

COUNCIL MINUTES
SPECIAL WORKSHOP MEETING

March 3, 2015

A special meeting of the City Council of the City of Jacksonville was held Tuesday, March 3, 2015 beginning at 5:30 PM in Meeting Rooms A and B of Jacksonville City Hall. Present were: Mayor Sammy Phillips, presiding; Mayor Pro-Tem Michael Lazzara and Council Members: Jerry Bittner, Randy Thomas, Bob Warden, Angelia Washington, and Jerome Willingham. Also present were: Richard Woodruff, City Manager; Ronald Massey, Deputy City Manager, Glenn Hargett, Assistant City Manager for Communications and Community Affairs; Gayle Maides, Finance Director, Wally Hansen, Public Services Director, Carmen Miracle, City Clerk; and John Carter, City Attorney.

CALL TO ORDER

Mayor Phillips called the meeting to order at 5:32 PM.

ADOPTION OF AGENDA

A motion was made by Mayor Pro-Tem Lazzara, seconded by Councilman Willingham, and unanimously approved to adopt the agenda as presented.

COMMERCIAL GARBAGE COLLECTION BID DOCUMENT

Using the PowerPoint presentation attached to the official minutes as Exhibit A, Mr. Woodruff provided an extensive review of the following:

- Collection Alternatives with pros and cons,
- Bid Document Issues,
- Billing and Collection Pros and Cons,
- Ad Hoc User Group
- Potential Action Plan.

Key discussion points during the presentation included that NC law did not require the City to provide Commercial Garbage Collection. In addition, because it was a service contract, there was no requirement for competitive bidding. Council could offer a franchise agreement and could negotiate a contract with one vendor or with multiple vendors if they chose to do so. The City was currently providing the service but they were projecting a \$250,000 shortfall for the current year. This was due in large part to an unfortunate accident resulting in workers

compensation claims and overtime issues.

Council discussed an important 'pro' to the City providing the service was that the City made recycling was a priority. In addition to environmental savings, decreasing the stream of waste going into the landfill helped extend the life of the landfill, ultimately saving money for the taxpayers. Also, whether the City continued to provide the service or it was provided by a vendor, it was important financially for the City to do the billing and collections. Due to how the landfill fee was calculated, it resulted in a surplus that helped offset the cost for residential collection.

A franchise agreement, whether exclusive or nonexclusive was an option in which one or more vendors would provide the service. The Council could determine the criteria of the franchise and contract, set the rates, stipulate the level of recycling priority, or other criteria.

A major issue to consider when contemplating a non-exclusive franchise or deciding to allow for the free market was the displacement law. Displacement law applied if the City opened up the service to various vendors and then decided to go back into the business themselves or exclusively with a vendor. Displacement law required the City to give an 18-month notice or provide payment to any current service providers that would be displaced before changing to a more exclusive service.

Regarding the free market option, Councilman Bittner pointed out that the City would still be involved to some extent in order to enforce standards for health, safety, and welfare. Mr. Woodruff agreed, and that was one of the cons of a free market because if a business did not contract with a vendor to have his garbage picked up, the City would have to send out a code enforcement officer to issue citations.

Discussion was held on the bid document issues raised by the major vendors. Recycling requirements was an issue for the vendors in the former bid document. While customers were not mandated to recycle, the vendor was required to provide recycling containers and pickup to any customer who wanted to participate. This created a financial exposure for the vendor in not knowing how many containers, which cost \$600 to \$900 each, they might be required to provide at any point in time. Suggestions to remedy this issue included the City providing the recycling container, customer providing the recycling container, or limiting the vendors to only having to provide a reasonable number of containers per year.

Councilman Bittner asked about State regulations on recycling. Mr. Terrell, Sanitation Supervisor, reported that the State had set recycling percentage goals, which were technically still in effect; however, those goals were not enforced, because the State had not been able to meet those goals in the last 10 plus years.

Councilman Bittner asked how the County handled commercial garbage pickup and recycling. Mr. Woodruff said that the County operated under a free market system. For recycling, the County had drop off sites and there was no mandatory requirement by the County for a business to recycle.

Councilman Willingham asked under a scenario with an exclusive franchise and mandatory recycling, what would the City do with the recycling dumpsters we currently own. Mr. Woodruff said if the City was out of the business, we could offer to sell them to the vendor who was awarded the contract, or continue to supply them as a way to encourage recycling, or sell them on the free market. He added that he thought the City owned about 60 recycling containers.

Mr. Woodruff said that one other option that could be considered is for the vendor to pick up commercial garbage with the City continuing to pick up commercial recycling, possibly for a nominal fee, although any significant charge for recycling would discourage recycling.

Councilman Warden asked if there was a limitation on some of the businesses to do recycling due to not having the space on the property for an extra dumpster.

Mr. Woodruff said yes, it was definitely an issue. The UDO required a corral or an enclosure for the dumpsters. Several businesses would like to have a recycling dumpster, but they did not want it sitting outside and their enclosure was too small for a second container.

Another bid document issue was the bond requirement. The vendors reported that the most recent bid required a performance bond of \$400,000 in order to make sure the bidders were all qualified. The purpose of a performance bond was to guarantee performance, however, bonds were difficult and took time to collect. The large companies (Waste Management and Waste Industries) felt a bond was unnecessary and an added expense for them. He suggested instead of requiring the bond, they could place pre-qualification standards in the bid documents.

A discussion was held regarding number of pickups per week and Saturday service. The current contract provided for twice per week service although some businesses said they did not need it twice, while others wanted it five times a week. Restaurants in particular generally

seemed to need a pickup on Saturday. The City currently had enough commercial accounts to justify a Saturday pickup, but under the old contract, if a business wanted Saturday service, they had to negotiate it directly with the vendor and the prices were substantial.

Considering that it was more costly to run a route on Saturday, Mayor Phillips asked if scheduling changes in the Monday through Friday routes so that restaurants were picked up Friday would help. Mr. Woodruff said their heaviest route days were Monday and Friday. Even with a tip on Friday, the volume of business often generated full dumpers at restaurants on Saturday. Saturday service was optional for those businesses who needed it; however, he recommended the bid document require a fixed price for Saturday service, because of the exorbitant prices charged in the past.

Councilman Bittner initiated a discussion about container size with variable number of pickups. He said that based on experience the City should know which businesses could get by with pickups once a week, five days a week, or that required Saturday service. That data could be used to create a formula that allowed for the least cost to the consumer and operating costs for the vendor.

Mr. Terrell said they could go through their customers and gather that data, but also pointed out that customers migrating to once a week pickup often called in for unscheduled pickups, which affected route scheduling and it was less efficient to make special trips.

Regarding the City performing the billing and collecting, Mr. Woodruff said from his standpoint if the City did not perform the billing and collection, they would take a large financial hit relative to the offset for residential accounts. This was because the City billed based on a full container volume but when it went to the landfill, it was charged based on weight and the City received the difference.

In terms of the User Meeting, Mr. Woodruff said that the participants were encouraged to answer the survey freely. Important findings included that 90% were against the free market; 100% thought the City was providing dependable service, and if cost were the same, 88% preferred the City provide the service. In terms of container purchase, they felt the City's price was too high but if it were lower, they would use them.

Councilman Bittner asked if the City's cost for the containers was a legitimate criticism. Mr. Woodruff said yes. The City had calculated the fee based on a 12-month return on investment whereas they had learned the vendors calculated it over 3 to 5 years. Councilman

Bittner asked the average lifespan of the container. Mr. Terrell said approximately ten years.

Mr. Woodruff reviewed the recommendations and action plan as outlined in Exhibit A and asked Council to provide him with any feedback.

Councilman Willingham asked about the criteria of the Bid document. He felt it was important to be able to compare apples to apples in terms of the level of service the City was giving and the private sector having an opportunity to provide that service for less.

Councilman Willingham felt that in terms of recycling, not having a requirement would set the City back in environmental efforts and he felt it should definitely be a component in a way that encouraged more recycling. Mayor Pro-Tem Lazzara agreed and felt the issue for businesses was more to do with a capacity for a second dumpster on site. Councilman Warden suggested looking at whether they needed to make changes from a site plan standpoint. Mr. Massey said that had been done in the UDO, but it did not apply to existing businesses prior to the adoption of the UDO.

Regarding the City handling the existing billing, Mr. Warden said it did bother him that the commercial side was supporting the residential side.

Discussion was held on specific criteria of the bid document and a majority of Council supported the following:

- Eliminating the performance bond requirement;
- Keep the minimum level of service at twice per week;
- City continue with billing and collections;
- Franchise approach;
- Recycling pickup by the vendor

Mr. Carter clarified that the City would bid on the franchise contract in accordance with the bid documents the same as any other vendor and Council responded yes.

ADJOURNMENT

A motion was made by Mayor Pro-Tem Lazzara, seconded by Councilman Warden, and unanimously adopted to adjourn the meeting at 6:42 PM.

Adopted by the Jacksonville City Council in regular session this 7th day of April, 2015.

Sammy Phillips, Mayor

ATTEST:

Carmen K. Miracle, City Clerk

Jacksonville City Council



Special Workshop Meeting
March 3, 2015

Agenda

1. Commercial Garbage Program



Commercial Garbage Collection

Vendor Meeting
Tuesday, February 24, 2015



Purpose
Discuss Potential Bid Documents & Service



Service

- **A service Contract**
 - No requirement to bid
- **No Requirement** for City to provide Service
- **Free Market**



User Meeting
Thursday, February 26, 2015

Purpose
Input & Suggestions





Presentation

1. Collection Alternatives
 - With Pros & Cons
2. Bid Document Issues
3. Billing and Collection Pros & Cons
4. Ad Hoc User Group
5. Recommendation
 - Potential Action Plan

Option Analysis Collection Alternatives

1. **City Service** Billing & Collection
2. City **Franchise Provide Service**
 - Collection by
 1. Exclusive Franchise
 2. Non-Exclusive Franchise
 - Billing & Collections by
 1. City
 2. Vendor
3. **Free market** – no arrangement



City Provides Service, Billing & Collection

Pros

<ul style="list-style-type: none"> • Quality of Service • Management of Personnel • Missed Service Control • Back Up Service Plan • City Establishes Accounts • Collections Guaranteed • Rates Controlled by City 	<ul style="list-style-type: none"> • Offset for Billing & Collection • Recycling Priority • Appearance of Equipment • City Audits routes & service • City Collects Landfill fees • Emergency Service Option
--	---



City Provides Service, Billing & Collection

Cons

<ul style="list-style-type: none"> • Cost of Service must cover any shortfall • Personnel Issues • Fleet Maintenance • Worker's Compensation Claims • Employee Time & Account Setup 	<ul style="list-style-type: none"> • Billing & Collecting • Rate Adjustments • Insurance Claims for Damage • Painting of Cabs • City Manages System & Time • The "Unknown"
--	--



City Franchise Exclusive Service

Pros

<ul style="list-style-type: none"> • All Costs by Others • Fixed rates to customers • Vendor responsible for: <ul style="list-style-type: none"> – Personnel – Equipment – Repairs – Fuel – Route Management 	<ul style="list-style-type: none"> • Bulk Purchasing for Customers • Rates Set by Council • Competition for Bid & Service • Level of Recycling Priority
---	---



City Franchise Exclusive Service

Cons

<ul style="list-style-type: none"> • Quality of Service • Customer Complaints • Back up plan by others • City Responsible, but... • Rates set by Council • Management of Contract <ul style="list-style-type: none"> – Staff Time – Assess penalties – Cost verses Service 	<ul style="list-style-type: none"> • Damage Claims • Level of Collection Equipment • Level of Recycling Priority • Limited Emergency Service
--	--



City Franchise Non-Exclusive Service

Pros

- Competition between Vendors
- **All of the pros from Exclusive Service**

Cons

- Rates may be higher
- Possible Customer Confusion
- Displacement Issue
- Additional Vehicles on Streets
- **All Cons from Exclusive Service**



Free Market Service

Pros

- City not a player
- Market fixes rates
- Customer in control
- Competition of vendors



Free Market Service

Cons

- City Not a Player
- Rate set by Market
- No Bulk Purchasing Benefit
- Quality Control
- Code Enforcement
- Displacement Issue
- Not available for Emergency Service
- Additional Large Trucks on Streets
- Loss of revenue
- Billing Staff
- Landfill Offset for Residential



Bid Document Key Issues Organizational Structure

1. Franchise vs. Free Market System

2. Franchise

- Exclusive
- Non-exclusive

3. Billing & Collections Method

- City
- Vendor



Bid Document Key Issues

3. Billing & Collections

- City
- Vendor



Bid Document Key Issues

4. Recycling Pick Up

- **Mandatory by Vendor**
- **Who pays for containers**



Bid Document Key Issues

5. Bond Requirement

- \$400,000
- Pre-Qualify Vendors



Bid Document Key Issues

6. Term & Extensions

- 5 Year Base
- 2 One-Year Extensions approved by Council



Bid Document Key Issues

7. Cost of Living Adjustment

- Annual Adjustment with Council Approval
- Automatic 1% with additional considered by Council
- Other



Bid Document Key Issues

8. Service Level

- Current Minimum: 2 Per Week
- No Minimum: Market Sets
- Saturday Service part of Contract



Bid Document Key Issues

9. Missed Service

- Fines after a set number
- Incomplete Route Fines



City Performs Billing & Collections

Pros

- City Accounts established
- Utility Fund minor offset
- Guaranteed Collection
- City Customer Service
- Revenue Offset for Residential
- Audit of Service
- Variable Payment Plans
- Accuracy in Bills & Service
- Reduced write offs
- One Comprehensive Utility Bill



City Performs Billing & Collections

Cons

<ul style="list-style-type: none"> • Staff time and setup of accounts and bills • Increase in Utility bill for Commercial Customers • Financial Accountability and Audit Trail • Customer Complaints 	<ul style="list-style-type: none"> • Cost of Sending Bills • Employee turnover
--	--



Billing & Collections by Vendor

Pros

- Vendor covers all costs
- Not a City function
 - No City account info
- Frees Utility Billing Staff
- Landfill Fees Paid by Vendor
- Reduces City Utility Bill
- Vendor handles Billing Complaints



Billing & Collections by Vendor

Cons

<ul style="list-style-type: none"> • Will increase customer bills, mail & staff time • Complaints: No City involvement • No offset to Utility Fund • Eliminates Residential Collection Offset • No Audit Trail 	<ul style="list-style-type: none"> • Vendor controls funds • Vendor controls customer service • Customers must setup new accounts • City accounts must be purged
---	--



User Meeting Thursday, February 26, 2015

General Discussion

- Quality of Service
- Fee for Service
- Contracting or City operates
- Free Market Operation

User Group Issues

- Recycling
- Containers

20 Invited
11 Attended



User Meeting Surveys

Service & Customer Service	8.6 out of 10
Dependable Service	100%
Free Market Option	10% For 90% Against
Service Level	Min Twice Week 56% Min Once Week 44%
Recycling	Nominal Fee Free Service More Containers



User Meeting Surveys

Containers	City Fee too High Reduce \$, Will Use Desire Combined Rate
The Service	50% Cost 50% Quality
If Cost is the Same	City 88% Vendor 12%

Why? Customer Service



