

Development of a Municipal Commercial Waste Franchise



Commercial Refuse Collection Service

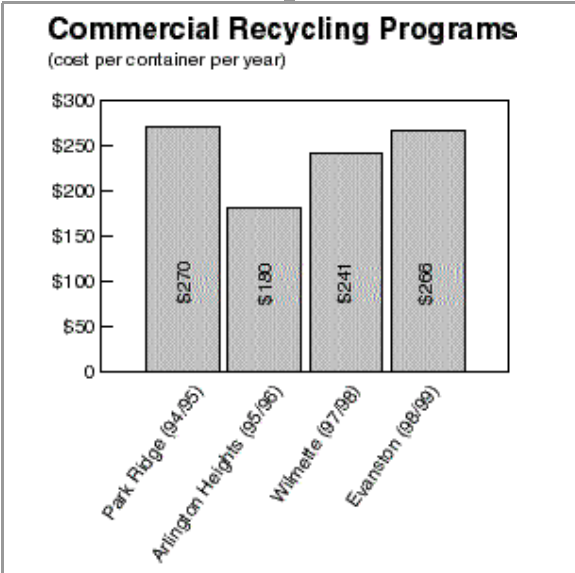
Commercial Recycling Service

Solid Waste Agency of Northern Cook County

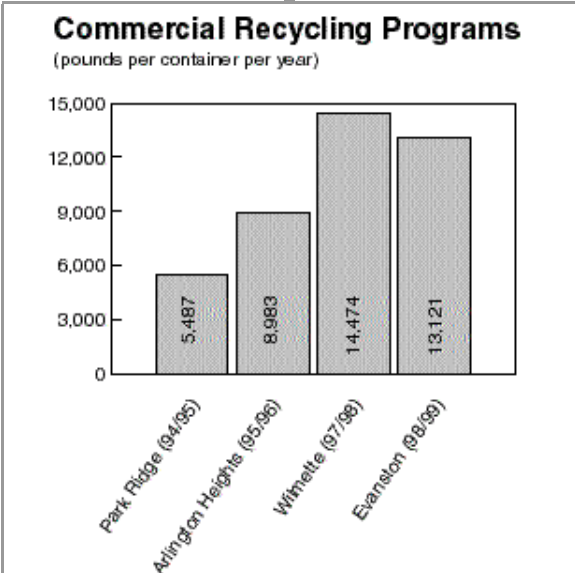
September 1998

INTRODUCTION

The Solid Waste Agency of Northern Cook County's (SWANCC) Solid Waste Management Plan, adopted in April, 1991, includes provisions for encouraging commercial recycling. Over the past several years, SWANCC has sponsored four commercial recycling pilot programs, through which a portion of businesses in a community are offered free recycling for one year. These programs were undertaken in Arlington Heights, Evanston, Park Ridge and Wilmette as a means of encouraging recycling. While the pilot phases of each program have been extremely successful, only approximately 30% of participating merchants opt to continue service beyond the pilot phase. Often, pricing to the individual merchants is significantly higher than that paid by SWANCC for the wide-scale pilot initiatives, just as pricing for residential services would be higher if received through individual, rather than municipally-coordinated, contracts.



In an effort to bring these economies of scale to the benefit of area businesses for garbage and recycling services, and to foster increased commercial recycling, SWANCC is encouraging its member towns to consider developing commercial waste franchise programs. To obtain optimum price savings, participation in the municipal commercial waste program should be mandatory for all but the few businesses with specialized service needs or that receive service under national or regional contracts.

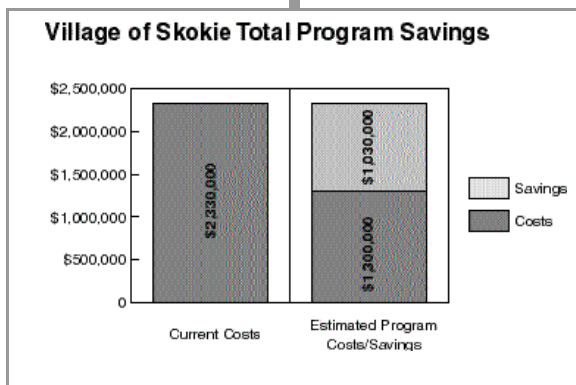


A municipal commercial waste franchise will almost certainly stabilize pricing and escalators for business refuse services, as well as offer uniform recycling services. Such a program will also give the community greater control over health and safety issues, such as collection frequency, number and size of refuse containers and condition of refuse containers.

**VILLAGE OF SKOKIE,
ILLINOIS COMMERCIAL
WASTE FRANCHISE**

During 1997 and 1998, SWANCC worked with staff in the Village of Skokie to coordinate a commercial waste franchise. Under the new municipal program, 88% of Skokie businesses will pay an average 44% less for refuse services than under their current contracts. All businesses will have the opportunity to recycle. Further, the low proposer agreed to freeze current prices for the 12% of Skokie businesses that would have realized a cost increase under the new program. In aggregate, the new five-year contract saves Skokie businesses over \$1 million per year by the fifth year, once all commercial accounts are incorporated into the program. All of

the low proposer's current Skokie business accounts will receive program pricing as soon as the contract is executed. Businesses holding contracts with other haulers will come into the program when their current agreements expire. Flow control is not at issue because the successful proposer is allowed to take the commercial waste and recyclables to any legally permitted facility or facilities.



In developing the Skokie program, SWANCC and Village counsel reviewed the concept of a municipally coordinated commercial waste program. Both concluded that the concept and development process were within acceptable legal boundaries. Fourteen communities in northern Illinois currently provide commercial collection under a franchised single-hauler commercial waste contract.

The following information is intended to serve as a guide for SWANCC communities considering a commercial waste franchise program. Sample documents are available in the Samples Packet distributed with this guide or are available from SWANCC. The following steps, in the following order, are recommended as a work plan:

SURVEY BUSINESSES

- 1. Survey Community Businesses.** This is done to determine current levels of garbage and recycling services and pricing and escalation structures. The information will provide a cost baseline against which proposed franchise costs can be compared. A joint cover letter from the municipality

and the chamber of commerce or other business association should be included. Mailing lists for the businesses can be obtained from the chamber or other business association, and should be used in combination with lists available through municipal business license administration. See the Samples Packet for examples of the surveys and cover letters used in the Skokie program.

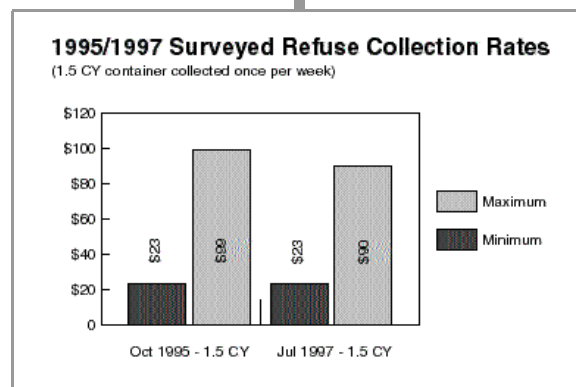
- 2. Compile and Release Survey Results.** It is highly likely that the results of the above survey will show that businesses with identical refuse service pay widely varying costs.

This information reinforces the need for the price protection offered by a single, municipally controlled franchise and should be communicated to all survey respondents, the chamber of commerce, other business associations and the village board or city council.

- 3. Obtain Hauler Collection Information.**

This is done to verify the number and size of commercial waste containers in the business district, and the number of collections per week. After proposals have been received, this data provides the basis to determine the magnitude of savings from the proposed franchise program. Haulers can be required to provide this general, non-proprietary information as part of their business license renewal. Potentially proprietary information on account locations, pricing, landfills used, etc., should not be requested. See the Samples Packet for a sample of the letter and form Skokie used to obtain this information.

- 4. Define Required Services.** A matrix of service options should be developed, using container size and collection frequency as pricing factors. This matrix is used as the cost proposal response form of the Request for Proposals (see below). It is recommended that the recycling component be defined as a “bag” program (green, blue, etc.) that allows merchants to recycle a wide variety of paper products and rigid containers. The advantage of a bag recycling program



***DEFINE THE SERVICES
DESIRED FOR THE
COMMERCIAL WASTE
FRANCHISE***

***PREPARE AND ISSUE A
REQUEST FOR
QUALIFICATIONS (RFQ)
AND A REQUEST FOR
PROPOSALS (RFP)***

is that separate recycling containers are unnecessary, therefore conserving exterior containerization space. Separate collection vehicles are also unnecessary, which is a factor in keeping collection costs low.

5. **Issue a Request for Qualifications (RFQ) and Request for Proposals (RFP).** As opposed to a formal bid process, the RFP process allows for consideration of non-economic factors such as qualifications and operational approach. The purpose of the RFQ is to determine prospective contractors' ability to perform the required services. Information requested in the RFQ includes contract references, quantification of current residential and commercial accounts, etc. The RFP should not contain any flow control language directing the commercial waste or recyclables to specific disposal or processing facilities. Construction roll-off services should also be exempted from the RFP, thus leaving the door open for unsuccessful proposers to continue some level of private service. Municipal counsel and purchasing agents should review the RFP/RFQ and draft contract prior to issuance, and the village board/city council should approve its release. The RFP/RFQ package, including the draft contract (if possible), should be issued to all known area waste haulers, regardless of size. The RFQ and RFP may be issued together or in succession, if time permits. A current list can be obtained from SWANCC. In addition, the municipality should publish a proposal notice in at least one area newspaper. A non-mandatory pre-proposal meeting is recommended approximately ten days after the RFP/RFQ release. All municipal administrative and legal staff involved with RFP/RFQ development should attend. If necessary, a written addendum should be issued to all companies sent the RFQ/RFP package, regardless of whether they attended the pre-proposal meeting. Samples of the Skokie RFQ/RFP and contract are included in the Samples Packet.

6. **Communicate with Chamber of Commerce and Businesses.** Once the RFQ/RFP package is issued, some haulers will begin intense marketing to their current customers in an effort to extend current contracts. This can

also begin during the initial survey period. A letter should be issued to all businesses informing them that the RFQ/RFP has been (or will be) issued and advising them against extending current contracts until final pricing for the municipal program has been secured. This information should also be given to the chamber of commerce or other business association for a newsletter article. Simple fact sheets, in question and answer format, should be ready for distribution to inquiring businesses and the press. A sample fact sheet distributed to Skokie businesses is included in the Samples Packet.

7. Proposal Evaluation. A comprehensive evaluation of each cost proposal, extrapolated out for estimated impact on all commercial accounts, should be conducted. In addition, an evaluation committee consisting of no less than three and no more than five individuals should be established. An evaluation form should be developed and completed by each committee member for each proposing firm. All proposals should be thoroughly evaluated for price advantage, operational approach and service quality. The evaluation committee should interview representatives from each proposing firm to discuss operational approach and to clarify any proposal ambiguities. Any firms submitting incomplete proposals (e.g. without required financial statements) should be notified in writing of their proposal deficiency and given a specific date by which to complete their proposal or be excluded from further consideration. Municipal legal staff may want to send such a letter by return receipt mail. A copy of the evaluation form used in the Skokie program is included in the Samples Packet.

8. Administration Fee Analyzed. A municipality will incur specific expenditures and administration costs for establishing and administering the commercial waste franchise program. A per-cubic-yard administration fee should be considered to compensate the municipality and must be factored into the price proposal evaluations. The level of the administration fee should be evaluated on an annual basis and possibly adjusted in accordance with actual program costs.

***EVALUATE PROPOSALS
FROM QUALIFIED WASTE
HAULERS***

***AN ADMINISTRATION FEE
CAN OFFSET PROGRAM
COSTS AND PROVIDE
ADDITIONAL REVENUE***

**CONDUCT FINAL
NEGOTIATIONS WITH THE
SELECTED WASTE
HAULING COMPANY**

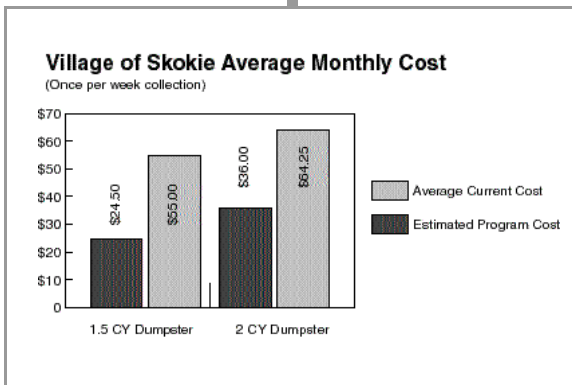
In the Village of Skokie, the initial administration fee has been proposed at \$3.00 per cubic yard, per month. For a business with one 1.5 cubic yard refuse container, this equates to a \$4.50 per month administration fee. If the Skokie administration fee remains at \$3.00 per ton in the fifth contract year, it is estimated to generate more than \$170,000 in revenue. Skokie will also offer free recycling bags to all participating businesses during the first program year that will be paid for through the administration fee.

9. Finalize Negotiations and Select Winning Proposer. If there is not a single, clear-cut low proposer, or if outstanding issues remain with the low proposer, some additional negotiations may be necessary. Through negotiations with the low proposer, for example, the Village of Skokie was able to freeze existing prices for the 12% of businesses that would have seen a price increase under the franchise program. Landfill indemnification, performance standards, escalators, pricing for certain container sizes and other issues can be appropriate for negotiation.

10. Seek Final Endorsement from Chamber of Commerce. With specific pricing information formulated, a presentation on the program and its benefits should be given to the local

chamber of commerce or other business association. Simple fact sheets in question and answer format, including general financial data, should be drafted and distributed to the group. A program endorsement should be sought from the chamber or association. While not essential to program success, an endorsement will give public officials a sense of the business community's reaction to the new concept. Allow time for the organization to poll its members before giving an endorse-

ment. Samples of fact sheets used in the Skokie program are included in the Samples Packet.



11. Establish Provisions for Business Exemptions. Businesses with special service needs and/or that receive

refuse service under national or regional contracts for multiple locations will likely need to be exempted from the program.

12. **Modify Municipal Ordinance.** It will probably be necessary to modify the municipal ordinance pertaining to refuse services to include the commercial franchise program. A copy of the Village of Skokie's newly revised ordinance is included in the Samples Packet. Sample copies of other similar municipal ordinances are available from SWANCC.
13. **Contract Award Recommendation.** A presentation on the RFQ/RFP process, outcome, business community endorsement and a contract award recommendation should be made to the village board or city council.
14. **Inform Chamber and Businesses of Contract Award.** Assuming the corporate authority approves the commercial franchise agreement, the chamber of commerce or other business organization and businesses should be notified in writing. This communication should stress the financial benefits to businesses and remind them not to extend existing contracts without contacting municipal personnel for specific pricing information.
15. **Implement Program.** By contract, all of the winning proposer's current accounts will receive commercial franchise program pricing with the billing cycle immediately following the contract award. The municipality will also begin receiving any administration fee from these businesses. Each month, the contractor will be required to submit a list of businesses receiving services under the franchise. The contractor will also be required to track contract expirations of all businesses and bring them on line with the municipal program.
16. **Publicize Results.** Information on the commercial franchise cost savings to community businesses should be announced in a press release shortly after the contract award. Information on the amount of recyclables collected

***PASS REQUIRED MUNICIPAL
ORDINANCES AND AWARD
THE CONTRACT***

***START WASTE
COLLECTIONS UNDER THE
FRANCHISE AND PUBLICIZE
THE RESULTS.***

from businesses should also be published on a regular basis.

CONCLUSION

These points outline, in general, the steps necessary for development of a commercial waste franchise program. It is important that the village board or city council be briefed on program development at regular intervals. At minimum, the corporate authority should be advised of initial program information gathering before surveys are issued, be briefed on survey results and asked to authorize issuance of an RFQ/RFP and draft contract and be given a comprehensive, final recommendation for a contract award. It is also vital that chamber of commerce and/or any other leading community business association be informed of program development.

The Village of Skokie Program resulted in the following key benefits to Skokie businesses:

1. A large majority (88%) of Skokie businesses will see reductions in their monthly cost.
2. No business will see an increase.
3. Total aggregate annual savings, in the fifth contract year, is estimated to be \$1.03 million to Skokie businesses.
4. Businesses will now be able to actively participate in a comprehensive recycling program.
5. Businesses will see stabilized and more predictable pricing.
6. Village oversight and monitoring will ensure that individual service needs of Skokie businesses are met and received at a fair market price.

The initial data gathering and proposal evaluation involved in the process can prove tedious, and the entire process takes a considerable amount of time and effort, however, the potential tremendous cost savings and increased availability of commercial recycling will likely make the effort worthwhile. SWANCC staff are available to assist members interested in developing a commercial waste franchise program.



***Solid
Waste
Agency
Of
Northern
Cook
County***

*1616 East Golf Road
Des Plaines, IL 60016
Phone 847/296-9205
Fax 847/296-9207*

*C. Brooke Beal
Executive Director*

SWANCC MEMBER COMMUNITIES

***Village of Arlington Heights
Village of Barrington
Village of Buffalo Grove
Village of Elk Grove Village
City of Evanston
Village of Glencoe
Village of Glenview
Village of Hoffman Estates
Village of Inverness
Village of Kenilworth
Village of Lincolnwood
Village of Morton Grove
Village of Mount Prospect
Village of Niles
Village of Palatine
City of Park Ridge
City of Prospect Heights
City of Rolling Meadows
Village of Skokie
Village of South Barrington
Village of Wheeling
Village of Wilmette
Village of Winnetka***

The Solid Waste Agency of Northern Cook County (SWANCC) is a unit of local government and a not-for-profit corporation. Twenty-three towns in northern Cook County joined together to form SWANCC in 1988. SWANCC developed a long-term plan to manage the region's garbage that was adopted by its Board of Directors in 1991. Since then, SWANCC has been at work implementing this balanced and environmentally safe solution to the region's garbage challenge.