



Solid Waste and Recycling Collection Contract Review Technical Memo



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Section 1 – Snoqualmie Contract

The collection contract between Waste Management (WM) and the City will expire on May 31, 2023. The contract has three, two-year extension before it fully expires. The City has exercised two of the extensions, leaving one more extension. It is in the best interest of the Snoqualmie rate payers for the Snoqualmie City Council to exercise its right to extend the collection services contract with WM until May 31, 2025.

Current Regional Trends

Over the last three years, fees and rates for waste and recycling collection have significantly increased for new municipal contracts within the Puget Sound region. A representative from Republic Services cited the following reasons for the recent increases in procured rates:

1. Aggressive collection companies that were previously willing to sign low-return contracts to gain market share, but who are now seeking to regain the income foregone through those low-return contracts.
2. Long-term contracts that were adjusted for CPI and disposal only.
3. The cost of commingled recycling and organic composting were adjusted by CPI and not the actual costs, which have increased at rates in excess of CPI.
4. Rate structures that incentivize and subsidize customers with small volume garbage containers – there are not enough high volume customers to subsidize the small volume customers.

Recent Contract Procurement Results

Issaquah completed its collection RFP with a city council decision in April 2022 to retain Recology, the city's contracted hauler. Table 1 compares the increased 2023 residential collection rates charged in Issaquah for the most popular service levels.

Table 1. Issaquah Residential Service Rates

Weekly Residential Service Level	2022	7/1/2023	% ▲
10 gal garbage / 65 gal recycling and organics	\$8.41	\$17.37	107%
20 gal garbage / 65 gal recycling and organics	\$10.89	\$20.49	88%
32 gal garbage / 65 gal recycling and organics	\$17.44	\$32.13	84%
45 gal garbage / 65 gal recycling and organics	\$24.54	\$43.25	76%
64 gal garbage / 65 gal recycling and organics	\$34.90	\$53.83	54%
96 gal garbage / 65 gal recycling and organics	\$52.33	\$65.84	26%

The contracted consultant for Issaquah, Jeff Brown, cited the following reasons for the significant increase in collection rates:

1. Current below-market rates as a result of the abnormally competitive market present during the last procurement
2. Annual inflation escalation is not keeping up with costs
3. Instability in recycling markets and the decrease in value of the materials
4. Inflation uncertainty

5. Supply chain issues

The Issaquah city council also reduced the administrative fee charged on collection services from 9% to 6%; however, the approximately 55% increased collection rates offset the reduced administrative fee percentage. The net impact in revenue collected by the city was 0.

North Bend completed a procurement for collection services in the Fall of 2022. North Bend's incumbent hauler, Republic Services, scored the highest of the three proposers. Like Issaquah, North Bend used Mr. Brown to complete its selection process. The scoring process to select the hauler was 60% of the overall grading criteria. Table 2 compares the current 2023 North Bend residential rates to the proposed 2024 contracted rates from Republic Services.

Table 2. North Bend Residential Service Rates

Weekly Residential Service Level ¹	2023	2024	% [▲]
20 gal garbage / 64 gal recycling / 96 gal organic EOW	\$20.59	\$29.03	41.0%
32 gal garbage / 64 gal recycling / 96 gal organic EOW	\$26.56	\$35.83	34.9%
45 gal garbage / 64 gal recycling / 96 gal organic EOW	\$34.51	\$42.66	23.6%
64 gal garbage / 64 gal recycling / 96 gal organic EOW	\$43.35	\$50.46	16.4%
96 gal garbage / 64 gal recycling / 96 gal organic EOW	\$57.10	\$59.27	3.8%

1-Table 2 Note: Every-other-week (EOW) organic collection is part of the base services in the current contract; however, the proposed rates in Table 2 do not include this service in the proposed contract. If residents want organic waste collection, it would be a subscription service with an additional monthly fee.

The following service enhancements were included in the proposed contract between North Bend and Republic Services that impact rates:

1. Annual payments to the North Bend Downtown Foundation
 - a. \$30,000 in 2023 and \$10,000 annually after that
2. A 5% cap on inflation-related increases (collection costs)
3. Discounted bulky item collection
4. Unlimited commercial recycling
5. Electric support vehicles

North Bend staff recommended to the city council in November to approve a new contract with the incumbent, Republic Services. However, the council had some concerns and questions, which are still being addressed by city staff and its consultant. Therefore, North Bend is still in the process of selecting a service provider.

Covington started the service procurement process; however, once the rates were submitted by the proposing haulers, the city council decided to exercise the remaining two-year contract extension because the rates were higher than expected.

Tukwila finalized a new, ten-year contract in September 2022 with Recology. Collection rates increased significantly with the change from WM to Recology. The residential rate for a 35 gallon cart increased from \$14.03 to \$27.36, which was a 95% increase.

Conclusion

In light of the increased rates seen in cities that are negotiating or have recently finalized new contracts, it is recommended that the City Council invoke the third, two-year extension of the existing Waste Management collection agreement.