



Village Manager's Office

SUBJECT: Commercial Solid Waste Franchise Agreement

MEETING DATE: October 10, 2023

FROM: Erik Hallgren Assistant Village Manager
Sara Phyfer, Assistant to the Village Manager

BUDGET IMPACT: Eight-Year Contract Value Estimate - \$7.74 million

Recommended Motion

Adoption of Resolution #2023-R-129 authorizing the Village Manager to execute an eight-year contract with Lakeshore Recycling Systems (LRS), LLC, Rosemont, Illinois, for commercial solid waste removal services.

Background

In September 2008, the Village entered into a Commercial Waste Franchise Agreement with Veolia Environmental Services. The initial contract term ran through September 30, 2015 and provided garbage and recycling collection to all commercial entities and multi-family dwellings over four units in the Village. The contract also required any dumpster/roll-off container utilized for temporary construction or demolition to be supplied by Veolia. At the time the original contract was approved, the franchise agreement was implemented with the goals of:

- Reducing costs for the majority of business owners
- Inclusion of recycling services which had been an additional cost to businesses
- Reducing the number of waste haulers in the community resulting in fewer trucks on Wilmette roads and alleys
- Allowing the Village to receive an annual administrative fee (franchise fee)

Veolia was acquired by Advanced Disposal in 2012, who subsequently assumed the Village's contract.

First Contract Amendment – 2015

In April 2015, the Village extended the contract with Advanced Disposal through December 31, 2020. This extension included several significant changes that included:

- Elimination of the temporary construction roll-off containers requirement (based on resident and contractor feedback)

- 10% reduction in fees across-the-board effective October 1, 2015
- 10% reduction in the Village's franchise fee
- Rate freeze in 2016
- Reduced future rate adjustments from a range of 2.50 – 5.00% to 0.00 – 2.50% based on CPI

Second Contract Amendment – 2018

In September 2018, the Village extended the commercial franchise agreement with Advanced Disposal through December 31, 2023. Based upon the prior pricing concessions and service changes to the contract in 2015, there were no additional changes as part of this contract amendment other than a three-year extension.

In November 2020, Advanced Disposal was acquired by Waste Management, who is the Village's current commercial waste hauler.

Current Services

The current hauler provides garbage and recycling collections for an estimated 400 commercial, industrial, institutional, and certain multi-family customers throughout the Village. Based upon data provided by the Village's current hauler indicates the following:

- There are 873 containers serviced through the franchise agreement
 - Garbage collection – 488 containers
 - Recycling collection – 385 containers
- The estimated contract value is \$1,009,060
 - Garbage collection – \$777,965
 - Recycling collection – \$231,095
- The Village receives an annual franchise fee of \$92,000

The charts below provide a breakdown of the weekly collection frequency and container sizes utilized as part of the commercial franchise agreement. The majority of businesses utilize 2-yard garbage containers and have 1x or 2x weekly collection.

Weekly Collections

	1x Collection	2x Collection	3x Collection	4x Collection	5x Collection	6x Collection
Garbage	48%	31%	11%	3%	2%	4%
Recycling	73%	18%	5%	2%	2%	-

Container Size

	Garbage Collection	Recycling Collection
65 Gallon	2.3%	11.9%
95 Gallon	11.9%	55.6%
1 Yard	8.8%	3.9%
1.5 Yard	23.2%	5.5%
2 Yard	45.1%	20.3%
2 Yard Compactor	1.0%	-
4 Yard	3.3%	-
6 Yard	1.6%	1.3%
6 Yard Compactor	0.4%	-
8 Yard	2.5%	1.6%

Discussion

Review Process

In early March, staff discussed renewal options with the current provider and met with other contractors to gauge interest in the process and potential contract. In addition to the discussion about services, general program parameters and minimum qualifications were also reviewed.

The Village issued the RFP for commercial solid waste contract on July 7, 2023. As described below, the document reiterated the Village's expectations for the required scope of services (no service reductions), as well as a list of desired services such as composting options. Additionally, the RFP requested information on staffing, fleet, customer service expectations, and a transition plan.

The Village's goal through the RFP process was to partner with a vendor to provide a comprehensive suite of collection services that provide the best value for commercial entities in the Village. The Village also sought a partner that will provide a high-level of customer service and satisfaction for commercial customers. Lastly, the Village sought a vendor that would expand the suite of services for businesses allowing them to sustainably divert more material from landfills and be greater stewards of the environment.

Proposals were due on August 18, 2023, and the Village received responses from three firms: Waste Management, LRS, and Groot. Staff evaluated the proposals and held interviews with each vendor. Upon the conclusion of those meetings, staff further negotiated with each vendor to obtain their best and final service and price offers.

Service Review

The first phase of review was to analyze the RFP responses related to the company's capacity to provide a high level of service to the community.

Company Overview

The Village sought a contractor that would be a long-term partner with the Village and could provide the suite of services. All three firms provided information about their company history, company structure, both management and front-line staffing, and their experience providing solid waste services. All firms' proposal responses met the requirements of the RFP.

The recommended vendor, LRS, is one of the largest private waste haulers nationwide with over 2,700 employees and processing over 3.8 million tons of solid waste annually. Regionally, LRS provides commercial waste services to Highland Park, Deerfield, Skokie, Evanston, and Chicago Public Schools.

Customer Service

The Village sought a contractor that will provide a great customer service experience for businesses and to have a partner that will maintain a strong relationship with Village staff. All three firms provided information on their approach to issue resolution, program education, and proactive communication efforts with the Village and businesses. All firms' proposal responses met the requirements of the RFP.

The recommended vendor, LRS, will provide customer service advantages to both the Village and businesses. LRS has an experienced implementation team that will focus on cart and container procurement, driver hiring and assignments, marketing and outreach, and administrative setup and support. Each group will have a lead person and will work closely with the Village throughout the transition. LRS will also provide the Village and businesses with 24-hour access to their customer service center.

Additionally, the Village will gain efficiencies and synergies by having a sole hauler for both the residential and commercial waste agreements. A sole hauler gives the Village a single point of contact for issue resolution, coordinating transition efforts, and back-up support for either residential or commercial collection issues; including dispatching vehicles for special or emergency collections, a customer service team that will be able to easily adapt to commercial and residential questions and concerns, and a streamlining of messaging when it comes to waste and recycling best practices.

Sustainability

The Village sought a contractor that would align with the Village's sustainability initiatives. This included reviewing the service offerings, efforts to improve diversion, and the type of fuel used for the firms' fleets. All firms' proposal responses included information regarding their environmental initiatives. LRS will run three commercial routes; two routes for waste services, and one route for recycling services. LRS will also provide roll-off services for those commercial accounts with compactors and/or conventional roll-off container needs. Specific to fuel, Waste Management's and Groot's collection vehicles would be powered by Compressed Natural Gas (CNG) whereas LRS will run low-sulfur clean-diesel trucks, which will be based out of nearby Morton Grove and they will seek to supplement their fleet with alternative fuel vehicle options throughout the duration of the contract.

Service Expansions

The Village sought a contractor that would incorporate expanded service options thus providing a higher level of service and convenience to businesses. The Village requested optional pricing for seasonal and year-round compost collection. All three firm's submittals offered seasonal and year-round organics/compost collection programs and their responses met the requirements of the RFP.

Transition Plan

The Village requested a transition plan that would help to minimize disruption to businesses as part of the new contract. The plan was to include timelines, tasks, and milestones to meet the contract start date. All firms' proposal responses met the requirements of the RFP.

LRS provided a transition plan during the interview phase of the process and outlined their efforts in the changeover to a new hauler. The transition plan included information regarding business outreach, consumer education, scheduling the distribution of new containers, and the review of current operations.

Cost Analysis

The second phase of the RFP review was to analyze the pricing provided by each vendor for the required and optional services. The prices provided below are the final prices from each firm based upon staff negotiations. The negotiations aligned service offerings and expectations with pricing to provide the best comparison among the firms' best and final offerings. Staff

negotiations reduced overall pricing by a range of 3.0% to 14.0% based upon each firm's initial cost proposals in the RFP responses.

Required Services

The pricing analysis below shows the all-in cost for the standard garbage and recycling services. Attachment #2 includes the full pricing matrixes from each of the three firms. Below is a summary of year one total pricing.

	LRS	Groot	Waste Management
Garbage Collection	\$652,000	\$651,072	\$828,051
Recycling Collection	\$203,256	\$204,941	\$316,718
Total	\$855,456	\$856,013	\$1,144,769
% Change from Current	15.2% ↓	15.1% ↓	13.4% ↑

Additionally, each firm provided annual adjustments to the price.

	LRS	Groot	Waste Management
Annual Adjustment	3.50% Fixed	4.00% Fixed	5.00% Fixed

The LRS original proposal included a provision that if diesel prices exceeded \$6.00 per gallon during any quarter through the term of the contract, that the monthly service charges could be adjusted up. Based upon historical data, staff did not factor the diesel price surcharge as part of the total cost analysis.

Administrative Fee

The commercial franchise agreement includes an administrative fee to be remitted to the Village. The below table indicates the initial year administrative fee, annual adjustments, and the estimated total value. It should be noted that the Groot fee is based a \$0.80 per trash container serviced and \$0.50 per recycling container serviced; the number in the table is based upon services currently provided.

	LRS	Groot	Waste Management
Estimated Year 1 Value	\$100,000	\$100,000	\$92,000
Annual Adjustment	\$1,000 increase each year	4% increase each year	No increase
Estimated Total Value	\$828,000	\$921,423	\$736,000

Optional Services

The below table provides an overview of optional services per the proposals. The pricing for the optional services was not a primary driver in the selection process; however, it should be noted that the pricing received from each firm was reasonably aligned.

Roll-Off Container Service

Service	LRS	Groot	Waste Management
15-yard open top	\$370.00	\$392.85	\$485.00
20-yard open top	\$450.00	\$455.90	\$485.00

30-yard open top	\$525.00	\$518.95	\$485.00
30-yard compactor	\$550.00	\$606.25	\$485.00
30-yard self-contained compactor	\$550.00	\$606.25	\$525.00
42-yard compactor	\$620.00	\$669.30	\$485.00
Overage on tonnage caps	\$61.17/ton	\$65.00/ton	\$65.00/ton

Monthly Composting Fee

Below is a comparison for the year-round composting options from each of the vendors. LRS did provide a seasonal composting schedule that has up to 5x per week collection, while Groot and Waste Management only provided 1x and 2x per week collection on a seasonal basis.

	LRS		Groot		Waste Management	
Container Size	1x Weekly	2x Weekly	1x Weekly	2x Weekly	1x Weekly	2x Weekly
65-gallon	\$64.95	N/A	N/A	N/A	\$109	\$218
95-gallon	\$77.94	N/A	\$72.75	N/A	\$109	\$218

Looking Forward

Recommendation

Based upon the service and cost analysis, staff recommends that the Village award the commercial solid waste contract to LRS.

As part of staff's due diligence in this recommendation, staff contacted other commercial solid waste clients and these communities provided a positive reference check for LRS.

Transition Plan

The key dates associated with the transition include:

- **Late October** – LRS' key staff members will meet with Village staff for introductions and a program overview.
- **Late October** – LRS key staff will assess and survey Village commercial properties and routes.
- **Early November** – LRS will procure assets including containers, carts, and trucks. LRS will start the vetting process for drivers.
- **Mid November** – LRS will develop a mailer to send to commercial customers alerting them to the upcoming change, and what to expect as part of the transition.
- **Early / Mid December** – LRS will have containers and carts delivered to an agreed upon Village property to start the container delivery process. LRS may also use its own Morton Grove facility.

Budget Impact

Staff determined the budget impact utilizing two methodologies. The first methodology looked at the net estimated contract value. The net estimated contract value took the rate structures and applied them against current services and applied the annual pricing adjustments. Then the administrative fee was factored alongside the estimated contract value.

	LRS	Groot	Waste Management
8-Year Contract Value	\$7,743,320	\$7,887,498	\$10,931,531
8-Year Administrative Fee	(\$828,000)	(\$921,423)	(\$736,000)
Net Value	\$6,915,320	\$6,966,075	\$10,195,531

The second methodology reviewed the estimated pricing for the most prevalent services provided in the community. For garbage, the majority of Wilmette commercial customers utilize 2-yard containers picked up 1x per week and for recycling, the majority of Wilmette commercial customers utilize 95-gallon containers picked up 1x per week.

	Current	LRS	Groot	Waste Management
2-yard 1x Garbage	\$62.76	\$60.00	\$59.55	\$75.00
Percent Change		4.4% ↓	5.1% ↓	19.5% ↑
95-gallon 1x Recycling	\$31.04	\$24.00	\$22.85	\$37.33
Percent Change		22.7% ↓	26.4% ↓	20.3% ↑

A business utilizing a 2-yard garbage container with 1x per week collection is estimated to save \$33.12 in year 1 and a business utilizing a 95-gallon recycling container with 1x per week collection is estimated to save \$84.18 in year 1.

Documents Attached

1. Resolution #2023-R-129 Commercial Solid Waste Removal Services with Lakeshore Recycling Systems (LRS) LLC., Rosemont, Illinois (DRAFT Contract attached as Exhibit A)
2. Final Submitted Pricing Matrix