Results: Solid Waste Competitive Assessment

Goals of Competitive Assessment Process

- Provide services competitive in quality & price ("**best value**")
- Adopt best practices
- Stress <u>continuous improvement</u>
- Focus on better, cheaper, faster & friendlier approach
- Build successful employee-owners
- Outsource, if necessary, to provide competitive services to customers
- Communicate with public & staff

Our Approach

1. Pick 1 or 2 departments/services, annually
2. Do Competitive Assessments
   - Identify gaps
   - Benchmark against private sector or cities
   - Director provides response to findings & develops *Action Plan* to close gap
   - Builds *Action Plan* into *Annual Business Plan*
3. Department has approximately a year to implement *Action Plan*
   - Reassessed for accountability
   - *Business Plan* execution is reviewed

Competitive Assessments Completed for MIS & Fleet

- Resulted in numerous benchmarks & recommendations:
  - MIS: $700k savings & 448% ROI
  - Fleet: $2.3 m savings over 5 years
- Integrated *Action Plans* in Annual Business Plans
- Established service levels & benchmarks thru *City Performance Report*

Current Progress: Solid Waste

- Competitive Assessment Contract Awarded June 19, 2012 to SAIC
- Cost of Service Study initiated January, 2013

Introductions

- SAIC:
  - Scott Pasternak, Asst. Vice President
  - Lawrence Mikolajczyk, Director of Solid Waste Services
  - Oscar Martinez, Assistant City Manager

CITY OF CORPUS CHRISTI, TX

Solid Waste Competitive Assessment

Scott Pasternak
May 28, 2013

NATIONAL SECURITY • ENERGY & ENVIRONMENT • HEALTH • CYBERSECURITY

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Project Purpose and Presentation Overview

Project Approach

Operational Review

- Reviewed key issues for primary operational areas (collection, landfill, transfer station)
- Identified key changes to decrease cost and increase revenues

Privatization Analysis

- Recommendations regarding privatization vs. municipalization

Financial Review – Results in August/September Timeframe

- Solid waste cost of service
- Full cost accounting financial analysis to provide apples to apples comparison to other solid waste operations

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SAIC's Time-Tested Approach Provides Objective Review

Operational Review and Privatization Analysis

Key Operational Areas Reviewed

Solid Waste Operations	Key Operational Areas	
Residential Refuse, Recycling and Bulk Collection	• Collection efficiency • Routing process • On-route collection practices • Non-collection time • Collection configuration	• Vehicle inspection and maintenance • Vehicle replacement • Public education • Utilization of operational reports • Safety
JC Elliott Transfer Station	• Facility configuration and design • Facility condition, material accepted, storage, load-out areas • Operating procedures and practices • Hauling activities	• Turnaround time • Current staffing requirements • Scope of various customer classes • Opportunities and benefits of additional tonnage
Cefe Valenzuela Landfill	• Current contractual agreement for landfill operations • Scalehouse operations • Processing of vehicles • Management of vehicle traffic on landfill face	• Compaction patterns and slope • Daily cover practices • Litter control and grounds keepings • Adequacy of equipment • Staffing levels • Review of rules and regulations

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Summary of Operational and Privatization Findings

Solid Waste Operations	Should the City Privatize?	Comments/ Recommendations
Refuse Collection	No	Operation is competitive. Can achieve increased efficiency through increased access to Transfer Station.
Recycling Collection	No	Operation is competitive. Can decrease cost by reducing routes, increasing recyclable volumes and re-negotiating revenue calculation in private processing contract.
Brush and Bulk Collection	No	Operation is competitive. Can decrease cost by making operational changes, such as increasing brush truck size.
Transfer Station Operation	May be considered in future/No	Operation's current operating cost is high, however; SAIC has made operational recommendations to increase daily throughput and increase operation efficiency. City should reevaluate privatization after implementing operational changes.
Long-haul Trucking	May be considered in future	Current operating cost is high; however, SAIC has made operational recommendations to increase operational efficiency. City should reevaluate privatization after implementing operational changes.
Brush Grinding	May be considered	Current operation is highly labor intensive. The operation may evolve into a less elaborate operation if privatized, but would likely be more cost effective.
Landfill Operation	Currently privatized	Republic is compliant with contract terms. Contract with Republic to operate landfill is being effectively monitored and managed by City staff.

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Privatization Benchmarking: Corpus Christi's Approach Consistent with Other Large Cities in Texas

City	2011 Population	Residential Collection			Recycling Processing	Landfill		Transfer Station	
		Refuse Collection	Recycling Collection	Brush & Bulk Collection		Ownership	Operations	Ownership	Operations
Houston	2,145,146	M	M	M	P	P	P	M	P
San Antonio	1,359,758	M	M	M	P	P	P	M	P
Dallas	1,223,229	M	M	M	P	M	M	M	M
Austin	820,611	M	M	M	P	P	P	N/A	N/A
Fort Worth	758,738	P	P	P	P	M	P	N/A	N/A
El Paso	665,568	M	M	M	P	M	M	N/A	N/A
Arlington	373,698	P	P	P	P	M	P	N/A	N/A
Corpus Christi	**307,953**	**M**	**M**	**M**	**P**	**M**	**P**	**M**	**M**
Plano [1]	269,776	M	M	M	P	M	M	M	M
Laredo	241,935	M	M	M	P	M	M	N/A	N/A

1. Plano is part of the North Texas Municipal Water District which is jointly owned by its member cities. The NTMWD owns and operates three transfer stations and one landfill.

P - Privatized
M - Municipalized
N/A - Not applicable

Financial Summary of Potential Suggested Operational Changes

Operational changes can take up to 5 years to realize full projected savings

Operational Change	Annual Savings		Proposed Timing
	Low	High	
Refuse Collection			
Reduce routes	$155,261	$155,261	6 months - 1 year
Transfer Station			
Increase tonnage	Increased Efficiency – No Annual Cost Savings		Immediate - 1 year
Recycling Collection			
Decrease recycling routes	$171,485	$564,773	6 months – 1 year
Terminate RecycleBank program and invest in City public education	$266,941	$435,891	Immediate – 3 years
Change recycling revenue sharing calculation	$293,832	$1,161,812	3 – 5 years
Brush and Bulky Collection			
Change equipment configuration and routing	$405,968	$733,034	1 – 5 years
Total Annual Cost Savings	**$1,293,487**	**$3,050,771**	**Immediate – 5 years**

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Implementation Plan

- Implementation Plan developed by SAIC and City staff to achieve operational efficiencies and realize cost savings
- Implementation timing can range from immediately to five years
- City staff have implemented some of SAIC's operational recommendations, such as:
  - Redirecting self-haul customers at the J.C. Elliot Transfer Station
  - Installing bay skirts at the J.C. Elliot Transfer Station
  - Utilizing transfer trailers exclusively for the transfer station operation
  - Filled vacant collection driver and supervisor positions

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Competitive Assessment Return on Investment

Cost Savings Identified in Competitive Assessment	$1,293,487 - $3,050,771
Cost of Competitive Assessment and Cost of Service Study	$116,900
Projected Savings	**$1,176,587 - $2,933,871**
Return on Investment	**1,010% - 2,510%**

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Solid Waste Operations: Director's Response

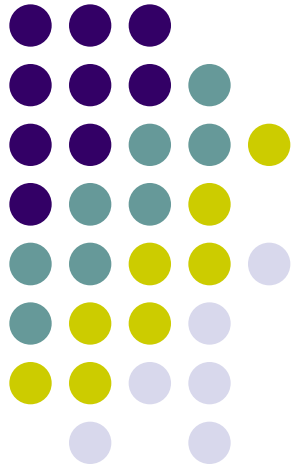
Director concurs with findings made by SAIC & has developed an *Action Plan* to implement recommendations

Solid Waste Competitive Assessment

FY 13-14 Implementation Plan

City of Corpus Christi
Solid Waste Operations

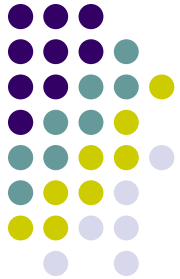
- Fleet Replacement Program
- Route Optimization
- Refit Brush & Bulky Equipment
- Recycling Education/RecycleBank
- Recycling Revenue Share



Fleet Replacement Schedule

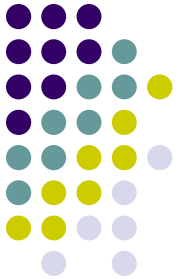
Vehicle/ Equipment	Average Age	Purchase Price	FY 13-14 Lease Expense (6 Months)
14 Pickups, 1 Van, 1 Riding Mower	13.81	$367,697	$39,398
3 Dump Trucks	15.67	$316,507	$33,913
15 Brush Trucks	12.07	$2,159,000	$231,330
6 Garbage Trucks	11	$1,708,236	$183,032
Totals		$4,551,440	$487,673

Fleet Replacement Program



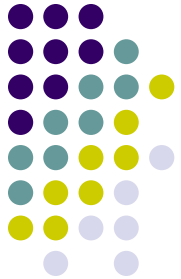
• FY 13-14	$4,551,440	40 units
• FY 14-15	3,382,498	13 units
• FY 15-16	3,806,423	18 units
• FY 16-17	1,999,762	12 units
• FY 17-18	3,329,381	20 units
• Five Year Total	$17,069,504	103 units

Route Optimization FY 13-14



- Estimated System Hardware & Software Costs: $262,000
- Redesign Routes for most efficient collection & maximum right hand turns
- Estimated Savings - 1 Refuse & 3 Recycle Routes: $234,011 for 6 months

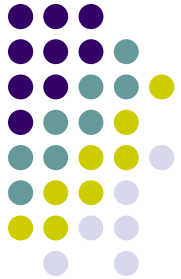
Brush & Bulky Equipment



- Replace 26 cubic yard trucks with new 40 cubic yard brush trucks
  - Will reduce the number of hauls filled & increase effectiveness

- Estimated Savings: FY 13-14 $144,975
  FY 14-15 $362,438
  FY 15-16 $471,169

RecycleBank/ Recycling Education



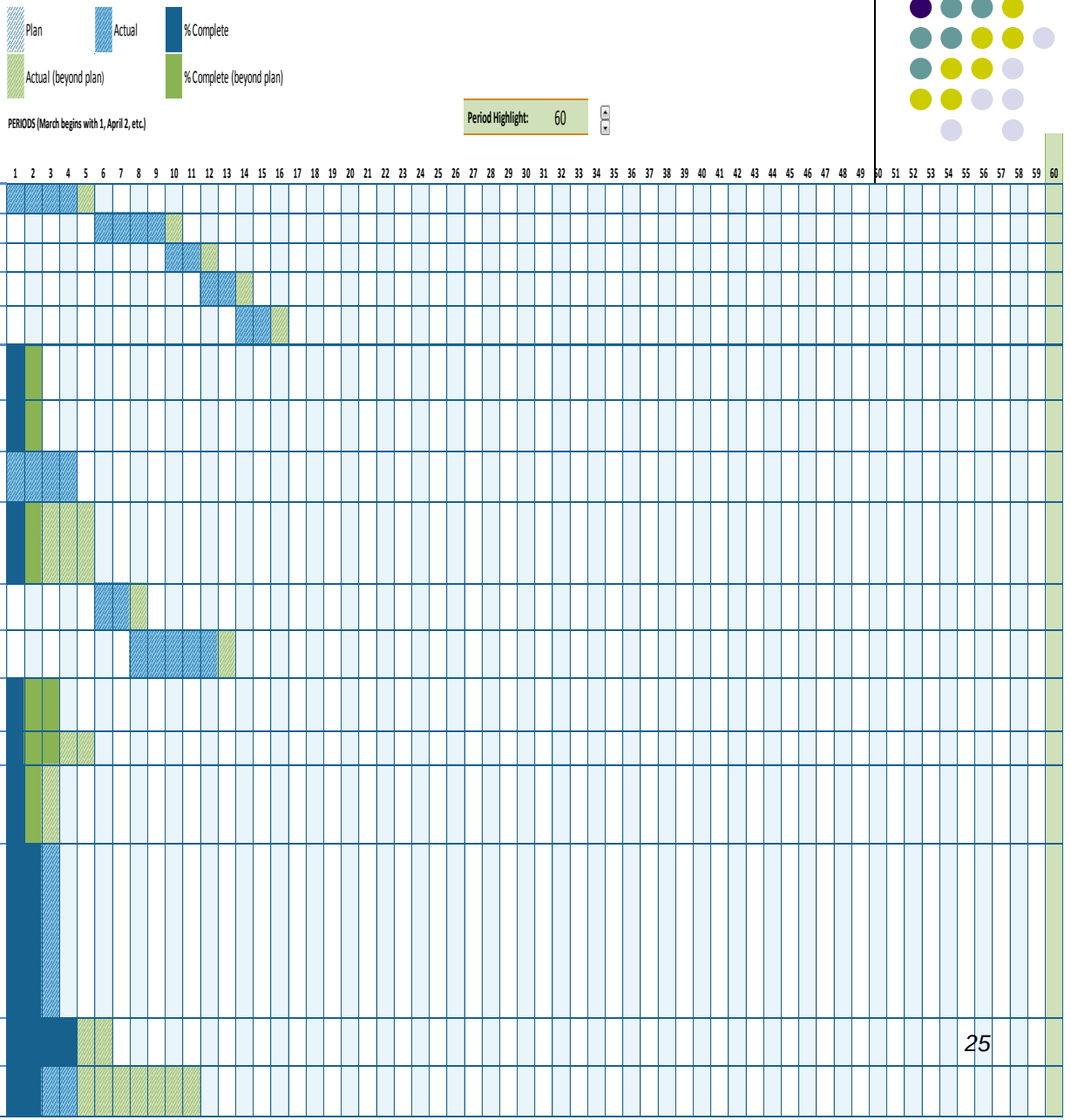
- City currently spends $0.68 per household per month or $8.16 per household annually on RecycleBank
- RecycleBank participation has been lower than projected
- Recommend "*city managed*" Recycling Incentive Program for annual savings of $532,000

Recycling Revenue Share

- Current revenue share calculation is atypical compared to other municipal recycling revenue formulas
- Most municipal recycling contracts subtract recycling processing fees from the total revenue generated from the sale of recyclables
- The City of Corpus Christi's processor assesses the 60% revenue share on the total value of recyclables. Then, the City pays for processing fees from that 60 percent of revenue

Action Plan

City of Corpus Christi Solid Waste Services Cost of Service Schedule



GENERAL RECOMMENDATION	SPECIFIC ACTIONS	Implementation Plan				
		Plan Start	Plan Duration	Actual Start	Actual Duration	Percent Complete
1)Reduce Refuse Routes (estimated annual savings $151,261.00)	a) complete pilot routing program, evaluate	1	4	1	5	0%
	b) pilot results for bid, council process, award, implement	6	4	6	5	0%
	c) implement routing software ($375,000.00)	10	2	10	3	0%
	d) re-route city with new software program	12	2	12	3	0%
	e) implement results of re-route	14	2	14	3	0%
2) Reduce Fleet Maintenance Cost (estimated 5 year savings $1,330,000.00)	a) develop replacement schedule based on consultant recommendations	1	1	1	2	100%
	b) submit replacement schedule as budget supplemental priority #1	1	1	1	2	100%
	b)-(a) pending approval of replacement schedule by executive budget committee	1	4	1	4	0%
	c) work with maintenance services and Purchasing have package ready for first August Council meeting for approval	1	1	1	5	50%
	d) let equipment bid, evaluate, make selection, back to City Council for approval, then issue PO# allowing for purchase	6	2	6	3	0%
	e) PO# issues equipment ordered, 120 day build time	8	5	8	6	0%
3) Increase City collection vehicles' access to Transfer Station	a) develop and implement plan, establish base number of load daily to achieve maximum volumes	1	1	1	3	100%
	b) monitor implemented plan	1	1	1	5	75%
	c) introduce new equipment, train employees on operations, measure efficiencies anticipated from new equipment	1	1	1	3	75%
	d) implemented SAIC transfer station efficiencies, re-direct hand unload self-haulers customers, evaluate an "express" lane for "priority" customers, develop safety procedures for customers admitted to tipping floor, reposition contaminant side curtans for transfer trailers, establish performance targets for Transfer Station, conduct material diversion study,	1	3	1	3	90%
4) Refuse and Recycling Collection	a) Eliminate task based system	1	4	1	6	75%
	b) decrease contmination rate thru focus on enforcement and education	1	4	1	11	25%

Action Plan

City of Corpus Christi Solid Waste Services Cost of Service Schedule

Plan | Actual | % Complete | Actual (beyond plan) | % Complete (beyond plan)

PERIODS (March begins with 1, April 2, etc.) — Period Highlight: 60

GENERAL RECOMMENDATION	SPECIFIC ACTIONS	Implementation Plan: Plan Start	Plan Duration	Actual Start	Actual Duration	Percent Complete
5) Reduce Recycling routes (estimated annual savings $368,129.00)	a) complete software pilot routing program, evaluate	1	1	1	5	0%
	b)implement routing software	6	4	6	5	0%
	c) re-route recycling with new software program	10	2	10	3	0%
	d) implement results of re-route	12	2	12	3	0%
6) Terminate Recycle Bank contract (estimated annual savings $351,416.00)	a) Discuss with City's Legal Dept. about the feasibility of breaking/terminating the current contract	1	1	1	5	0%
	b) If we are able to terminate make budget adjustments, as well as adjustments on utility bills will need to be effective for first billing cycle for August 2013	1	1	1	5	0%
	c) Contact Recycle Bank with results	1	1	1	5	0%
7) Change recycling revenue sharing calculation (estimated savings $727,822.00)	a) meet with legal, discuss strategies, develop path forward	1	1	1	5	0%
	b) set up meetings with Republic Waste start discussion on calculation sharing changes	1	2	3	8	0%
	c) based on outcome make budget adjustments	1	3	8	8	0%
8) Brush and Bulky collection equipment configuration (estimated 5 year savings $618,854.00)	a) research vehicle configuration, make contact with vendors, this process is included in #2	1	1	1	5	100%
	b) identify implantation transition before new equipment arrives	1	1	1	5	0%
	c) implement trans plan, once new equipment arrives	1	3	8	5	0%

Questions?