



Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: David Jennings, Director of Public Works
Suzette Eggleston, Superintendent of Streets and Sanitation
Subject: Municipal Solid Waste Franchise
Date: June 28, 2007

Background

Although commercial solid waste accounts for between 40% and 60% of the total solid waste in many communities, this waste stream has traditionally been managed by the private sector. This is changing across the country and many communities are now starting to be involved in this process. In fact, there are currently twenty-four communities in the Chicago area which use the concept of franchising this service. The closest community to Evanston which franchises the collection of commercial waste is Skokie, which implemented a franchise in 1997 and 1998 and has been successfully managing their program since that time.

Description of the Concept

Currently ten different haulers are licensed to operate in town and they charge varying rates for similar services. In the franchise concept, one hauler would be licensed to collect and dispose of solid waste from all businesses, commercial properties, and larger residential developments in Evanston. This would include all solid waste except for special waste such as grease and medical waste. Prices would be standardized so customers would pay the same fees for the same service.

To select a hauler, the City would issue a request for proposals and use our standard evaluation procedures to pick the best hauler for the City. Using the bidding or proposal process in other communities has resulted in a cost savings to most customers. In Skokie, this was a significant amount as they reported a combined total savings for the local businesses of about \$1 million per year by the end of their first 5-year contract.

Benefits

If the private sector has been providing this service for years, what are the advantages of having governments enter into this business now? Communities do this for different reasons, but in Evanston, the benefits would be:

- Reducing inefficiency – multiple trucks doing the same thing
- Standardizing pricing
- Reducing disposal prices for most businesses
- Reducing the number of trucks on the streets and alleys
- Reducing wear and tear on streets and alleys
- Reducing emissions by eliminating the unnecessary trucks
- Increasing recycling
- Preserving landfill capacity
- Gives us more control over health and safety issues
- Provides a steady revenue stream to the City through franchise fees

Survey Results

The Solid Waste Agency of Northern Cook County (SWANCC) has performed surveys for several other member communities interested in pursuing franchises. They found that there was an opportunity in every municipality surveyed to save the local businesses money and to generate funds for the communities. They also found that pricing was inconsistent for the same services. SWANCC performed a survey for Evanston businesses and found the same results. For example, some people paid \$40 for a once per week pick up for a one cubic yard container while others paid \$179 for the same service. While the total number of surveys returned was lower than we would have liked (17% return rate – 231 responses), SWANCC reports they were no surprises in the data and is confident that this type of program would benefit the businesses and the City.

The Implementation Process

If Council approves the ordinance which will allow us to proceed, we will issue an RFP to receive proposals from haulers who could provide this service. Several factors would be considered in the evaluation, including cost, past performance, and the capacity to provide the service. At this point, SWANCC recommends that we determine the

administrative fee needed to offset the cost of providing the service as well as the additional revenue which would be generated. After negotiations with the successful hauler, we would bring a contract to Council for approval. After approval, we would notify the businesses and begin the transition process. We are anticipating a start date of April 1, 2008, and believe a six-month transition is reasonable based on experience in other communities. Therefore all parties would be serviced by our franchise hauler by the fall of 2008.

The program requires mandatory participation, but exemptions would be allowed for those businesses with national contracts or other valid reasons for not participating. Skokie reports only a handful of businesses have requested exemptions and they have about five at this point. If businesses are currently paying less than the proposed franchise price, we would still pick up their material but we would honor their pricing for the first three years.

Use of Revenue Generated

We propose to use the revenue generated to purchase new garbage carts and recycling carts. This is a need that is currently not funded and the franchise fee gives us the opportunity to do this without burdening the taxpayer. We are examining some funding and implementation strategies to accomplish this and plan to bring them forward in the near future.

Conclusion

The establishment of a commercial solid waste franchise as outlined in this report is recommended. It is a proven way to provide a good level of service at consistent prices. Also, it generates enough revenue to offset our administration costs and provides a solid revenue stream to fund other initiatives. Ordinance 64-O-07 will establish the framework for this program and is recommended for approval.