

2014 LABOR IMPACTS UNDER FUTURE ORGANICS PROCESSING CONTRACTS

December 12, 2012

Present Operation

- City stations and hauling currently handle about 50% of the yard waste / food waste.
- Waste Management handles transferring and hauling the remaining 50% of the yard waste / food waste.
- The current delivery to 2 Cedar Grove facilities is about 25 miles from our stations.
- SPU uses 2-4 FTE of drivers for yard waste/food waste hauling depending on time of year. (Average of 3.1 FTE based on 2011 costs.)

2012 Request For Proposals (RFP) for Organics Processing

- An RFP was issued for organics processing services that are expected to begin April 2014 and run for 6 to 10 years.
- All vendors were required to provide a base proposal for SPU to transfer all of the yard waste/ food waste and to haul it to within 50 miles.
- Alternative proposals were allowed that would improve services or reduce costs.
- Evaluation criteria in the RFP were weighted 45% for system cost & 55% for non-financial factors
- Cost evaluation included net changes in all relevant costs over 10 years, including vendor prices and net impact on SPU operation costs.

Processing Proposals

- We received 4 proposals– 3 of which were from distant facilities (50 – 150 miles away) and 1 South Park facility (0 miles away)
- Cedar Grove did not propose the current facilities.
- All 3 distant facilities included alternate proposals for distant hauling by proposers.

SPU Operations Costs

- SPU operations costs were based on detailed allocation of all SPU O&M and Capital cost items.
- Future SPU O&M hauling costs were calculated with an assumption of a significant increase from the present SPU efficiency with average load weights by increased by nearly 50% from 17 tons to 25 tons. This based on a shift from 40 foot to 48 foot trails and more efficient station loading. This assumption is very generous to the SPU hauling options given that we have never achieved that level.
- Projected SPU costs for hauling to more distant facilities were based on direct increase in total hourly costs after incorporating efficiencies described above.
- SPU projected capital costs were based on the purchase of trucks and trailers or sale of trucks trailers as needed.

Evaluation Results

- See attached partial summary of top ranked scenarios (based on RFP evaluation criteria).
- All top ranked combinations retain SPU yard and food waste transfer operations for 40% - 100% of yard and food waste.
- The top ranked proposal combinations involve vendor hauling all yard and food waste to distant facilities.
- The highest ranking option with SPU still doing some of the hauling ranked fifth and sixth, and projected to costs \$315,000 or \$553,000 more per year than highest overall ranked option.
- These combinations incorporate SPU costs of about \$22/ton to haul 50 miles to Vendor B, while in the top ranked combination Vendor B hauls to their own facility for about \$17/ton.

SPU Operations Labor Impacts

- No impacts until April 2014
- The top scenario has about 3 FTE reduction in staffing for hauling in Apr 2014.
- SPU also expects to increase over-night garbage transfer at New South Transfer, requiring an increase of about 1 FTE for garbage hauling.
- SPU expects to handle the remaining reduction of 2 FTEs through attrition.