



James Troup
Deputy Director
Administration and Finance

Memorandum

To: Eileen Donoghue, City Manager
And
Members of the City Council

EMD

From: James Troup, DPW Deputy Director Administration and Finance

Re: New 6 Year Contract with Waste Management

January 1, 2019 marked the beginning of a new contract with Waste Management. The outcome of the negotiation resulted in the agreement of a new 6 year contract that will terminate on December 31, 2024. Each party was faced with particular challenges that are a product of the current solid waste and recycling industry which have resulted in escalating costs to provide the services. The end result is a fair contract in which the City can accurately forecast costs over the next six calendar years, plus an added incentive to drastically achieve some savings by furthering our recycling enforcement and by making subtle changes to the schedule of services without compromising the effect on our residents. For your information, some of the highlights are illustrated below and followed by a series of charts.

Costs: The total cost of the new contract over six years shall not exceed \$28.5M. This total represents a marginal increase year over year. A key component of this figure is a 2019 base cost that is approximately \$13,000 less than the cost in 2018. However, new to this contract are recycling processing fees and contamination penalties that have, in the last five years, become industry standard. Over the term of the contract, recycling processing and contamination make up nearly \$3.5M of the overall contract cost. This contract also itemizes our dumpster collection and disposal, recycling dumpster collections, and roll-off dumpster hauling. Strategically scheduling pickups and right-sizing the dumpsters at all locations offers an opportunity to achieve significant savings over the proposed costs.

Recycling Contamination: As previously mentioned, recycling contamination is an industry-wide problem. All cities and towns are experiencing increased costs associated with the processing of contaminated recycling materials. These costs have been factored into our contract at a baseline of 10%. Despite our efforts, the City's contamination rate neared 40% and cost the City \$75,000 in the last six months of 2018. Solid Waste & Recycling Inspectors have become vigilant and consistent in their inspections in an attempt to educate our residents on recycling "best practices". We have supplemented our efforts through educational mailings, cart hangers, warnings and citations, PSAs on local cable and radio, and notifications through our SW&R mobile app. Contamination has been reduced to 25% in the latest audit. At a baseline of 10% contamination, the City's annual cost for processing starts at \$175,000 in 2019 and then increases to \$225,450 per year for the remainder of the contract. At the current 25% contamination level, we will see additional costs of \$329,040 in 2019 and escalating to \$390,796 in 2024. These costs are based strictly on our contamination levels as determined by quarterly audits conducted at the processing center. The impact of reducing recycling contamination directly affects the costs we pay as penalties. This serves as a tremendous opportunity to achieve savings over the proposed costs and requires everyone to do their part to contribute to the result. Waste Management has pledged \$15,000 annually to go toward education and outreach to work towards the goal of reducing our contamination percentage and increased recycling.

Dumpster Services: In the new contract, all dumpster charges are itemized and offer an opportunity to change dumpster sizes and collection frequency and to achieve the savings associated with these changes. This right-sizing and strategic scheduling allows for a more targeted collection and a more accurate cost per ton. The greatest opportunity for dumpster service savings is at the City School.



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Litter Barrel Services: Proposed as part of this contract are two changes that affect services throughout the City. Although not effective immediately, the City will explore options for the collection of public barrels. At a cost of \$140,000 per year, options available to the City are to continue with Waste Management’s current collection schedule, to explore an alternative vendor to provide the service at a reduced cost, or to possibly phase out this service in order to implement a “Carry in/Carry out” policy in City parks and to handle the remaining public barrels in an alternative manner.

The most drastic service change that has been agreed to in this contract is a more cost effective yard waste collection schedule. During the peak yard waste periods in the spring and fall, collections will take place every week. During the summer months, new collection schedules will result in every other week collection. This maintains a level of service greater than most Massachusetts communities while considering reduced tonnage that is historically set out during the non-peak period of July and August. The savings associated with this change is \$40,000 and has already been factored into the base cost of the contract.

Penalties: New to this contract is the ability for the City to levy penalties against the contractor for various levels of service deficiencies. The City now has the ability to track services and penalize the contractor based on poor performance. This is an added level of accountability written into the contract and can be leveraged to ensure the contractor delivers on their promises.

Fees: With the new contract now in place, the City must revisit the fee schedule for trash services in order to minimize the subsidy from the General Fund. The last price adjustment occurred in 2009. For consideration will be several options to minimize any increases to the base rate and to explore options to offer discounts.

Disposal Services: Separate from our contract with Waste Management is a negotiated rate for the disposal of our solid waste with Wheelabrator Technologies. Our current contract with Wheelabrator will terminate at the end of December of 2020. Our disposal rates per ton are not affected by the current deal with Waste Management, thus there will be no unforeseen or additional disposal costs.