



## MEMO

**TO:** Mayor and Town Council

**FROM:** Joseph A. Fivas

**DATE:** April 6, 2010

**SUBJECT:** Solid Waste Contract Options

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The Town of Indian Trail has a long standing contract with **Action Garbage Service, INC** to provide solid waste pickup, recycling, and yard waste pick-up for a fee. In August 2007, the Town of Indian Trail entered into a 5-year contract with **Action Garbage Service, INC**. The current contract terminates on July 31, 2012.

Recently, the Town was notified by **Waste Connections, INC** and **Action Garbage Service, INC** that they would like to request the Town assign the current solid waste contract to **Waste Connections, INC**. For this assignment to occur, the Town would have to approve this assignment per our current contract.

**Waste Connections, INC** was founded in 1997 by a group of industry professionals with over 50 years of industry experience through the purchase of five operations in Washington and Idaho from Browning-Ferris Industries. The company rapidly expanded into the California market in early 1998 and now has operations throughout 23 states located primarily in the Western and Southern United States. **Waste Connections, INC** went public in May of 1998 and is traded on the NYSE exchange under the symbol WCN. They currently own a landfill in Anson County and provide service throughout the Charlotte area, including the city of Monroe.

As Town Manager, I've been assessing our current level of service from **Action Garbage Service, INC** and talking to **Waste Connections, INC** about their ability to perform service for our Town. I have concluded that we do have some short-term and long-term customer service

issues with our current provider. Whatever decision the Mayor and Council make on this issue, we will at a minimum need to improve the level of service provided to our residents. Also, I believe **Waste Connections, INC** is very capable of providing the level of service that residents expect.

In my analysis, staff has also evaluated the surrounding town's and city's level of service provided, the number of services provided, and the cost for those services. In reviewing the data, it is easy to conclude that the Town of Indian Trail is paying a higher rate for the number of services provided. I've attached the raw data for your consideration. Here are a couple examples of surrounding communities.

**For example:**

**Town of Indian Trail pays the following for 11,000 homes:**

Average Tipping Fee per Household	\$ 3.41
Current per Household Charge	\$10.58
Yard Debris P/U Charge (if applicable)	\$2.75
Recycle Bin Charge	<u>\$0.50</u>
Est. Monthly Cost	<b><u>\$17.24</u></b>

\*\*\*\* Indian Trail provides for the garbage carts.

\*\*\*\* Indian Trail has been in dispute on how many carts will be picked up by the current provider.

**City of Monroe pays the following for 9400 homes:**

Average Tipping Fee per Household	\$0.00
Current per Household Charge	\$14.08
Yard Debris P/U Charge (if applicable)	\$0.00
Recycle Bin Charge	\$0.00
Est. Monthly Cost	<b><u>\$14.08</u></b>

\*\*\*\* Monroe residents receive weekly yard waste pickup, bulk items pick-up & recycling which is built into the fee.

\*\*\*\* Monroe provides for the garbage carts.

\*\*\*\* Monroe charges residents \$16.25/month per cart up to three.

**Town of Mooresville pays the following for 11,000 homes:**

Average Tipping Fee per Household	\$0.00
Current per Household Charge	\$15.00
Yard Debris P/U Charge (if applicable)	\$0.00
Recycle Bin Charge	\$0.00
Est. Monthly Cost	<b><u>\$15.00</u></b>

\*\*\*\* Mooresville residents receive weekly yard waste pickup, bulk items pick-up & recycling which is built into the fee.

\*\*\*\* It looks like Mooresville allows excess carts.

After this analysis was completed, I have identified 4 options for the Mayor and Town Council to consider.

### **OPTION #1:**

The Mayor and Town Council can refuse to assign the contract from **Action Garbage Service, INC** to **Waste Connections, INC** and have **Action Garbage Service, INC** continue to provide service to Indian Trail residents until the contract expires in August of 2012. Then, we can look at doing an RFP for the best cost effective and customer friendly service.

#### Pro's:

This would allow the possibility to retain the status quo for cost and service.

#### Con's:

This would not resolve our on-going customer service issues with our current provider, and could delay having a new provider until August 2012. **Action Garbage Service, INC** level of service could deteriorate even further and cause further and greater resident frustrations, and it could result in substantial litigation for the Town.

### **OPTION #2:**

The Mayor and Town Council can assign the contract to **Waste Connections, INC** and have **Waste Connection, INC** continue to provide service to Indian Trail residents until the contract expires in August of 2012. Then, we can look at doing an RFP for the best cost effective and costumer friendly service.

#### Pro's:

The level of service would hopefully improve and we would have more stability and a better relationship with our service provider.

#### Con's:

We may lose the opportunity to receive some immediate improvements in our overall solid waste services that are provided.

### **OPTIONS #3:**

The Mayor and Town Council can give direction to the Town Manager to start negotiations a revised agreement with **Waste Connections, INC** that would provide Indian Trail residents and more inclusive solid waste services and provide potentially better customer service for the Town. If an agreement is reached, then **Action Garbage Service, INC** would have the ability to request to assign the contract with the new terms and conditions. I have discussed this option with **Waste Connections, INC** and they were very interested in having these discussions. Their

representative will attend the April 13<sup>th</sup> meeting to answer any questions about their interest in being a solid waste provider for Indian Trail.

Pro's:

This gives the Town the opportunity to work with a new provider and give some value-added benefits for our resident's. If we can not reach an agreement, then we can reconsider options 1 & 2 at that time.

Con's:

There are no negatives to discussing these issues with the potential new provider.

**OPTION #4:**

The Mayor and Town Council can give direction to the Town Manager to start negotiations on a revised contract with **Waste Connections, INC** and the **Town of Stallings** that would provide Indian Trail and Stallings residents more solid waste services and provide potentially better customer service for the Town, and decrease the cost. Currently, the **Town of Stallings** is working on this same issue. **Waste Connections, INC** has indicated that a combined agreement with similar services offered to both communities could increase the economies of scale and provide Indian Trail and Stallings with a better solid waste package to consider. If an agreement is reached, then **Action Garbage Service, INC** would have the ability to request to assign the contract with the new terms and conditions. Their representative will attend the April 13<sup>th</sup> meeting to answer any questions about their interest in being a solid waste provider for Indian Trail.

Pro's:

This gives us the opportunity to work with a new provider and give some value-added benefits for our resident's. If we can not reach an agreement, then we can reconsider options 1 & 2.

Con's:

There are no negatives to discuss these issues with the potential new provider.

**RECOMMENDATION:**

While our best scenario would be to immediately offer a Request for Proposal's to all interested parties, due to contract restraints we may have to wait until August of 2012 to see any real change in our level of service. Notwithstanding, there is always the possibility that **Action Garbage Service, INC** could go out of business before this termination date. I have had no indications that this would occur. I believe it would be in the best interest of the Town and Town residents to actively pursue **OPTIONS 3 and/or 4**. However, Option #3 could be a faster process to get an agreement. If directions were given by the Mayor and Town Council to pursue

these options, we would move very quickly and aggressively to get a new agreement in front of the Mayor and Town Council for your review. Also, if we fail to reach an agreement with **Waste Connections, INC**, then we can always reconsider **OPTIONS 1 & 2**. I believe we have an outstanding opportunity to give our residents more solid waste services, also to reduce our volume of customer complaints, and to potentially receive a slightly less cost. The other benefit is that **Waste Connections, INC** will be motivated to prove to the Town that they want to be our long-term provider, so I would expect a very high level of service from **Waste Connections, INC**.

Please feel free to contact me about any issues regarding this memo.

jf