

Contracting for Municipal Solid Waste Collection Services

Many Wisconsin communities contract for recycling and/or garbage collection services. This process generally involves several steps from designing a request for proposals (RFP) in order to solicit competitive bids, to evaluating proposals and designing a contract. Designing a good contract is essential to ensure the recycling /solid waste program runs smoothly. Contracts for collection services also need to meet the regulatory requirements of Wisconsin's recycling law. Success often is a function of how clearly each of the contract details is spelled out from the start. This fact sheet is designed to provide information to help communities succeed in developing effective solid waste contracts.

When a municipality contracts for collection services lower costs and more efficient use of resources occurs compared to when residents contract individually with private haulers. Municipalities that contract for collection services typically get a better price than individual residents do when they contact haulers on their own. Also, those municipalities avoid having multiple trucks driving on their roads and the resultant wear on the streets, additional traffic, noise and air emissions.

Contracting for both refuse and recycling collection with the same hauler, while it may decrease competition, can provide additional benefits. These include:

- Capturing cost savings on collection, transport and disposal of garbage to the landfill as the amount of material recycled or kept out of the waste stream through source reduction increases.
- Providing recycling educational reinforcement to residents when nonrecyclable items are left at the curb to directly educate residents regarding acceptable materials.
- Coordinated collection days for refuse and recycling.

Advantages of Contracting

- Keep costs down
- Assess whether charges are competitive
- Learn about options available
- Identify costs for planning and budgeting purposes
- Set performance standards
- Facilitate dispute resolution
- Legal liability protections

The Contracting Process

1. Design RFP
2. Advertise RFP
3. Pre-proposal conference
4. Receive proposals
5. Interview proposers
6. Select contractor
7. Receive performance bond
8. Finalize contract

The Request For Proposal

An RFP is similar to a contract in detailing all the components of the program and who has the responsibility to carry out each part. The elements of a collection contract are outlined on another SHWEC fact sheet entitled “Contract Provisions”. Additionally, an RFP contains a proposal sheet, sections on conditions of submittal and basis for award, and a map of the service area. If available, provide information about current and projected tonnage of recyclables and/or refuse on which proposers should base their price. The RFP typically becomes the basis for the contract.

A proposal is not a bid. Municipalities are not required to bid collection services and to take the lowest cost proposal. The RFP process allows a municipality to choose a contractor based on qualitative considerations or to reject all proposals and start again. This flexibility is important given that there are so many ways to collect and process recyclables, different types of equipment, and services other than the actual collection that are critical to operating an effective recycling program. Variables to evaluate in addition to cost are listed in Fig. 2.

The art to designing an RFP is in detailing the collection program while allowing the proposers flexibility to provide variations that play to the strengths of their particular equipment and services. Enabling them to show how to slightly alter the prescribed program design to maximize their efficiency can result in cost savings to the municipality and a more efficient collection program. Holding a pre-proposal conference where potential contractors can provide input into both the program and proposal design, can help the municipality save time and avoid problems in the long-run.

Cost Control Strategies

Design the RFP with a “fill in the blanks” proposal sheet so each proposer is providing the same information. This allows proposals to be compared more easily. Break out individual costs as much as possible. For example, if requesting recycling containers to be provided and delivered by the hauler, provide separate line items for those costs rather than combining them with the cost for collection per household or per pull at the drop-off site. Provide blanks for options and related costs.

For garbage service, separate collection from disposal costs and pay for disposal based on tonnage landfilled. Eliminating the guess-work ensures that the community will realize the savings as the amount landfilled decreases due to recycling and waste reduction efforts. Another option is to use a volume-based rate (VBR) system where residents pay based upon the amount of garbage they generate. Fees for no more

Big Picture Considerations

Figure 1

Ask these questions about your collection program. If you are not comfortable with any of the answers, redesign the program before putting out the proposal or don't award the contract.

Will the new program...

- ... put current providers out of business?
- ... result in eliminating competition for the next contract cycle?
- ... divert materials from municipal, nonprofit or private landfill, incinerator, or processing facility (MRF)?
- ... lock the municipality into a long-term, inflexible situation?
- ... make a municipality liable for environmental cleanup at a landfill or other facility?

Municipalities are not required to bid collection services and to take the lowest cost proposal

However, once a municipality begins the RFP process it must see it through to completion. The process cannot be abandoned midstream.

than 1 container per household per week can be billed equally to each household (as a special fee or on taxes to pay for collection program cost), with the cost for additional containers paid by the residents who generate more waste than the norm.

For recycling contracts that include processing and marketing in addition to collection, provide separate line items for each of those services. Some communities pay a separate processing fee based on material type or composition of the material collected.

Because markets for materials recovered by recycling programs are volatile, communities should consider sharing market revenues as well as costs with the contractor (agree upon a percentage to share: 60:40, 50:50 ...). Sharing the risks can result in a better price for service, while maintaining the baseline cost of the program. Note that it's not in a municipality's best interest for its contractor to go out of business.

Selecting the Contractor

Interview the proposers (some or all) to clarify any points and to determine how the differences between proposals would affect service quality. Also, call at least two other municipalities that contract with each proposer. Ask about price and whether they are satisfied with the quality of service they receive. Remember you are a customer; your contractor should satisfy your municipality's needs.

The checklist in Fig. 2 can be used to help evaluate collection proposals. Evaluate proposals based on cost, service, and the long term implications of both (see Fig. 1, Big Picture Considerations)

The Contract

A contract makes clear the responsibilities of each party and the ways to ensure satisfactory performance of those services. It also describes how to handle program changes and dispute resolution. The more detail in a contract, the less the chance of misunderstandings occurring during the course of the program.

Setting performance standards for collection (processing & marketing) and evaluating the contractor's performance at an annual review are important parts of a contract. Some criteria include: compliance with state law, timeliness and quality of performance, safety, cost controls, and community relations. These are used to request specific improvements, determine "breach of contract" or to exercise the option to renew the contract for another year. **Be wary of automatic contract renewal clauses which may limit a municipality's ability to repeat the RFP process at the end of the contract term.**

Contents of a RFP

- Conditions for submittal
- Basis for awarding contract
- Proposal sheet
- Service area map

Contract Provisions

- Scope of Services
- Risk Allocation
- Warranties
- Contract Duration and renewal options
- Payment Rate and Adjustment
- Dispute Resolution
- Other items as necessary

Performance Bond

... function is to cover costs in the case that the contractor is unable to provide service and the municipality has to provide alternate service. Therefore, the bond should reflect a realistic estimate of the additional cost. Setting the performance bond at 6 months to a year of contract cost should be ample. Requiring higher bonds could limit the number of businesses that respond.

Partnership Approach

The municipality and hauler have an ongoing need to work together to make the recycling/refuse programs succeed. Coordinate the role of each entity and facilitate cooperation. A good working relationship and service ethic are important in order to educate and continue to educate residents, to fine tune the program, and to modify the program when laws or market requirements change.

Subscription Services – An alternate plan for collection

Some Wisconsin communities have made the decision to not provide for the collection of solid waste or recyclables. Community residents are required to contract directly with the haulers for these services. This trend has been in response to the needs to control local government expenditures. A local community can still be a valuable part of this type of system. A community can negotiate an “exclusive rights” contract to allow a specific hauler to contract with the households of the community. The homeowner will benefit from some of the efficiencies of a single hauler system, while the community avoids the cost of contracting for waste hauling.

RFP and Contract Samples

The Solid & Hazardous Waste Education Center can be contacted for examples of RFPs and Contracts for the collections of solid waste and recyclable materials.

Evaluating Collection Proposals

Figure 2

Factors to evaluate in collection proposals:

- Compliance with state law
- Ease of access/ communication for officials and residents
- Role in education
- Reliability and visual impact of equipment
- Ability to provide accurate measurement and reports
- Comprehensiveness of service “full service”
garbage = collection and landfilling
recycling = collection, processing, and marketing
- Container delivery
- Container purchase or leasing
- Additional collections, e.g., large items, service to parks, municipal buildings
- Volume-based rate program
- Flexibility

Overall evaluation criteria

- Technical Feasibility
- Financial status
- Reliability (references)

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For More Information, Contact Your County Extension Agent or SHWEC

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