to order, once they have the recycling services that the City provides.
- ◆ Residents who choose a rolling cart size at the outset of the new contract should receive a small discount, as it will be more efficient for the contractor to deliver their carts in one initial distribution. Residents who choose a rolling cart size at the outset of the new contract should also have a one-time option during the first six months to exchange that cart for a different size cart (smaller or larger), and pay according to the rate schedule for the different size carts. Residents should also be allowed to change their cart size at no charge once per year. If residents want to change more frequently, then they should be charged for the additional expense that results.
- ◆ Providing specialized carts for **combined “organics”** of yard trimmings and food discards (including food-contaminated paper).
- ◆ Specifying semi-automated collection vehicles for both refuse and recycling services.
- ◆ Carts should be purchased by the hauler, and become the property of the City at the end of the hauler’s contract.

Billing Arrangements

This section of the report:

- ◆ Describes the City's current single-family, and multi-family/commercial billing arrangements;
- ◆ Discusses the advantages and disadvantages of billing residential customers on the County property tax rolls;
- ◆ Discusses the advantages and disadvantages of the City vs. the hauler performing the billing for single-family customers, assuming the City were to remove refuse fees from the property tax rolls;
- ◆ Discusses the advantages and disadvantages of the City vs. the hauler (or haulers) performing the billing for multi-family and commercial customers.
- ◆ Provides the GLA recommendation for all billing arrangements.

Current Billing Arrangements

For single-family residents, once each year, the City provides a list of such residents and the amount to be billed to Los Angeles County for inclusion on property tax rolls. The City's single-family residents are charged a single flat rate. The County remits the entire amount collected directly to the City. The City undertakes collection efforts and incurs the bad debt expense. The City retains the administrative (10%) and franchise (15%) fee portion of the amounts collected from the County (less payments to the County for their services), and remits the total revenue billed to H&C Disposal, the City's refuse and recycling contractor, as compensation for their services.

For multi-family and commercial customers, H & C Disposal periodically provides the City with a list of such customers, their service levels, and their monthly charges. The City prepares and mails the bills to customers. The City receives customer payments, retains the administrative (10%) and franchise (15%) fee portion of the amounts collected from customers, and remits the total revenue billed to H&C Disposal as compensation.

Should the City continue to bill single-family residential customers on the County tax rolls?

The advantages of billing single-family residential customers on the property tax rolls are:

- ◆ Administrative costs are minimized. The City does not incur the labor and material costs of preparing and mailing invoices, processing payments, and maintaining customer accounts receivable balance information.
- ◆ The City retains greater control over the hauler and residential rate revenues. The County remits the refuse revenues directly to the City. For example, under this structure, the City could withhold payments to the hauler if there is a concern about performance of the contract. If the hauler performed the billing function and collected customer payments, the City would be dependent upon the hauler to promptly remit the proper amount of administrative and franchise fees (subject to reviews and audits).

The disadvantages of billing single-family residential customers on the property tax rolls are:

- ◆ The City has to wait for the majority of its payments for half the year, negatively impacting the cash flow of the City. The majority of payments are received in April and December, with small amounts received from the County throughout the rest of the year.²¹
- ◆ The City's refuse rates may be subject to the procedural notice and protest provisions, as well as substantive requirements, of Proposition 218.²²
- ◆ It is difficult to charge variable rates, which provide customers with an economic incentive to recycle. Many cities have successfully reduced the amount of waste going to landfills by establishing variable rate structures for residential refuse collection service (as described below under Incentives for Waste Diversion). Because the City submits its list of customers and the rates that those customers are charged only once each year to the County for billing on the tax rolls, it is not feasible for the City to adjust customer's rates during the year due to increases or decreases in cart size. Further, placing variable rates on the tax rolls diminishes the impact and the immediacy of the pricing signal that is sent to customers. This is because the refuse charges are combined with other property taxes and paid in two semi-annual installments. Moreover, residential property taxes are often included in resident's mortgage payment through impound accounts further diminishing the impact of the pricing signal to residents.

Assuming that the City were to remove its refuse charges from the property tax rolls, should the City or the hauler perform the billing for single-family customers?

The primary advantage of having the City perform the billing function (instead of the hauler) is that the City would continue to retain greater control over its refuse revenues and the hauler's performance. And the City is now successfully performing billing functions. If the City performed the residential billing function, the City would not be dependent upon the hauler to promptly remit the proper amount of administrative and franchise fees (although the Performance Bond could also address that if the hauler did the billing). In the event that there was a dispute between the City and its hauler, the City would also have more negotiating leverage in resolving the dispute.

If the City were to do the billing (and not send delinquencies to liens), it would decrease the likelihood that the City's refuse rates will be challenged under Proposition 218, compared to the City continuing to bill via the property tax. By changing from billing via property taxes the City decreases the likelihood that it will be required to undertake the political, regulatory, and administrative tasks required to comply with Proposition 218.

²¹ Personal communication with Edelma Campos, City Treasurer, February 28, 2002.

²² In a November 15, 1999 letter from Timothy A. Bittle, Director of Legal Affairs for the Howard Jarvis Taxpayers Association, addressed to Russell I. Miyahira, Assistant City Attorney of Hawthorne, the Jarvis Group stated: "In contrast, [to the situation where the City grants an exclusive franchise], if a city opens the field of refuse collection or recycling to competition among haulers and lets the free market control rates, and if the city does no more than levy a franchise fee on haulers for use of the city's rights of way but does not bill or collect the rates directly, then we believe Proposition 218 does not apply. Our position is justified by the fact that genuine competition naturally places downward pressure on prices. The 'cost of service' restrictions in Proposition 218 are needed only when an exclusive franchise eliminates competition, thus inviting rate abuse."

Another major advantage of the City doing the billing is how it would open the competition to more firms for the residential collection contract. For example, the current hauler does not have this type of billing experience. There are far fewer firms that have the experience and the capabilities to perform the billing functions than there are refuse and recycling collection companies.

If the City were to do the billing, it would also make it easier for the City to implement a “variable rate structure.” Variable rates encourage waste diversion and recycling and would help the City meet the waste reduction goals of AB 939 (see Incentives for Waste Diversion section below).

Also the City can take advantage of billing as a way to reach out to residents, educate and announce new recycling and other environmental programs and community activities. A City controlled billing operation could more easily accommodate periodic educational bill inserts, and notices of recycling educational events. This could also be used to promote other City environmental issues, and community concerns.

Finally, one of the benefits to the City of it continuing a substantial billing function is that it justifies the continued cash flow to the City that supports current staffing levels. If the City were to discontinue commercial billing functions, but replace that with residential billing functions, the amount of staff and administrative costs should be roughly the same, so it would not affect the costs to the City. However, eliminating the City’s billing function completely could result in the loss of substantial Administrative Fees.

A disadvantage for the City doing the billing is that a large hauler with many individually-billed residential customers may have economies of scale and could perform the billing function at a lower cost per resident than the City.

Another disadvantage of the City performing the billing function are the administrative costs the City would incur to prepare and mail invoices, and to receive and process payments. An additional disadvantage is that the City or the hauler would incur collection and bad debt expenses.

The City could specify in the procurement package that the City will NOT pay the hauler for bad debts, and that the City would assign its rights to collect these delinquent payments to the hauler. The hauler would have to arrange for a collection agency to collect these delinquencies. Haulers could also write-off a certain amount of bad debt as part of the risks of doing business in Hawthorne. By increasing the risk to the hauler in this way, this would increase the prices overall that they would have to propose for service. However, the City would not be subject to an ongoing expense, and the incremental increase in initial prices should be negligible to account for this requirement.

Alternatively, the City could send delinquent bills to the County for liening. This would not be as desirable for the City as it would lend itself more to challenges under Proposition 218. The City could also shift billing to be done in advance of service, and stop service if payments are not made. There are logistical and public health and safety concerns with this approach.

These factors outweigh the additional administrative costs that the City, or the City's hauler, would incur to perform the billing function. However, we believe that any increased efficiency from a large hauler performing the billing function is outweighed by the increased control that the City would retain as a result of performing the billing function.

Should the City or the hauler (or haulers) perform the billing for multi-family and commercial customers?

The advantages and disadvantages of having the City perform the billing for multi-family and commercial customers are similar to those indicated for residential billing. The primary advantage of having the City perform the billing function for multi-family and commercial customers is that the City would retain greater control over the hauler's performance, and the multi-family and commercial rate revenues.

The disadvantage of having the City perform the billing for multi-family and commercial collection service is the City would incur greater administrative costs than if the hauler(s) performed the billing, especially if the City decided to use multiple haulers to provide multi-family and commercial service.

Although the City now successfully performs the billing function for multi-family and commercial customers, its administrative costs would be less if the commercial hauler(s) performed the billing function. If the City decides to use multiple haulers to provide multi-family and residential service, its administrative cost would increase due to the added complexity of coordinating the billing for several haulers. There also may be additional complexity in collecting and allocating overdue accounts from customers that owed money to more than one hauler.

If the City were to do the billing for multiple haulers, the City would also be at greater risk of being drawn into disputes among competing haulers and/or their customers.

If the multi-family and commercial customers are able to choose their own hauler based on price and service quality, it is less important for the City to retain the same degree of control over a group of haulers, than it would to retain control over a single, exclusive hauler.

Figure 2 - Comparison of Billing Options, Advantages and Disadvantages

	Control by City	Administrative Burden on City	Bad Debt Expense Incurred by City	Subject to Proposition 218	Able to Charge Variable Rates
Property Tax	Much. County remits property tax proceeds to City. City deducts refuse fees, and remits full amount to hauler. City could withhold payment if not performing	Less. City submits customer list once per year.	Some. County remits to City total amount collected from tax rolls. City pursues bad debt in small claims court.	More likely. Because rates are charged on the property tax rolls they are more likely to be challenged as “property-related.”	No. Once per year billing. Not enough flexibility to implement variable rates. Residents have no economic incentive to recycle.
City Performs Billing	Much. Customers remit payments to City. City deducts refuse fees, and remits balance to hauler. City could withhold payment if not performing.	More. Need for more City staff to maintain customer database, send out invoices, process payments, and collect overdue amounts.	Possibly Some. Could say hauler will absorb bad debt risk that haulers can’t collect via collection agency. City could lien or use small claims court as an option.	Less likely. Because rates are billed on a fee-for-service basis, they are less likely to be challenged as “property-related,” unless delinquencies are liened	Yes. Bi-monthly or quarterly billing allows flexibility for variable rates.
Hauler performs billing	Less. Customers remit payments to Hauler. Hauler calculates and remits refuse fees to City.	Some. City would periodically incur audit costs to ensure fees are paid accurately (more if multiple haulers).	None. Hauler absorbs bad debt costs.	No. Rates charged by private firms are not likely to be challenged under Proposition 218.	Yes. Bi-monthly or quarterly billing allows flexibility for variable rates.

GLA recommendation for billing arrangements

GLA recommends that:

- ◆ The City discontinue charging for residential refuse collection on the County property tax rolls and that the City perform the billing function for single-family residential customers.
- ◆ If the City adopts our recommendation to allow multiple haulers to provide service to multi-family and commercial customers, then each of the haulers should directly bill and collect payments from each of their customers. The City should specify in the procurement package that the City will NOT pay the residential hauler for bad debts, and that the haulers would have to arrange to collect these themselves. The City should also not allow the residential contractor to stop service.
- ◆ If the City uses a single hauler to provide service to multi-family and commercial customers, the City should continue to retain the billing function. However, like above, the City should NOT pay the hauler for bad debts.

Policies and Incentives to Encourage Waste Diversion

The State of California has mandated that every community in the state divert 50% of its waste from landfills.²³ Communities that do not comply with the requirements to plan for 50% diversion, or to implement those plans in good faith, are subject to \$10,000/day fines. In February 1999, the City was placed under Compliance Order IWMA BR98-001,²⁴ to resolve a dispute between the City and the State over the calculation of how much recycling is actually happening in Hawthorne. As part of that Compliance Order, the State required that the City implement a variety of recycling programs, including:

- ◆ Increased outreach for Curbside Recycling, Yard Waste Recycling, Commercial Recycling, and Schools Recycling Programs, (e.g., recycling guide, household hazardous waste guide, web page, cable programming, hotline, brochures, advertisements, staffing)
- ◆ New Multi-family Recycling Program
- ◆ New Construction and Demolition (C&D) Debris Recycling Program
- ◆ New Recycled Products Procurement Policy

Since then, the City has complied with the Compliance Order and no longer has to make quarterly updates to the State. Hawthorne has returned to the regular annual reporting schedule that is required of all communities in California.

The preliminary waste diversion rate for 2000 for Hawthorne that is currently reported on the CIWMB website is 42%. As the City is still significantly short of meeting the required 50% State diversion goal, the City should be working to increase its overall waste diversion rates by about 10%. This would provide a comfortable amount of diversion above the 50% goal. Such an increase will require an aggressive expansion of the City's recycling programs, and participation from all sectors of Hawthorne (residential, commercial and industry). The experience of the City with the Compliance Order has highlighted the importance of implementing such aggressive recycling programs.

Reducing waste landfilled will also have the additional benefit of decreasing the City's liability under the federal Superfund law. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) established the Superfund.²⁵ This law provides broad Federal authority for EPA to respond directly to cleanup releases or threatened releases of hazardous substances that may endanger public health or the environment. Superfund provides for liability of persons responsible for releases of hazardous waste at landfills; including municipalities. Many municipal solid waste landfills have become Superfund sites. By decreasing the amount of wastes landfilled, the City will decrease the allocatable portion of long-term liability associated with any landfill it uses.

²³ Popularly referred to by its original bill number from 1989 as "AB939," *California Integrated Waste Management Act*, California Public Resources Code, Section 41780, <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=prc&group=41001-42000&file=41780-41786>

²⁴ Issued by the California Integrated Waste Management Board (CIWMB), www.ciwmb.ca.gov

²⁵ 26 USC Sec. 9507, <http://www.epa.gov/superfund/action/law/cercla.htm> and <http://law2.house.gov/uscode-cgi/fastweb.exe?getdoc+uscview+t26t28+2491+1+++%28CERCLA%29%20%20%20%20%20%20%20%20%20%20>

Therefore, the major policy issue for Hawthorne to consider as part of this procurement process is:

What policies, programs and economic incentives should the City adopt to encourage waste generators (residents and businesses) and haulers (refuse and recyclables) to encourage waste prevention, reuse, recycling and composting?

Options and recommendations for policies, programs and incentives that should be included as part of the development of this procurement package are detailed below, by sectors:

- ◆ Multi-family Recycling
- ◆ Commercial Recycling
- ◆ C&D Recycling
- ◆ Single-Family Residential Recycling

Whenever “recycling” is used in this section, it refers to the development of a full range of programs that are designed to reduce, reuse, recycle and/or compost discards.

There are also many opportunities for the City to enhance and improve its recycling programs using grant funds. The City has obtained funding in the past from the CA Department of Conservation, Division of Recycling (which helps fund beverage container recycling programs) and the CA Integrated Waste Management Board (which helps fund oil and tire recycling programs). Funds that the City obtains from these sources could be shared with targeted groups to help them obtain needed containers, recycling equipment and the development of promotional materials. For example, the City of Napa has recently used DOC funding to solicit proposals in their community from multi-family dwellings to help start or expand multi-family recycling programs in their complexes.

One of the biggest challenges with multi-family and commercial recycling is getting the attention of facility managers. With the design of a new refuse and recycling system in Hawthorne, the City has their attention. As part of this new system, the City could take this opportunity to require the multi-family and commercial businesses to recycle, and the haulers to provide new recycling services.

Multi-family Recycling Options

For apartment managers, one option would be for the City to require by Ordinance that all apartments provide the “opportunity to recycle” and a minimum of recycling services for their tenants. The details of that requirement could include some or all of the proposed recycling activities listed below. The City could suggest to managers that this requirement is needed to meet the requirements of AB939, and their support for this would help convince the City to proceed with giving them their choice of refuse and recycling haulers.

For refuse and recycling haulers, the City could also require them to provide multi-family dwellings a minimum number of recycling services such as some or all of the proposed recycling activities listed below. This could be a condition of a franchise agreement with the City, or be required by Ordinance if the City proceeds with multiple haulers under a permit system.

- ◆ Provide separate bins or carts for mixed recyclables.
- ◆ Provide equal number of recycling bins as refuse bins in all locations.
- ◆ Arrange reuse and recycling during move ins and move outs
- ◆ Provide constant targeted education to tenants and tenants associations for recycling.
- ◆ Organize neighborhood and/or floor recycling leaders (e.g., working with Neighborhood Watch groups).
- ◆ Provide in home (apartment) containers.
- ◆ Provide sufficient bin enclosure space for recycling bins (where feasible).

Commercial and Industrial Recycling Options

As commercial and industrial waste has been about 80% of the City of Hawthorne's waste stream,²⁶ the only way for the City to meet the 50% State goal is for all businesses to embrace that goal as well. The good news is that businesses will save money if they waste less and recycle more, primarily by reducing the amount of refuse collection service required.

For commercial businesses, one option would be for the City to adopt by Ordinance that all businesses do the following:

- ◆ Adopt a 50% Waste Diversion Goal.
- ◆ Require businesses to submit simple Recycling Plans with their business tax forms annually.
- ◆ Participate in a "waste audit" or survey (to identify what is recyclable and how to recycle it) arranged by City staff and/or specialized City waste auditing contractors

Business Recycling Plans could be as small as a 1-2 page confidential form that details how much waste they generated in the past year (from their waste collection bills), how much was reused, recycled or composted, a check-off list of types of new recycling programs planned for the coming year, whether they are interested in being contacted about waste audits provided by the City, and a listing of their recycling hauler(s) with contact information. The Plans could be primarily multiple-choice forms that can be easily filled out and easily scanned by the City to compile and analyze. City staff should remind businesses of the City policy if businesses don't submit Plans. However, this requirement is not intended to be enforced with fines and penalties, but rather as a civic responsibility. The program should be viewed as a success if 70-80% of businesses participate, much like curbside recycling participation rates. City staff should annually compile these Plans in a report to the City Council that highlights particular business sectors that are doing well, and those that need more outreach and education efforts.

²⁶ Emcon Associates and Resource Integration Systems, *Source Reduction and Recycling Element, Final Report*, April 1992, Figure 1 – Solid Waste Generation Analysis, City of Hawthorne. Commercial and industrial waste was 80.1% of the waste generated and 77% of the waste disposed in 1990. Although these figures likely have changed since then due to the new recycling programs the City and State have instituted, the overall proportion of the waste streams are likely to be similar to this 1990 analysis.

If the City agrees to provide businesses their choice of refuse and recycling haulers, it would be reasonable for the City to ask businesses do their part in this way to help meet the State's 50% waste diversion goal.

In addition, retailers that sell difficult to recycle materials should be enlisted to help solve those disposal problems. Initially, the City should join with other cities throughout California in adopting "E-waste" (electronic waste) product stewardship resolutions, and supporting similar state legislation.²⁷ The City should also convene task forces by sectors (according to SIC codes) with different business leaders to identify key problems for recycling, and how to solve those problems locally, or by advocating statewide systems.

For refuse and recycling haulers, the City could also require them to provide commercial businesses a minimum number of recycling services such as some or all of the proposed recycling activities listed below. This could be a condition of a franchise agreement with the City, or be required by Ordinance if the City proceeds with multiple haulers under a permit system. In addition, recycling businesses that offer services for a fee under City permits could also be required to provide some or all of these services.

- ◆ Provide separate bins or carts for mixed recyclables.
- ◆ Provide equal number of recycling bins as refuse bins in all locations, unless the City determines it is not feasible.
- ◆ Fund business "waste audits".
- ◆ Offer recycling technical assistance to help setup inside-business collection systems.
- ◆ Provide education materials targeted to employees.

Construction and Demolition (C&D) Recycling

A large part of the Industrial waste in Hawthorne is produced from construction, remodeling and demolition projects, commonly referred to as C&D debris. Industrial waste was over 60% of the solid waste reported disposed of in the 1990 Source Reduction and Recycling Element. For the City to achieve the State's 50% waste diversion goals, it's critical that C&D debris be recycled as much as possible. The good news for C&D is that there are over 100 independent companies that are currently able to provide reuse, recycling and composting services in Hawthorne. There are even several facilities that will recycle mixed C&D debris. The City has a Construction and Demolition Debris Recycling Directory available at the counters in the Department of Public Works for any contractor or developer to review.

In October 1999, the City adopted the State's first Construction and Demolition (C&D) Waste Minimization Plan to increase recycling in this sector.²⁸ In addition, in October 1999, the City

²⁷ Two bills were just introduced in the Legislature in February 2002 on this subject: SB 1523 (Senator Byron Sher); SB 1619 (Senator Gloria Romero). SB1523 would require consumers to pay an "advanced disposal fee" when they purchase an electronic device with a cathode ray tube. The funds would be distributed to local governments, non-profit agencies and others who handle recycled electronics. SB1619 would require manufacturers to recycle e-waste or pay a fee to support statewide recycling initiatives.

²⁸ Gary Liss & Associates, J. Edwards & Associates and KMI Associates, *City of Hawthorne, CA Construction & Demolition Waste Minimization Plan*, October 1, 1999.

adopted a C&D Ordinance to require reporting by public and private developers, as recommended in the C&D Waste Minimization Plan.

The City should provide a copy of the C&D Waste Minimization Plan and C&D Ordinance to all proposers as part of this procurement process. Included in the Plan are specific recommendations that should be followed by all businesses and haulers in the new system. The recommendations in that plan that pertain to H&C Disposal should just be adjusted to apply to either *all* franchised waste haulers, or to a subgroup of haulers that are certified by the City. (The certification would be given after such haulers went through City training on the City's C&D Recycling Plan and C&D Recycling Ordinance.) The C&D Recycling Plan recommendations include:

- ◆ Haulers should be required to **recycle 90%** of all materials collected from construction and demolition projects in Hawthorne (either source separated or via mixed processing facilities).
- ◆ Project developers are required by C&D Ordinance already adopted to **estimate waste and report on recycling**. Either *all* refuse and recycling haulers permitted or contracted to operate in Hawthorne should be required to assist all project developers to fulfill these requirements, or City *certified* C&D recyclers.
- ◆ **City projects report on recycling**. All refuse and recycling haulers permitted or contracted to operate in Hawthorne should continue to assist the City to fulfill these requirements.

The City Planning Department should refer all plans for new construction to Public Works department for review of the recycling plans required under the City's adopted C&D Ordinance. Similarly, the Planning Department should refer project developers to the list of certified haulers, and recyclers in the C&D Recycling Directory.

In addition to the C&D Plan recommendations above, project developers should be required to submit deposits guaranteeing achievement of recycling goals on all new construction, demolition & remodeling projects in Hawthorne, over the 10,000 square feet in gross floor area. In Atherton, CA, they require a \$50/ton deposit for all waste estimated to be produced by that project. Contractors must show that they have recycled at least 50% of the waste generated or the Town keeps \$50 for each ton below their 50% goal that was not recycled.

Single-Family Residential Recycling

The two key elements of single-family residential recycling are in place in Hawthorne:

- ◆ Curbside Recycling (Bag-It and Tag-It Program)
- ◆ Yard Waste Recycling

What this procurement process could help the City accomplish for single-family homes is to bring those programs up-to-date. Since the beginning of the Bag-It and Tag-It Program, there have been major investments in the private sector in the Los Angeles area in Material Recovery Facilities (MRFs). These MRFs are able to sort through mixed recyclables in a way unheard of a decade ago. As a result, most of the latest designed recycling collection systems are moving towards the collection of mixed recyclables, where these modern MRFs exist.

For curbside recycling in Hawthorne, although the Bag-It and Tag-It Program is simple and an easy way to participate, it is not likely to generate the participation rates or the tonnage recycled as mixed recyclables programs with rolling carts. A key provision of the proposed rolling carts recycling program will be to accept all recyclables mixed together in the same cart for sorting at regional MRFs, including:

- ◆ Newspaper (including inserts, coupons and store advertisements)
- ◆ Mixed paper (including office paper, computer paper, junk mail, catalogs, kraft bags, kraft paper, paperboard, egg cartons, phone books, brown paper, grocery bags, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal and similar lined food boxes, and magazines)
- ◆ All plastics bottles (#1 through #7)
- ◆ Aluminum (including beverage containers, foil, cleaned food containers, small scrap metal)
- ◆ Glass containers (including brown, clear and green glass bottles and jars)
- ◆ Steel or tin cans
- ◆ Milk, soy and aseptic juice containers
- ◆ Textiles (placed in plastic bags)
- ◆ Flattened corrugated cardboard (would be better placed to the side of cart in semi-automated system)
- ◆ Small scrap metal (would be better placed to the side of cart in semi-automated system)
- ◆ Any other materials mutually agreed to by the City and the hauler

For the organics recycling program, it will be a lot easier to fit yard trimmings into 90 gallon rolling carts, then placing them in bags and tagging them. Even smaller 30- or 60-gallon carts are much easier to place yard trimmings in than plastic bags.

In addition, almost 10-15% of most residential waste is typically discarded food and food-contaminated paper (e.g., pizza boxes and waxed coated frozen food packages). The latest development in the industry to dramatically increase waste diversion is for communities to collect yard trimmings and food discards together in one cart. For these systems to work, the materials collected would need to be composted, rather than producing ADC (which is the current use of yard waste from Hawthorne – see “Other Issues” in Attachment B for more details on this issue).

Yard trimmings actually help absorb some of the moisture of the food discards, and keeps that material aerobic, minimizing odors that might otherwise be expected. Rolling carts specially designed for combined organics collection provide better ventilation to help evaporate the moisture while in the cart, and help keep the materials aerobic. Both of these program elements are recommended by GLA to be included as part of the procurement process.

Recycling Outreach and Education

Education and outreach efforts are critical to the success of any recycling program, and should be an important part of the City’s role in the future. The City should conduct education and outreach programs to all businesses, targeted by sectors. This would highlight reuse, recycling and

composting services available and to demonstrate how easy it is to comply with the City's recycling goals. The education could also address other environmental, health and safety issues of concern to businesses, including compliance with international ISO14001 environmental reporting regulations. The City could also provide "waste audits" or technical assistance to all businesses upon request, provided by City staff or specialized waste auditing contractors.

The City should work with reuse, recycling and composting companies to encourage them to expand the services they provide to Hawthorne businesses. The City could help form a coalition of recycling businesses that serve the Hawthorne area, to encourage networking between business waste generators and recycling businesses. The City should also assist recycling companies in getting needed permits to expand operations to serve Hawthorne businesses.

The City could also assist businesses in making arrangements to obtain other needed recycling equipment (e.g., balers and compactors) from recycling service providers in trade for commitments to sell materials recycled to those firms.

Economic Incentives for Recycling

In redesigning the City's refuse and recycling system, it has the opportunity to redefine its role as the system regulator, manager, educator, intervener and facilitator, working to develop a locally sustainable recycling economy. For example, Hawthorne could work with other area cities to attract new businesses and jobs for Hawthorne residents from the materials currently buried from Hawthorne. The City could accomplish its public policy goals through leadership in adopting policies and incentives to reward those who are achieving its goals.²⁹

The City is in a unique position at this point in time to restructure the marketplace and set minimum standards for operations and reporting. The City can influence or direct how the pricing of services are structured to ensure public policy goals are reflected and that diversity, competition and innovation are encouraged. At the same time, the City can leave the actual investments, debt service and risk principally to the private sector.

AB 939 recognized that local governments could accomplish their responsibilities in a wide variety of ways, with:

"...programs funded or operated by a jurisdiction as franchise or contract conditions, rate or fee schedules, zoning or land use decisions, disposal facility permit conditions, or activities by a waste hauler, recycler, or disposal facility operator acting on behalf of a city, county, regional agency or local governing body, or other action by the local governing body."³⁰

An incentive-based approach to Hawthorne meeting the challenges of AB 939 includes the adoption of policies and the structuring of the marketplace for residential and commercial generators and

²⁹ Gary Liss, *Incentive Programs for Local Government Recycling and Waste Reduction, prepared for the California Integrated Waste Management Board, August 2000, page 2.*

³⁰ *Title 14, California Code of Regulations, Division 7, Chapter 9, Article 6.2, Section 18730.*

waste and recycling haulers alike. The City could also influence policies adopted governing local transfer station and material recovery facility (MRF) operators, landfill owners and operators, manufacturers and retailers.

Hawthorne can adopt or influence policies in a wide variety of instruments, including:

- ◆ City Ordinances
- ◆ Contracts or franchises
- ◆ Land use permits
- ◆ Solid waste facility permits issues by Local Enforcement Agencies
- ◆ Zoning regulations
- ◆ General Plans
- ◆ Financing agreements for City and Redevelopment Projects

Hawthorne can also influence the economics of the marketplace by the way it structures its:

- ◆ Garbage collection rates
- ◆ Franchise fees
- ◆ Administrative fees

One of the most powerful incentives is tax, fee or cost avoidance.

Hawthorne may adopt many of these tools at a minimal cost. The primary cost would be in the preparation and adoption of these tools, and subsequent education, outreach and monitoring of their outcomes. As noted above, education and outreach efforts are critical to the success of any recycling program. Monitoring costs can be minimized if proper reporting and evaluation requirements are included in the design and adoption of the particular tool.³¹

The key economic incentive for **single-family recycling** that needs to be addressed is:

Should the City charge single-family residents: A single flat rate, or A rate that varies depending upon how much refuse is discarded?

Over 2,800 communities have successfully reduced the amount of waste going to landfills by establishing variable rate structures for residential refuse collection service. Under these rate structures, residents pay different rates depending upon their size and, in some cases, quantity of containers. As a result, customers have an economic incentive to reduce the amount of waste they set out for collection.

In Hawthorne, residents that regularly setout more refuse are subsidized by those who setout less refuse. As noted above, the largest number of cans or bags reported to date to have been setout in

³¹ Gary Liss, *Incentive Programs for Local Government Recycling and Waste Reduction, prepared for the California Integrated Waste Management Board, August 2000, page 2.*

Hawthorne was 65.³² Everyone else in Hawthorne helped pay for that resident’s refuse service. This is an equity issue of what is fair for everyone to be paying.

This is also a waste diversion issue. Economic studies based on data from more than 500 small and large communities across North America documented that the addition of a variable rates system could result in **an increase in waste diversion of 8-10 percentage points**.

“...if a set of recycling and yard waste programs currently deliver 15 percent diversion, installation of a variable rates program might be expected to increase the overall diversion rate to about 23-26 percent.”³³

A similar study conducted for the California Chapters of the Solid Waste Association of North America found similar results: variable rates increased diversion for curbside recycling programs by 3-4% and for green waste programs by 2-4%, for a total of **5-8%** if there was a combination of those two programs in place.³⁴

Some of the Advantages and Disadvantages of variable rate systems are highlighted in Figure 23.

Figure 3 - Advantages and Disadvantages of Variable Rates

	Economic Incentive to Reduce Waste and Recycle?	Fee Equity Among Customers?	Additional Administrative Effort?
Single Flat Rate	No. Customers are not able to save money by preventing waste from being generated or by recycling.	No. All customers pay the same amount regardless of how much garbage they generate.	No. No need to keep track of refuse cart sizes because everyone pays the same rate.
Variable Rates	Yes. Customers can save money by using a smaller refuse cart.	Yes. People who throw away less refuse pay less than those who discard more trash.	Yes. Whoever does the billing must monitor what size cart is used by each household.

³² Preliminary Results from *Hawthorne Community Refuse and Recycling Survey 2002*, see Attachment A.

³³ Lisa A. Skumatz, *Nationwide Diversion Rate Study: Quantitative Effects of Program Choices on Recycling and Green Waste Diversion*, a joint project of the Reason Foundation and Skumatz Economic Research Associates, October 1996. page 10.

³⁴ Lisa A. Skumatz, *Achieving 50% in California: Analysis of Recycling, Diversion and Cost-Effectiveness*, prepared for the California chapters of SWANA, April, 1999, page 39.

For multi-family and commercial businesses, the larger the costs are for waste collection and disposal, the more interested businesses will be in waste prevention, reuse, recycling and composting. This is particularly true if the businesses can benefit from recycling by decreasing their waste collection and disposal services, both in number and size of bins and the decreasing the frequency of those pickups.³⁵

Therefore, the key economic incentive for businesses is making sure that recycling services are provided as part of their base service, or cost dramatically less than refuse services. In addition, the City should make sure that there are no hidden “volume discounts” in the matrix of commercial refuse rates that are proposed by haulers. Instead of rewarding customers for generating more refuse, haulers should be encouraged, or directed, to offer discounts for less refuse generated over time.

Economic incentives should be included for the **residential and commercial refuse haulers** as well.

The basis of paying franchised haulers has not changed much over the past fifty years. Residential payments to contractors are often made on the basis of the number of households serviced. This does not provide any incentive to recycle more and dispose less. Payments per household value the speed at which garbage can be collected per household, over all over factors. That is what led to the compactor truck and the elimination of a well-established recycling infrastructure after World War II.

For Hawthorne’s payments to its exclusive residential hauler, the City could include payments:

- ◆ For every ton recycled, or
- ◆ Inversely to the amount of tons landfilled

By paying the hauler solely on the basis of the tons recycled, they would make more money with increases in recycling tonnage. If contractors were paid inversely to the amount they landfilled wastes, they would also have an incentive to maximize both waste prevention and recycling.

In considering how to pay its exclusive hauler, Hawthorne must weigh the benefits of new incentives such as the above, vs. the increased costs that will result from increasing uncertainty and risks to the proposers. As most contractors have no experience with a garbage collection system based on these new incentives, they will need to inflate their estimates of how much they would like to be paid in order to assure that they have a sufficient “cushion” to account for unknowns and contingencies.

A new integrated garbage and recycling contract in Seattle that started April 1, 2000 pays its contractors on two bases:

- ◆ **Per household and**
- ◆ **Per ton recycled**

This is a good transition from past practices, as the contractors have the comfort of estimating the amount of revenue they can expect from payments per household, and reasonable projections of the

³⁵ Gary Liss, *Incentive Programs for Local Government Recycling and Waste Reduction, prepared for the California Integrated Waste Management Board, August 2000, page 2.*

amount of revenue they can expect from recycling tonnage. This would be a good model for Hawthorne to use: haulers obtaining a base amount of their revenue needs from “per-household” revenue, and an incentive for recycling paid per ton recycled and inversely to the amount landfilled. In structuring the cash flow for these payments, the City needs to be careful that there are sufficient funds projected to pay for recycling incentives that are proposed by the haulers.

Of increasing popularity in refuse and recycling contracts are including **liquidated damages for nonperformance**. State-of-the-art refuse agreements recognize that consistent, reliable and quality services are of utmost importance to the public, and that public agencies rely on Contractor’s representations as to its knowledge, experience and commitment to quality of service in awarding the work to it. Agreements recognize that some quantified standards of performance are necessary and appropriate to ensure this consistent and reliable service and performance. Agreements also recognize that if a contractor fails to achieve such performance standards, the agency and/or residents will suffer unknown damages. As a result, in agreements liquidated damage amounts are included to represent a reasonable estimate of the amount of such damages considering all of the circumstances existing on the date of the Agreement.³⁶

For Hawthorne’s commercial haulers, payments have historically been based on the number and size of bins serviced, and the frequency of service. This provides generators with a strong incentive to recycle. However, it is in the hauler’s interest to recommend the largest number of small bins to service most frequently. The more garbage service specified (whether needed or not), the more money the hauler makes.

One of the common results of this approach is that generators are encouraged by haulers to design their system for peak loads. Haulers will often “haul air,” as they dump whatever is in a bin, even if the bins are usually half-empty. This is usually only mitigated by competition. If there is little or no competition in an area (e.g., if there is an exclusive franchise or an oligopoly situation), generators will usually pay more, without knowing it.

In any comprehensive “waste audit” of a system performed by an independent third party, one of the key things an auditor will do is to reduce the amount of garbage service regularly scheduled, which can provide significant savings to the generator.

However, **commercial rates based (at least in part) on tons recycled or landfilled** would be an improvement over the current system. By introducing payments for recycled tonnage or landfilled tonnage, commercial haulers would find they could make more money by reducing garbage service and increasing recycling service. Of course, the tonnages recycled and landfilled would need to be well documented, and a clear audit trail provided to ensure proper accountability for this system to work. The City of San Jose has been paying integrated waste and recycling haulers for over a decade on this basis, and has refined many of these accountability practices well.

Restructuring of commercial franchise fees is one of the key tools that have been used in California to provide incentives for waste reduction and recycling. A differential franchise fee could be charged

³⁶ Gary Liss, *Incentive Programs for Local Government Recycling and Waste Reduction, prepared for the California Integrated Waste Management Board, August 2000, page 5*

to haulers, based on whether or not they have a city-approved recycling program. All non-exclusive franchised haulers collecting refuse could be required to pay the City a higher franchise fee unless they prove to the City's satisfaction that they have implemented at least some of the City recommended recycling programs. If they have a certified recycling program, they could be charged a much lower franchise fee. This has been operating successfully for many years in Santa Clara, CA.

Another approach has been pioneered by Monrovia. In Monrovia, the city reduces its non-exclusive commercial service agreement fees directly proportional to the amount of wastes diverted. Franchise fees are 16% for haulers diverting 24% or less, 12% if they divert 25-49%, and 8% if they divert 50% or more.³⁷

The average franchise fee for commercial wastes in California ranges from 10-15% of gross receipts or billings.³⁸ Most communities include a specific amount for franchise fees in their collection agreements. Another tool that Hawthorne could use to provide more flexibility over time is to reserve the right in its franchise agreements to adjust the franchise fee at any time, or at the time of any rate adjustments approved for the hauler. This would enable Hawthorne to increase franchise fees to fund the implementation of other recycling programs, if needed.

Section 41901 of AB939 also authorized local government to raise fees specifically to cover the costs of implementing waste diversion programs. Some communities have adopted "AB939 fees" on waste haulers, and others have adopted AB939 fees on solid waste facilities within their jurisdictions. For Hawthorne, some of the current Administrative Fees paid by H&C Disposal are used to pay for City recycling programs. In the future, the City should create a line item under the Administrative Fees account that more clearly highlights the AB939-related uses of funds, to further justify the level of fees established by the City. The City should also continue to document how the other portion of the Administrative Fees are used to perform a variety of tasks in support of the City's refuse and recycling system.

As many of the economic incentives referred to above address fees and taxes enacted by local governments, the City attorney will need to determine whether Proposition 218 applies in Hawthorne's case. CIWMB counsel has stated that Proposition 218 does not appear to affect fees collected through direct billing, tipping fees, franchise fees or similar methods. Proposition 218 does not necessarily cover administrative fees dedicated to implementing AB939 recycling programs because they do not have to be charged upon parcels, nor as an incident to property.

The competition for refuse and recycling services will likely reduce the rates charged by haulers, and the total annual revenues to haulers. As City fees are based on a percentage of the haulers' total annual revenues, City revenues could decrease proportionate to the savings obtained by the ratepayers. To compensate for that, the City could set the combination of franchise fees and administrative fees so there is no loss of revenue to the City General Fund, including providing the additional costs required for recommended recycling programs.

³⁷ Gary Liss, *Incentive Programs for Local Government Recycling and Waste Reduction, prepared for the California Integrated Waste Management Board, August 2000, page 5*

³⁸ Ibid.

GLA Recommendation on Policies and Incentives to Encourage Waste Diversion

GLA recommends:

- ◆ The City should set a goal of 50% waste diversion for all businesses to help the City meet the State’s 50% waste diversion goal. Businesses should be required to submit simple recycling plans with annual business tax payments. The business recycling plans should be primarily multiple-choice forms that can be easily filled out and easily scanned by the City to compile and analyze. The City should annually compile these plans in a report to the City Council that highlights particular business sectors that are doing well, and those that need more outreach and education efforts.
- ◆ Apartments of 5 units or greater should be required to provide an “opportunity to recycle” and a minimum of recycling services for their tenants, in addition to the business recycling requirements above.
- ◆ Commercial refuse haulers should be required to provide recycling services to all businesses they service, unless the businesses have arranged for other reuse, recycling or composting services.
- ◆ Commercial refuse haulers should be required to provide equal numbers of recycling containers as refuse containers unless the businesses have arranged for other reuse, recycling or composting services or the City determines that there is not enough space.
- ◆ Commercial refuse haulers should be required to offer lower rates for bins that are kept relatively clean of contaminating materials that allow the haulers to more easily sort those for recycling at their materials recovery facility. Alternatively, commercial refuse haulers could offer to provide a “recycling credit” to businesses for their share of all the tons of materials the hauler recycles from their load.
- ◆ Commercial refuse haulers (or “City-certified” C&D haulers) should be required to comply with the requirements of the City’s Construction and Demolition Debris Recycling Plan that were specified for H&C Disposal.
- ◆ Businesses should be allowed to pay for reuse, recycling and composting services from any independent recycler permitted to operate in the City. This will require a revision to the City’s Commercial Recycling Permits program.
- ◆ The City should provide recycling containers of different shapes and sizes to all businesses to accommodate different recycling needs, including desktop containers, 30-, 60-, 90- and 400-gallon rolling carts, and 1-, 2- and 3-cubic yard bins, subject to budget limitations, reviewed annually. Containers manufacturers should deliver containers directly to businesses once the City places an order for them. Refuse administrative fees should fully fund the containers. Collection services from these containers should be arranged by the businesses from any reuse, recycling and composting business that is permitted to operate in Hawthorne.
- ◆ The City should provide “waste audits” or technical assistance to all businesses upon request. The City should work with reuse, recycling and composting companies to encourage them to expand the services they provide to Hawthorne businesses. The City should assist such companies in getting needed permits to expand operations to service Hawthorne businesses. Refuse administrative fees should fully fund City staff or contractors to conduct these services.

- ◆ The City should conduct education and outreach programs to all businesses, and targeted by sectors, to highlight reuse, recycling and composting services available and to demonstrate how easy it is to comply with the City’s recycling goals. The City should assist businesses in making arrangements to obtain other needed recycling equipment (e.g., balers and compactors) from recycling service providers in trade for commitments to sell materials recycled to those firms.
- ◆ The City should evaluate the need for paying all reuse, recycling and composting businesses permitted to operate in Hawthorne some “recycling tonnage payment” for increases in tonnage documented as being diverted from Hawthorne over a reported base year amount. This should be considered if the City is not achieving its overall 50% waste diversion rate one year after implementing this new program. Refuse administrative fees should fund these recycling tonnage payments.
- ◆ Single-family residents should initially be offered recycling services at no additional cost, and two 30 gallon rolling carts for refuse, or one 60-gallon cart for refuse as the base rate for refuse service. Residents should also be provided with up to 90 gallons of service for recycling and up to 90 gallons of service for yard waste, as part of the base rate. Residents should also be allowed to place additional bags of refuse beside the rolling cart for periodic additional refuse needs (no more than once per month). If additional refuse service is needed more frequently, the residents will need to subscribe for additional regular service. The City’s haulers should be responsible to report this to the City for proper billing, and to notify residents of the need to subscribe for additional service.
- ◆ The City should also offer a “Super-Recycler Rate” for a discounted price for residents that need only one 30-gallon rolling cart for refuse. Over time, the City should work through its educational materials and rate structures to encourage as many residents as possible to consider this Super-Recycler Rate.
- ◆ Single-family residents should be given the option of using their existing refuse storage containers (i.e., cans or bags) for the first six months of the new system. This will allow residents to see exactly how much refuse service they need to order, once they have the unlimited recycling services that the City provides.
- ◆ Single-family residents who choose a rolling cart size at the outset of the new contract should receive a small discount, as it will be more efficient for the contractor to deliver their carts in one initial distribution. Residents who choose a rolling cart size at the outset of the new contract should also have a one-time option during the first six months to exchange that cart for a different size cart (smaller or larger), and pay according to the rate schedule for the different size carts. Residents should also be allowed to change their cart size at no charge once per year. If residents want to change more frequently, then they should be charged for the additional expense that results.
- ◆ The City should pay its residential refuse and recycling hauler both a flat amount per household/month and a variable amount based on the amount landfilled (as a recycling incentive - the more landfilled, the less the hauler should be paid). City staff should ensure that there are sufficient funds in the budget at all times to cover the obligation to pay for anticipated variable amounts of refuse landfilled.
- ◆ Hawthorne should reserve the right in its residential and commercial franchise agreements to adjust the franchise fee and administrative fee at any time. Funding from administrative fees

from refuse haulers should be allocated to support the staff recycling implementation, outreach and monitoring functions noted above.

- ◆ The City should set the combination of franchise fees and administrative fees so there is no loss of revenue to the City General Fund, including providing the additional costs required for recommended recycling programs.
- ◆ Other policies and economic incentives should be adopted by new and revised City ordinances, such as those detailed above, so all residents and businesses and refuse haulers and recyclers are encouraged to maximize waste diversion. Both residents and businesses alike should benefit by helping the City achieve its waste diversion goals. Those who choose not to assist in meeting these goals should pay more for wasting.

Procurement Process

Procurement Strategy

The over-arching goal of this procurement process is to ensure an open and fair process to solicit, evaluate and select refuse and recycling haulers to meet the City's objectives. Based on GLA recommendations above, the procurement process should be organized for two different workproducts:

- ◆ Residential refuse and recycling agreement for single-family and small multi-family dwellings
- ◆ Multiple commercial refuse and recycling agreements for commercial, construction and demolition projects, and larger multi-family dwellings

These can be solicited at the same time via the same process, as many of the potential proposers will be able to respond to both projects. However, there should be two separate RFP documents and two separate agreements. There will also need to be somewhat different qualifications and selection criteria for each sector.

GLA recommends soliciting multiple commercial haulers through a competitive process that ranks all qualified proposers. The top-ranked 5-10 haulers that offer both refuse and recycling services should be authorized to operate in the City. Allowing more than 3-4 haulers will likely result in a combination of large and small haulers providing services. This will help keep the system more competitive in price, innovations and quality of service.

At least 3-4 of the authorized haulers should have demonstrated experience in serving multi-family dwellings (MFDs) and achieving greater than 10% waste diversion from those complexes served. At least 2-3 of the authorized haulers should have demonstrated experience in providing roll-off and debris box services for construction and demolition (C&D) debris, and demonstrated commitment to complying with the City's C&D Recycling Ordinance and C&D Waste Minimization Plan. The City should certify the C&D haulers, once they have completed City training in the City's C&D policies and procedures, the City's C&D Waste Minimization Plan and the City's C&D Recycling Ordinance.

Selection criteria should be designed to allow smaller haulers to compete. It's not in the City's interest to limit competition to a few big companies. Criteria will also take into account innovative reuse, recycling and composting systems, and will give credit based on greater amounts of waste diversion.

GLA recommends that advertising be done locally and in national media, to attract both large-scale national companies, as well as local and regional proposers. The City should view the residential competition as successful if it obtains at least 3-4 qualified proposers. The City should view the commercial competition as successful if it obtains at least 10 qualified proposers.

Procurement Tasks

The following are the key tasks that need to be accomplished for a successful procurement process.

- ◆ Refuse and Recycling Services System Design Decisions.
- ◆ Prepare Request for Proposals (RFP).
- ◆ City Council approve RFP.
- ◆ Issue RFP.
- ◆ Evaluate proposals.
- ◆ Select firm with best proposal.
- ◆ Negotiate contract and start new services.

Refuse and Recycling Services System Design

Target: Obtain Council Direction at March 11 Council Meeting.

This report describes GLA's review of the City's major refuse and recycling policies and proposed procurement strategy. This report, along with City staff's recommendation, will serve as the basis for discussion of these issues by the City Council. Once the City Council has provided its direction regarding the City's refuse and recycling policies and procurement strategy, that direction will be used to develop the Request for Proposals (RFP) package and implement the City's procurement strategy.

Prepare and Release Proposal Package

Targets: Draft RFP by April 5
Draft Agreement by April 15
Final RFP and Agreement at Council Meeting May 13
Issue RFP by May 17

The GLA Team will provide a sample Request for Proposals and Agreement (RFP) that GLA suggests be used as a starting point to edit into the RFP and Draft Agreement for the City of Hawthorne. The GLA Team has identified current waste haulers and recyclers in the vicinity of Hawthorne to identify potential proposers or subcontractors. GLA and City staff will contact other local city solid waste managers, the local CIWMB Office, the CIWMB Office of Local Assistance, the CA Refuse Removal Council (CRRC), the Greater Los Angeles Solid Waste Management Association (GLASWMA) and other industry leaders to identify potential proposers and contact information. GLA will also draft a news release, email notice and an advertisement for the City to place with *Waste News* and other appropriate trade journals, professional associations (e.g., GLASWMA and CRRC) and newspapers to solicit expressions of interest from potential proposers. GLA and City staff will email notices to its extensive network of solid waste and recycling listserves, and other industry contacts. GLA and City staff will complete this outreach phase of the project upon release of the RFP. Thereafter, all communications with the City shall be done according to the Process Integrity Guidelines.

The GLA Team will obtain residential and commercial customer counts from the City. If Council approved variable rate residential pricing, GLA will recommend appropriate increments for additional volume of service to include in the RFP. For commercial customers, GLA will develop a

summary of account size and frequency to include in the RFP. Based on assumed numbers of residential and commercial customers and the life of the proposed contract, GLA will then estimate the total value of the contract to be awarded. These assumed numbers of customers will also become the basis for comparing price proposals. The GLA Team will then draft the Request for Proposals and draft Agreement (RFP). The RFP will:

- ◆ Seek information on proposer’s technical and financial qualifications, key staff committed to be involved, and litigation history.
- ◆ Seek information on proposers technical plans and approach to comply with the scope of work. Request a waste diversion plan that highlights the services they will offer, by sector, the processing facilities and markets for the materials collected, and the community outreach plans required to obtain greater public participation.
- ◆ GLA assumes that the scope of work will not include “options” to the scope, so that comparison of proposers can be done on a consistent basis. GLA assumes that any innovations beyond the scope requested by the City will be considered as an additional consideration after the evaluation and ranking of the base technical and price proposals for the scope requested by the City.
- ◆ Request information on the number and types of trucks to be used, the size and type of processing facilities to be used, the location and commitments for solid waste disposal facilities to be used, the number of staff required, and the markets for materials to be collected.
- ◆ Ask for cost information for the costs per ton to collect and process solid waste, recyclables and yard trimmings.
- ◆ Request examples of successful waste diversion programs they have implemented in other communities. Request suggestions of innovative programs to expand commercial recycling, and incentives beyond those (or different than those) proposed by the City to maximize commercial recycling.
- ◆ Request descriptions of their experience with the approach proposed for Hawthorne, including sample project descriptions, facility descriptions and references for comparable communities and services.
- ◆ Request contact information for local enforcement agencies overseeing any facilities referenced. GLA will include forms to sign indicating compliance with local policies (e.g., process integrity guidelines).
- ◆ Provide a process for proposers to take exception to the draft agreement.
- ◆ Include criteria for the evaluation of the qualifications and experience of proposers, the quality of their technical proposals (including company and individuals assigned knowledge and experience, financial capabilities, approach to scope of work, and client references/reputation) and the feasibility of cost proposals providing sufficient revenues to the proposer to support the services proposed.
- ◆ Include rate schedule forms for the evaluation of price proposals. These forms will include the assumed number of residential and commercial customers that will be the basis for comparing the total value of proposals and ranking those prices (with a caveat that the City does not guarantee this distribution of customers). Proposed rate schedules will include categories for all types of services to be provided, including residential curbside and backyard services (including handicapped and/or senior services, as desired), and commercial push/dismount charges.

- ◆ Request 3 years of financial statements (to be kept confidential), to provide background information on their ability to finance the facilities, equipment and other costs associated with this project.
- ◆ Include “process integrity guidelines,” highlighting how proposers may be disqualified for inappropriate communications and contacts during the procurement process (see more details below).
- ◆ Include a process for the negotiations and award of one or more agreements. Multiple agreements may be appropriate for different components of the work (e.g., residential vs. commercial) and/or garbage vs. recycling services.

The GLA Team will review the draft RFP with City staff, and then revise the documents as requested. GLA will draft a letter and mailing list for City staff to circulate the RFP. GLA will also draft summary information for Hawthorne’s website, to enable that to be a first point of contact for GLA and City staff promoting this.

The GLA Team will then review comments and questions from potential proposers with City staff. GLA will then revise the RFP into a final document. The GLA Team will submit the final RFP to City staff and City Council for approval.

Once approved, City staff will distribute the RFP to the mailing list provided by the GLA Team, preferably by email and posting on the City’s website. The GLA Team will also assist City staff in contacting local media to obtain editorial support for the City’s approved program.

The GLA Team will attend a Pre-Proposal Conference with City staff and potential proposers. The GLA Team will assist City staff in responding to questions at that event, and immediately thereafter assist in writing an addendum to the RFP to formally respond to all questions raised in writing and at the conference. City staff will distribute the addendum, preferably by email and posting on the City’s website.

Evaluate Proposals

Targets: GLA Report to City by July 24, 2002
 Council Award of Contract(s) August 12, 2002

The GLA Team will review the technical proposals and first determine if there are any non-responsive proposals to the requirements of the RFP. Then GLA will identify any issues that may require clarifications from the proposers. At this point, GLA will recommend whether to get such clarifications in writing or through interviews. Once adequate responses are received, GLA will then rank the technical merits of the proposals received and their compliance with RFP requirements.

The GLA Team will then review the cost proposals and identify any issues requiring clarification from the proposers. Once all responses have been received, the GLA Team will then rank the proposals according to the anticipated full cost of the base proposals over the life of the contract. Then additional review will be done to clearly identify and compare any options presented. GLA will present a revised ranking of the proposals considering all the options presented. Finally, GLA will evaluate the combined technical merits and economics to develop a recommendation that

maximizes waste diversion at the lowest possible cost (not necessarily the overall lowest cost proposer), or according to any other combination of criteria adopted by the City. Initial suggested criteria are detailed below.

The GLA Team will then review its preliminary findings with City staff and identify any issues of concern or questions. GLA will then write proposers regarding issues requiring additional clarifications from them. GLA will also respond directly to City staff on any issues regarding the substance and process of the evaluations.

The GLA Team will assist City staff in evaluating the qualifications of proposers by a variety of efforts. GLA will first review the proposers knowledge and experience, particularly with comparable communities and services. The GLA Team will also contact other communities serviced by proposers to obtain other objective information on their performance. Then GLA will review their financial statements and descriptions, to determine if they meet the requirements of the RFP. Then GLA will contact references and enforcement agencies for their input on proposers. GLA will also contact other knowledgeable experts in the solid waste and recycling industry, for their input on potential proposers.

The GLA Team will summarize its findings to City staff, and recommend if any of the proposers are deemed not qualified. GLA will draft letters to all proposers not qualified for the City to send out notifying them of their decisions.

The GLA Team will compare proposed services and costs to other communities in the area, to ensure Hawthorne is providing state-of-the-art services at reasonable costs, and to highlight opportunities for joint efforts (e.g., in promotions/outreach and market development). The GLA Team will invite the participation of other knowledgeable and qualified local solid waste managers (e.g., Culver City, Redondo Beach, Torrance, Santa Monica, and Los Angeles) to participate in a confidential “peer review” assessment of proposals received, after review by GLA and City staff. This is proposed as a “reality-check.”

The GLA Team will then summarize its findings and recommendations to City staff, including any implications of options proposed, or exceptions taken to the draft agreement. The GLA Team will then draft a memo for City staff to circulate draft recommendations to the peer review panel, for their information.

GLA will then attend the City Council meeting where these recommendations are presented for their consideration.

Negotiations

Target: Final Agreement by September 30, 2002
Council Approval of Final Agreement October 14, 2002

The GLA Team recommends negotiating agreements sequentially with the top three proposers, not concurrently. In the event negotiations with the top firm are not successful, then the City would notify the second firm to start negotiations with them (and similarly for the 3rd ranked firm). This

minimizes the staff and consulting time required for negotiations, while keeping open the City's options to maintain competitive pressure on negotiations. Set schedules should be established at the outset of negotiations to provide a clear timetable for results, or determination of an impasse.

The GLA Team will evaluate and recommend how to respond to options and exceptions to the agreement that were proposed, keeping in mind the City's priorities in designing the RFP and ranking the proposals.

The GLA Team will then prepare the final draft agreement for review by City staff, then the proposer. The City Attorney should then conduct a final legal review to ensure that all City policies and legal considerations have been incorporated into the agreement.

The final agreement will then be brought to the City Council meeting where this will be presented for final approval.

Ordinance Review and Updating

Target: GLA Report on Ordinance Changes by November 29, 2002
Council 1st Reading of Ordinance January 27, 2003
Council 2nd Reading of Ordinance February 24, 2003
Effective Date of New Ordinance April 1, 2003

GLA will review the current City Refuse Ordinance for consistency with the adopted policies and legal framework established in the new agreements. GLA will highlight discrepancies between these documents and recommend changes to the Ordinance or agreements to resolve those discrepancies. The review of issues to address will be initiated after the Council approves the issuance of the RFP and draft agreement. This work will be finalized after the award of the refuse and recyclables collection contract(s), and before the start of the new contract.

Transition

Target: Startup of New Services by June 1, 2003, or earlier if possible.

In the event a new contractor is selected by the City Council, a transition of 3-6 months may be required to startup the new contract. Proposers will submit the timeline for this, in their response to the RFP. The City has arranged for H&C Disposal to continue operating in Hawthorne on a month-to-month basis after the existing contract terminates on September 27, 2002. In the event that H&C Disposal is selected to continue to provide some services to Hawthorne, the transition to the new services required under the new contract may be shorter.

City staff will meet regularly with management of the new contractors to review their progress in meeting the timelines they set out in their proposals. GLA will be available to review any problems that arise in understanding the design of the new system, or how to handle other transition issues.

Proposed Procurement Process Schedule

Develop System Design & Procurement Strategy

1. Negotiate H&C Extension Jan. 2, 2002
2. Review Background Documents Dec. 31, 2001
3. Evaluate System Jan. 25, 2002
4. Compare to Neighboring Cities Jan. 25, 2002
5. Draft Report Feb. 15, 2002
6. Final Report to City Council Feb. 28, 2002
7. Council Direction on Policy issues Mar. 13, 2002

Prepare Proposal Package

1. List of Potential Proposers Mar. 1, 2002
2. Draft RFP Apr. 5, 2002
3. Draft Agreement Apr. 15, 2002
4. Revised RFP/Agreement Apr. 30, 2002
5. Council Approve RFP/Draft Agreement May 13, 2002
5. Issue RFP (News Release, etc.) May 17, 2002
6. Pre-Proposal Conference May 24, 2002
7. Issue Addenda June 7, 2002
8. Proposals Due July 10, 2002

Evaluate Proposals

1. Review & Evaluate Proposals July 24, 2002
2. GLA Report to City July 24, 2002
3. Council Consideration and Award Aug. 12, 2002

Negotiations

1. Negotiations Aug. 15-Sept. 12
2. Final Agreement Sept. 30, 2002
3. Council Action on Final Agreement Oct. 14, 2002
4. Startup of New Services June 1, 2003, or earlier if possible

Ordinance Reconciliation

1. Review Ordinance Nov..14, 2002
2. Rec. Changes in Ordinance/Contract(s) Nov. 29, 2002
3. Council 1st Reading of Ordinance Changes Jan. 27, 2003
4. Council 2nd Reading of Ordinance Changes Feb. 24, 2003
5. Effective Date of Revised Ordinance Apr. 1, 2003

Transition

Startup of New Services by June 1, 2003, or earlier if possible

Ensuring a Fair and Open Competition

Reducing Costs by Reducing Proposer Risks

The more the City demonstrates its interest in having an open and fair competition, the more likely it is to attract more proposers. The more proposers attracted, the more likely the City will obtain the least costs and most innovative services.

One of the key ways to demonstrate the interests of the City in having an open and fair competition is to decrease some of the risks to the potential proposers. Proposers are used to assuming many business risks in offering proposals for municipal services. However, if Hawthorne were to decrease some of their risks, proposers would be able to offer lower costs for service to the City. The City can do that, in most cases, just by being sensitive to this issue in the design of the system and the drafting of the procurement documents.

One of the most important signals that can be provided to potential proposers is in the amount of information the City provides with procurement documents. The more information about the current system and future design, the easier it is for proposers to draft proposals. Similarly, the more time the City provides to potential proposers to draft their proposals, and to implement a new system, the more comfortable the proposers can be with developing their cost proposals, reducing their risks.

This also allows proposers more time to develop more innovative and tailored approaches to Hawthorne's unique needs. It also allows proposers to develop potential partnerships, with both private companies that offer complementary background and services, and with nonprofit organizations (e.g., thrift stores for additional reuse and recycling services to be offered).

Process Integrity Guidelines

Another key way to reduce proposer risks is by the City adopting Process Integrity Guidelines. An average proposal costs between \$20-50,000 to prepare, for each proposing company. Proposers consider how likely it is that they will be able to receive an award, in evaluating for which communities they submit proposals. The better designed the procurement process and documents, the more likely the City will attract more proposers. A key consideration is whether the award will be done by clearly understood objective criteria, or based on a more subjective political judgment.

To communicate to proposers the City's intent for a fair and open competition, many communities have adopted Process Integrity Guidelines. These guidelines impose increasingly restrictive administrative controls on the procurement process to help ensure both the reality and the perception of process integrity. Each proposer could be individually and solely responsible for ensuring compliance with the following specific guidelines. This responsibility extends to the proposer's employees, agents, consultants, lobbyists, or other parties or individuals engaged for purposes of developing or supporting the proposer's proposal.

1. All Proposers must attend all of the scheduled pre-proposal conferences. If a joint proposal is to be submitted, a representative from each firm with a substantial interest must attend the pre-proposal conferences.
2. Collusive activities among proposers are expressly forbidden and will likely result in immediate disqualification of any involved parties. If two or more Proposers are developing a joint proposal, City Public Works Director must be notified in writing by the joint Proposers no later than thirty (30) days prior to the deadline for submission of Proposals. This notification will be kept confidential until after submission of all Technical and Cost Proposals.
3. Each Proposer is separately prohibited under these guidelines from promotional outreach, hospitality, entertainment, gifts, or other like activities directed toward City staff, elected or appointed officials, or proposal reviewers. After the City issues the Request for proposals (RFP), proposers shall warrant that no such gratuities have or will be offered or given by the proposer, or any agent of the proposer, to any City staff, elected or appointed officials, proposal reviewers, or to a consultant in order to secure the contract or favorable treatment concerning the RFP process. The proposer shall affirm and agree that it will disclose and describe any relationship or arrangement with the City or a consultant that could be deemed inconsistent with these guidelines, or with any state or local laws, prior to the submission of its proposal.
4. Any information and materials to be utilized by the City during the proposal evaluation and selection process must be included as part of the original Technical and Cost Proposals or submitted in response to a specific request from the City.
5. Only City-provided information and materials in the RFP and Addendum, which are provided in writing to all proposers, are to be utilized in developing the proposal. Any proposer's reliance on other City information and materials may result in non-responsive proposals due to inaccurate or incomplete information.
6. After the release of the RFP, all RFP-related communication with the City of Hawthorne prior to the release of staff's recommendation on the award of contracts must be in writing through Charles Herbertson, Director of Public Works. Communication to the City should be in writing by fax, email, or mail to:
 - Fax: 310-970-7033
 - Email: dirpubwk@earthlink.net
 - Mail: Charles Herbertson
Director of Public Works
4455 West 126th Street
Hawthorne, CA 90250

The City Manager will provide copies of all incoming and outgoing RFP written communications with proposers to the City Council, to keep them fully informed of the process.

Contacting any other City staff member, elected or appointed officials, or proposal reviewers could result in disqualification of the proposal. Any evidence which indicates a proposer has failed to comply with the specific Process Integrity Guidelines, or has otherwise substantially diminished the City's ability to award contracts in a timely manner

and free of contention, may result in that proposer's disqualification and forfeiture of the proposer's proposal bond. The City reserves the sole right to disqualify any proposer at any point in the process prior to contract award for failure to comply with this document. In order to ensure receipt and understanding of the Process Integrity Guidelines, each proposer is required to sign and submit this document. The signed copy should be mailed to Charles Herbertson, Director of Public Works, by June 7, 2002 at the address listed in the guidelines above.

CEQA

The award of the contract(s) for the new refuse and recycling system may be considered as a "project" as defined by the California Environmental Quality Act (CEQA). Any contract that will landfill recyclables instead of reclaiming all of them may pose a significant adverse impact to the environment. As a result, CEQA may require at least an initial study be done upon receipt of evidence of any significant environmental impact. In order to avoid any potential concerns about this issue, GLA recommends City staff conduct an initial study of the proposed agreement, once it has been approved to circulate as part of the procurement process.

Draft Selection Criteria

The following criteria are suggested as an example of Selection Criteria that could be included in the RFP. These are proposed as qualitative criteria that will be combined with an evaluation of cost proposals to develop an overall ranking of proposals. The actual criteria and weighting will need to be based on the overall system design, once Council provides direction on policies in this report.

1. Qualifications

- a. Management Team – For the residential contract, at least three managers must have 5 years of experience with projects of comparable size and complexity. Include summary resumes for General Manager, Operations Manager and Customer Services Manager (or equivalents). Planned training programs and coordination with City staff. Commitment that City may approve Local Manager, if changes from initial staff proposed. For commercial contracts, at least one manager must have 5 years of experience with projects of comparable size and complexity.
- b. Comparable Project Experience - For the residential contract, the City may require experience with at least one other community of comparable size. Highlight diversion results achieved in other jurisdictions. An option would be to allow haulers with only partial background to qualify (although possibly lower-rated), if they are able to demonstrate their capabilities in another way. For example, a large commercial hauler might be able to highlight sufficient experience with a comparable scale of collection equipment and services to be viewed as qualified to perform. Similarly, a hauler without direct billing experience might be allowed to compete if they demonstrate that they have added the expertise via new staffing or contractors to accomplish those tasks.

For commercial contracts, demonstrated experience providing similar services with the same sizes of accounts in other locations.

For both contracts, GLA does not recommend that they must have *local* experience as that may unnecessarily restrict the number of qualified competitors. The strength of proposers with local experience should come through instead in the lower rates and more services that they are able to provide.

- c. Equipment – Adequacy of types and numbers of collection and processing equipment. For the residential contract, must have at least 10 non-rolloff trucks in existing fleet. Equipment must meet technical qualifications that will be listed in RFP. An option would be to require new trucks, but GLA is not recommending that, as haulers in nearby communities could likely service Hawthorne well with existing equipment. For commercial contracts, must meet technical specifications for trucks in RFP. System for tracking expenses for vehicles used in Hawthorne. Highlight the safety, quality and cleanliness of the trucks and storage containers provided to the public that will be assigned to Hawthorne.
- d. Corporate Citizenship – Community involvement experience in other communities. Contact names for nonprofit organizations that have received support. Litigation history and enforcement actions against the company, or its parent, in California, including any litigation against management individuals or company, and any litigation filed by company or its agent or affiliates against the City of Hawthorne.
- e. References – For the residential contract, three references from up to three comparable cities, or equivalent large customers. For commercial contracts, three references from a small, medium and large account that are comparable to businesses in Hawthorne.
- f. Billing (if included) – For both contracts, type of billing equipment and software used and the number of accounts maintained by that current system.

2. Technical Proposal

- a. Refuse Collection and Disposal Approach – Type of collection equipment proposed (e.g., manual, semi-automated, automated). Disposal site to be used and system for tracking Hawthorne disposal costs.
- b. Recycling Collection, Processing and Marketing Approach – Type of collection equipment proposed (e.g., manual, semi-automated, automated). Reasonable plan for processing and marketing materials collected. Letters of intent from markets. System for tracking and reporting waste diversion from Hawthorne.
- c. Organics Recycling Collection, Processing and Marketing Approach - Type of collection equipment proposed (e.g., manual, semi-automated, automated). Reasonable plan for processing and marketing materials collected. Letters of intent from markets. System for tracking and reporting Hawthorne waste diversion.
- d. Other Services – Approach to collection of bulky goods, Christmas trees, participating in community cleanup services, and other services proposed, and how their approach will maximize waste diversion.
- e. Community Outreach & Participation – For residential contract, plans for community outreach, education and involvement in community events and with community organizations. Include plans for staffing or subcontractors, and coordination with City outreach efforts.

- f. Billing (if included) – Proposed staffing, equipment and software to be used. How billing services, customer service and dispatch are coordinated. Also proposed pay-points in Hawthorne.
- g. Transition and Contingency Plans – Demonstrated understanding of the key components of a transition to a new contract and what needs to be done in sequence to accomplish that. Reasonable discussion of temporary collection equipment and/or processing facilities that will be used until fully operational, or that would be used for extraordinary conditions (e.g., earthquakes).

3. Financial Capabilities

- a. Ability to finance – Evidence that financing can be accomplished. Identify proposed collateral against loans used to fund equipment to service this project. Demonstrated ability to obtain adequate insurance.
- b. Strength of company – For the residential contract, three years of financial statements should be required. A contract with the City of Hawthorne should not increase their gross receipts by more than 50%. Vulnerability of company based on ratio of liabilities to assets. For larger corporations, commitment of parent company to local company obligations, in event of default.

4. Contract Acceptance

- a. Proposer's willingness to accept the draft agreement as written. The nature of the exceptions taken to the agreement, if any, and alternative language provided, will be considered relative to other proposers.

Attachment A - Hawthorne Refuse and Recycling Survey 2002

- ◆ **Sample Survey**
- ◆ **Sample Survey (Spanish Edition)**
- ◆ **Survey Results from Multi-Family Residents**
- ◆ **Survey Results from Businesses**
- ◆ **Survey Results from Single-Family Residents**

ATTN: HAWTHORNE RESIDENTS AND BUSINESSES - PLEASE JOIN US

***At a Special City Council Meeting to
Discuss Refuse and Recycling Services***

SATURDAY, FEBRUARY 9, 2002 - 10 AM TO NOON

Memorial Center, Venus Room, 3901 El Segundo Blvd., Hawthorne

The City will soon go Out-To-Bid for refuse and recycling services provided to Hawthorne residents and businesses. This is a unique opportunity for you to suggest the type of refuse and recycling services you want. Please take the time to fill out the survey below, bring it to the meeting, or send it in. Thanks!

HAWTHORNE REFUSE AND RECYCLING SURVEY 2002

1. Are you a:
 a. Resident in a single family home b. Resident in a duplex, triplex or fourplex
 c. Resident in a larger apartment building d. Business
2. How many people live in your house or apartment? a. 1 to 3 b. 4 to 6 c. 7 or more
3. How many cans or bags of refuse does your household throw out ***on average*** each week? _____
What was ***the largest number*** of cans or bags of refuse that your household threw out or
that you've seen someone else throw out? _____
4. Is spilled and blowing trash sometimes a problem on your street on trash pickup day? a. Yes b. No
5. Has illegal dumping of large items like furniture and appliances been a problem in your neighborhood? a. Yes b. No
What do you do when you have large items to dispose of?
 a. Call H&C Disposal for them to pick-up b. Call Salvation Army or other thrift store to pick-up
 c. Take to a landfill or transfer station d. Set on the curb or a vacant lot for the City to clean-up
6. Do you think businesses should be required to recycle, to help meet the State's requirement that we reduce our
waste citywide by 50%? a. Yes b. No
7. If you live in a Single-family home:
Would you like the refuse hauler to provide you with separate rolling carts for refuse, recyclables, and yard
trimmings (with different size carts available)? a. Yes b. No
8. If you live in a Single-family home:
Would you recycle more if curbside-recycling service collected more materials and was unlimited but base
refuse rates only included one 32-gallon can of service? Extra refuse service would be available for an
additional fee. a. Yes b. No
9. If you live in an Apartment:
Would you recycle more if there were more bins for recycling (especially when you are moving in or out)? a. Yes b. No
10. Do you think businesses and apartment managers should be able to choose their own company to pick up
refuse and recyclables? a. Yes b. No
If Yes, do you still think so if it will cost the City more money to oversee multiple contractors? c. Yes d. No
11. If you own or operate a business:
Do you think businesses would recycle more if recycling saved them money on their refuse bill? a. Yes b. No

Questions? Please call **Jaime Lozano** at **310-970-7958**. Please fill out, then mail to: Jaime Lozano, Hawthorne Department of Public Works, 4455 West 126th Street, Hawthorne, CA 90250 or **FAX to: 310-970-7033** or email to jalozano@earthlink.net.

ATTN: RESIDENTES Y NEGOCIOS DE HAWTHORNE - FAVOR DE ACOMPAÑARNOS

**En una Junta Especial del Consejo Municipal para
Cambiar Opiniones sobre los Servicios de Basura y Reciclaje**

SABADO, FEBRERO 9, 2002 - 10 AM HASTA MEDIODIA

Memorial Center, Venus Room, 3901 El Segundo Blvd., Hawthorne

La Ciudad va a pedir declarantes para los servicios de basura y reciclaje proporcionados a los residentes y negocios de la Ciudad de Hawthorne. Esta es una oportunidad sin par para que Usted pueda sugerir como quiere sus servicios de basura y reciclaje. Favor de tomar el tiempo para llenar la encuesta de abajo, traigala a la junta, or mandela por correo. Gracias!

ENCUESTA DE BASURA Y RECICLAJE DE HAWTHORNE 2002

1. Es usted un:
 a. Residente en casa de una sola familia b. Residente en un duplex, triplex o fourplex
 c. Residente en un edificio grande de apartamentos d. Negocio
2. Cuantas personas viven en su casa o apartamento? a. 1 to 3 b. 4 to 6 c. 7 o mas
3. Cuantas bolsas o botes de basura se tiran de su casa por promedio cada semana? _____
Cual a sido la cantidad mas grande de bolsas o botes de basura que se han tirado de su Casa, o que ha observado a alguien mas tirar? _____
4. Ha observado, o es comun el ver basura que se la este llevando el viento durante el dia que recojen su basura? a. Si b. No
5. Se ha presentado como problema el que hayan tirado articulos grandes, como muebles o aparatos electricos en su vecindad? a. Si b. No
De que manera se deshace usted de articulos grandes?
 a. Llama a H&C Disposal para que los recojan b. Llama al Salvation Army o a otra organizacion benevolente
 c. La lleva al basurero o a la estacion de tranfer d. La pone en la banqueta o en lote desocupado para que la ciudad lo recoja
6. Usted piensa que los negocios deberian ser obligados a reciclar, para ayudar a cumplir con el requisito del Estado que requiere que toda Ciudad disminuya su basura a un 50 por ciento. a. Si b. No
7. Si usted vive en una casa de una sola familia:
Le gustaria que el contractor de basura le provee con carretilla para la basura, reciclables, y recortes del jardin (con carretillas de diferentes tamanos disponibles)? a. Si b. No
8. Si usted vive en una casa de una sola familia:
Reciclaria mas si el servicio de reciclaje de banqueta, permitiera mas materiales y fuera sin limite, pero que la Tarifa Basica de servicio nomas incluyera un bote de 32-gallones? Servicio adicional seria disponible por un precio adicional. a. Si b. No
9. Si usted vive en un Apartamento:
Reciclaria mas si habria mas botes (especialmente a la hora de mudarse)? a. Si b. No
10. Piensa Usted que Negocios y Gerentes de Apartamentos deberian poder escoger cualquier compania para el servicio de Basura y Reciclaje? a. Si b. No
Si piensa que si, piensa usted que le ira a costar mas a la Ciudad para supervisar varios contractors? c. Si d. No
11. Si Usted es dueno o opera un negocio:
Piensa usted que negocios reciclaran mas, si al reciclar, tendrian un ahorro en su tarifa de basura? a. Si b. No

Preguntas? Llame a **Jaime Lozano** al **310-970-7958**. Favor de llenar, despues enviar a: Jaime Lozano, Hawthorne Department of Public Works, 4455 West 126th Street, Hawthorne, CA 90250 or **FAX to: 310-970-7033** o email a jalozano@earthlink.net.

Results of Hawthorne Refuse and Recycling Community Survey 2002³⁹

RESPONSES FROM Multi-Family RESIDENTS	Response			
	a	b	c	d
1. Resident or Business?		14	20	
2. Number of People/Hhld.	15	8	11	
3. (1) Average Cans or Bags	5 2 2 4 7 15 4 5 3 3 6 8 4 10 4 8 14 1 6 1 4 3 10 2 3 2 4 7			
3. (2) Largest # Cans or Bags	5 5 2 6 7 3 20 1 10 5 4 9 10 13 12 14 12 4 5 10 4 15 3 10 14			
4. Spilling a Problem?	22	12		
5. (1) Illegal dumping a problem?	20	9		
5. (2) How large items handled	12	11	5	6
6. Require biz recycling?	24	8		
7. Want Rolling Carts?	9	5		
8. 32 gal.garbage base rate	7	5		
9. Want more apt. recycling bins	19	9		
10. (1) Biz Choice of Hauler	27	6		
10. (2) Biz Choice if costs City \$	13	14		
11. Would Biz Recycle if saves \$	16	4		

³⁹Preliminary results as of February 28, 2002, compiled by Jaime Lozano, Hawthorne Department of Public Works

Results of Hawthorne Refuse and Recycling Community Survey 2002

RESPONSES FROM BUSINESSES	Response			
	a	b	c	d
1. Resident or Business ?				69
2. Number of People/Hhld.	4	1	20	
3. (1) Average Cans or Bags	50 15 15 5 24 6 40 3 20 20+ 6 2 8 1 15			
3. (2) Largest # Cans or Bags	50 2 25 5 32 2 30 400 6 6 3 16 25			
4. Spilling a Problem?	37	19		
5. (1) Illegal dumping a problem?	40	18		
5. (2) How large items handled	22	5	13	6
6. Require biz recycling?	37	24		
7. Want Rolling Carts?	9	1		
8. 32 gal.garbage base rate	5	4		
9. Want more apt. recycling bins	13	9		
10. (1) Biz Choice of Hauler	58	10		
10. (2) Biz Choice if costs City \$	31	20		
11. Would Biz Recycle if saves \$	56	7		

Results of Hawthorne Refuse and Recycling Community Survey 2002

RESPONSES FROM Single-Family RESIDENTS	Response			
	a	b	c	d
1. Resident or Business?	100			
2. Number of People/Hhld.	85	15	1	
3. (1) Average Cans or Bags	3 2 2 2 3 3 2 2 1 1 4 3 1 2 2 4 4 3 4 6 5 2 3 2 3 1 1 2 4 2 3 1 4 2 3 2 4 2 1 3 2 15 5 3 2 4 5 7 1 2 2 1 3 1 2 6 4 3 3 2 2 0 1 2 2 2 1 3 3 5 2 3 2 1 4 3 3 2 1 2 2 3 2 3 4 5 1 10 3 2 3 2 1			
3. (2) Largest # Cans or Bags	5 4 7 1 7 15 7 10 6 10 4 2 7 10 10 10 10 4 7 5 4 6 10 8 10 12 6 10 2 12 6 8 7 5 7 3 4 25 21 6 5 4 10 3 40 8 8 8 3 6 16 6 10 12 7 30 2 2 5 12 8 3 12 4 7 3 8 5 5 6 5 20 6 15 0 4 2 50			
4. Spilling a Problem?	43	53		
5. (1) Illegal dumping a problem?	30	65		
5. (2) How large items handled	42	40	11	16
6. Require biz recycling?	93	7		
7. Want Rolling Carts?	61	33		
8. 32 gal.garbage base rate	37	57		
9. Want more apt. recycling bins	8	5		
10. (1) Biz Choice of Hauler	39	48		
10. (2) Biz Choice if costs City \$	19	30		
11. Would Biz Recycle if saves \$	22	9		

Attachment B - Other Services and RFP Issues

The following are other issues that should be addressed in designing the future refuse and recycling system:

■ Technical Issues

- ◆ Bulky Item Collection – Continue to provide on-call pickup, at no charge for residents twice per year. Continue “Clean Sweep” program of cleanup of illegal dumping by residential refuse hauler. Require items to be reused or recycled, to the extent feasible.
- ◆ Require contractor to regularly advertise recycling services offered.
- ◆ Multi-family dwellings (MFD) – Maintain current distinctions (Barrel service = residential contract; Bin service = commercial contract).
- ◆ Curbside used oil collection – The City has obtained CIWMB funding to set up several certified used oil recycling centers in Hawthorne. The next step for oil recycling for the City could be to use funding from the CIWMB to assist in providing curbside recycling of used oil (e.g., paying for the home containers), and additional certified drop-off locations in or near multi-family complexes. The single-family residential contractor should also be required to collect used oil from residents at the curb.
- ◆ Roll-out or backyard service - The City should include a requirement that the single-family residential contractor provide a special service for elderly and handicapped residents to provide backyard refuse and recycling service.
- ◆ City facilities – The City could require the single-family residential contractor to provide refuse and recycling services to City Hall and other City facilities, at no charge to the City. Alternatively, the City could arrange to pay for its own refuse and recycling services from one of the multiple contractors that will be serving Hawthorne. The latter approach would provide the right signals to the City to encourage waste prevention and recycling at City facilities. As a result, GLA recommends the latter approach.
- ◆ City street receptacles – The City should require the residential refuse hauler to collect refuse from litter containers placed at strategic places around the city, and to pay for and place another 50 containers at locations identified by the City.
- ◆ City-sponsored special events – The City should require the residential refuse hauler to collect refuse and mixed recyclables (and organics, where appropriate) from up to 12 City-sponsored special events each year. The City should also require the residential refuse hauler to have a booth.
- ◆ Christmas tree recycling – Require contractor to collect and recycle all Christmas trees for two weeks after Christmas through combination of drop-off sites and yard trimmings recycling program.
- ◆ Multi-family and Commercial “Push Charges” – Include “Push Charges” or “Dismount Fees” as part of the base costs of providing commercial service.
- ◆ Multi-family Trash Chutes - Highlight need for commercial refuse haulers to provide innovative recycling services for multi-family dwellings with “trash chutes.”

- ◆ Diversion guarantee – Require proposers to submit Waste Diversion Plan in proposals, and hold them accountable to implement those plans in the Agreement. Do not include a generic diversion guarantee, as they are of questionable value,
- ◆ Waste Generation Study – Residential contractor should be required to pay for a new base-year waste generation study for Hawthorne.
- ◆ Community Outreach & Participation – Contractor should be required to obtain approval from City prior to the release of new community outreach materials, and should be required to coordinate with City outreach efforts.
- ◆ Alternative Fueled Vehicles - South Coast Air Quality Management District (SCAQMD) Rule 1193 requires purchases of non-diesel-powered collection vehicles for new vehicle purchases after July 1, 2001. This rule applies to commercial waste haulers with fleets of 15 or more vehicles.⁴⁰ The new contractors working for Hawthorne will either be regulated under this rule or not, depending on whether their overall fleet is greater than 15 trucks. The City could require all its contractors to comply with this Rule. However, for smaller haulers, it might be a major impediment to their submitting proposals to the City, if their existing vehicles do not comply. GLA recommends highlighting the SCAQMD requirement in the RFP, but not adding more detailed City requirements.
- ◆ ADC policy – There is a large, on-going debate in California over the status of policies adopted by the Legislature and the CA Integrated Waste Management Board (CIWMB) regarding Alternative Daily Cover (ADC). This refers to the use of yard waste, C&D debris, sewage sludge, residue from auto shredding and other alternative materials to be used as cover material in landfills. Cover is required to be placed on landfills daily, to stop blowing litter and decrease the harborage for insects and vectors. Materials used as ADC have been allowed by the CIWMB to count as “waste diversion” in the reporting requirements for AB939.

The environmental community believes that the counting of ADC as waste diversion is poor state policy – after all the effort to collect materials such as yard waste separately for recycling, for it to end up in the landfill. They have, and likely will continue, to oppose the continuation of this policy in California wherever and whenever possible. GLA concurs with the environmental community on this point.

Local communities like to count ADC as diversion, as it is currently less expensive to process it this way than for other productive uses such as compost. (Ironically, few compost facilities have been developed in the Los Angeles area because they cannot compete with the low tipping fees from landfills that accept yard waste as ADC.) Waste haulers (particularly those that own their own landfills) are strong advocates for counting ADC as diversion, as it often changes what previously was a cost, into an asset, and avoids taxes and fees that are charged on wastes that are landfilled. As a result, it’s likely to continue being debated for many years to come.

⁴⁰ *Draft Report, Analysis of Proposed Initiative Measure*, May 31, 2001, prepared by Hilton, Farnkopf & Hobson, LLC for the City of Hawthorne, pages 21-22.

ADC has been included again in proposed state legislation by Senator Gloria Romero (SB1526). The focus of her bill is that communities that are using ADC and counting it as diversion need to tell their residents that they are doing that. The assumption of that bill is that residents will be shocked that this is happening, and force local officials to stop using ADC, once word gets out. The risk of that legislation is that media coverage of this issue could severely undermine the support for yard waste recycling programs throughout the state.

If the City's yard waste recycling program markets its materials as ADC, the program may be forced to change that due to a policy shift by the Legislature or the CIWMB. Rather than have another disruption, or increase in cost in the middle of the contract, GLA recommends that the City instruct its contractors not to produce ADC from materials collected for recycling under its contracts. This will decrease the liability of the City in the future, both in terms of public trust, and in terms of rate increases being required to respond to such a policy shift. Although this will slightly increase the cost of the yard trimmings recycling program, composting of all organics will be required if the City adopts GLA recommendation to collect yard trimmings and food discards as a combined "organics" stream.

■ Economic, Financial and Management Issues

- ◆ Structure incentives in a way that preserves the integrity of funding from the solid waste system.
- ◆ Contract Term: Recommend 7 years to amortize equipment; with 3 year extension as incentive.
- ◆ Rate Review Process – Use a cost-of-living index during the life of the contract, once a basis for costs has been competitively established. Review status of rates compared to neighboring comparable communities before providing 3-year extension. Make sure any index includes energy increases. The RFP and agreement should ensure that contractor cannot request additional increases during the life of the contract.
- ◆ Index used for Cost of Living Adjustment (COLA) – About half of the costs of refuse and recycling collection are known when proposers prepare their financial analyses, as capital costs are amortized over the life of the contract. The main items that vary over time are labor and fuel costs, which constitute about 50% of the system costs. The Consumer Price Index (CPI) does a reasonable job at tracking increased costs for labor over time. The national CPI has far more data points than the local CPI, which provides a more stable basis for indexing the contract prices. A diesel fuel index could be used in combination with the CPI to index the contract. If a COLA is provided annually, it should be a combination of CPI and diesel fuel indices, totaling 50% (e.g., 30% CPI and 20% diesel fuel), multiplied times the base year rate (subtracting out governmental fees and taxes first). GLA recommends an indexing of the rates every 2 years, using 60% national CPI and 40% diesel fuel index).
- ◆ Management – The City should reserve the right to approve any changes in the General Manager, if there are changes from the initial staff proposed.
- ◆ Labor - Require new contractor to offer non-management jobs to existing contractor's qualified employees, if there is a change in contractors as a result of this procurement process, to the extent jobs are available.
- ◆ Audits and Inspections: City reserves the right to inspect without appointments. City reserves the right to conduct performance and financial audits.
- ◆ Assignment – City should reserve the right to approve the assignment of this contract.

- Administrative & Process Issues
 - ◆ Include Draft Agreement with RFP.
 - ◆ Selected proposer pay for RFP costs by proposal bond being retained to pay for these services.
 - ◆ An option for the City would be to issue a separate RFP for residential refuse and a separate RFP for residential recycling. The benefit of this approach would be to maximize the number of RFP responses, as there are more likely to be more companies able to provide one or the other service than could provide a combination of both services. This benefit is balanced by the difficulty of providing incentives to the refuse hauler to reduce refuse collected, unless they are also paid for recycling services. GLA recommends issuing an RFP for the combined refuse and recycling services.
 - ◆
 - ◆ Any disputes over rates, the City's Refuse and Recycling Ordinances, and the City's Refuse and Recycling Agreements and Permits (including the proper placement of refuse or recycling containers) should be appealed to the Director of Public Works, then to the City Council.
 - ◆ Ensure that RFP forms are not too burdensome to encourage the maximum number of proposers. Simpler approach is better – bottom line is “Are they capable?” and “Did they propose enough money to perform the services proposed?”
 - ◆ Invite the CA Integrated Waste Management Board (CIWMB) and the CA Department of Conservation to provide input on major policy issues and review draft RFP documents.

Attachment C - Residential Refuse Programs in Nearby Cities

City	Service Arrangements	Hauler	Collection Method				Monthly Rate			Billing Method
			Refuse	Recycling	Yard Waste	Paid to Hauler	City Fees	Charged User		
Carson	Exclusive	Waste Management	Manual	Manual	None	\$14.52	\$0.00	\$14.52	Property Tax Rolls	
Culver City	Municipal	Municipal	Fully-auto	Fully-auto	Fully-auto	\$17.61	\$0.00	\$17.61	Property Tax Rolls	
Gardena	Exclusive	Waste Management	Manual	Manual	None	\$10.30	\$1.50	\$11.80	Hauler	
Hawthorne	Exclusive	H&C Disposal	Manual	Manual	Manual	\$14.86 ⁴¹	\$3.06	\$17.92	Property Tax Rolls	
Inglewood	Exclusive	Waste Management	Fully-auto	None	None	\$10.04	\$1.74	\$11.78	City	
Lawndale	Exclusive	Consolidated	Semi-auto	Manual	Semi-auto	\$12.96	\$0.69	\$13.65	Hauler	
Redondo Beach	Exclusive	Waste Management	Semi-auto	Manual	Fully-auto	\$6.00	\$4.50	\$10.50	Property Tax	
Torrance	Municipal	Municipal	Fully-auto	Manual	None	\$13.30	\$0.20	\$13.50	City	

All of the data is from the Hilton, Farnkopf & Hobson's Survey 2001 and 2000 with the exception of Lawndale (from Tim Hampton, City of Lawndale).

⁴¹ \$12.24 for refuse and \$2.62 for recycling. Personal communication from Edelma Campos, March 6, 2002.

Commercial Refuse Programs in Nearby Cities

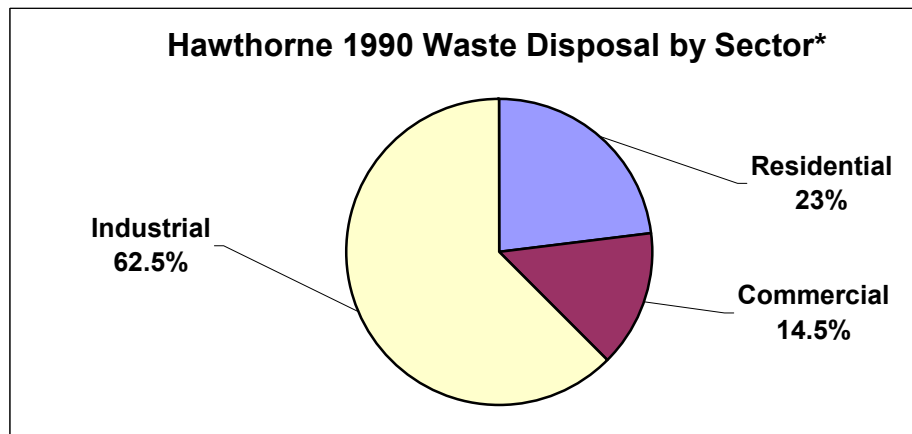
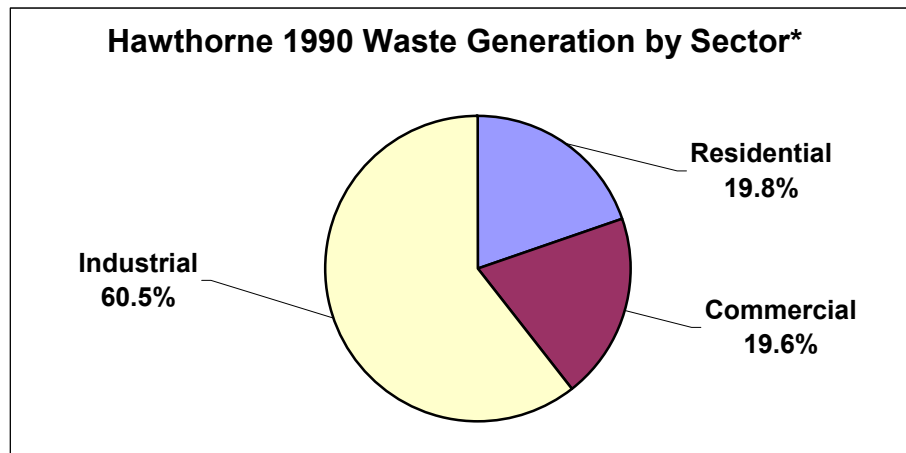
City	Service Arrangements	Exclusive Service Provider)	Monthly Rate for 3-yard bin picked up once per week		
			Paid to Service Provider	City Fees	Charged to Customer
Carson	Exclusive	Waste Management	\$88.02	\$1.97	\$89.99
Culver City	Municipal	City	\$87.25	\$0.00	\$87.25
Gardena	Non-exclusive		Rates negotiated between customer and service provider		
Hawthorne	Exclusive	H&C Disposal	\$125.37	\$31.34	\$156.71
Inglewood	Exclusive	Waste Management	\$72.97	\$26.91	\$99.88
Lawndale	Non-exclusive		Rates negotiated between customer and service provider		
Redondo Beach	Exclusive	Waste Management	\$59.33	\$2.63	\$61.96
Torrance	Non-exclusive		Rates negotiated between customer and service provider		

All of the data is from the Hilton, Farnkopf & Hobson's Survey 2001 and 2000 with the exception of Lawndale (from Tim Hampton, City of Lawndale).

Attachment D – Hawthorne Solid Waste Data

Solid Waste Disposal Reports for the City of Hawthorne 2000⁴²

(All reported in tons)	Q1	Q2	Q3	Q4	Total
Waste Received by Landfill	18,661.12	21,392.97	20,905.77	25,083.00	85,992.86
Beneficial Use/Salvage	334.37	771.19	1,681.25	1,920.72	4,707.53
Green Waste (ADC)	318.84	639.07	393.62	521.71	1,871.24
C&D ADC			7.88	39.38	
Transformed	6.32	978.39	1,615.36	1,296.06	3,896.13
Ash Landfilled				4.29	
Landfilled	18,001.59	19,004.32	17,207.67	21,305.14	75,518.91



⁴² Los Angeles County, Department of Public Works, Quarterly Disposal Quantity Reporting (Note: do not add exactly)

* Emcon Associates and Resource Integration Systems, *Source Reduction and Recycling Element, Final Report*, April 1992, Figure 1 – Solid Waste Generation Analysis, City of Hawthorne.