



High Diversion RFPs

High Diversion Rates & Compensation
Workshop

Sacramento, Cal-EPA

December 10, 2013



Maximize Reward, Minimize Risk

Two most important elements in an RFP process?



Getting what you want.



Minimizing the risk that may come with it.

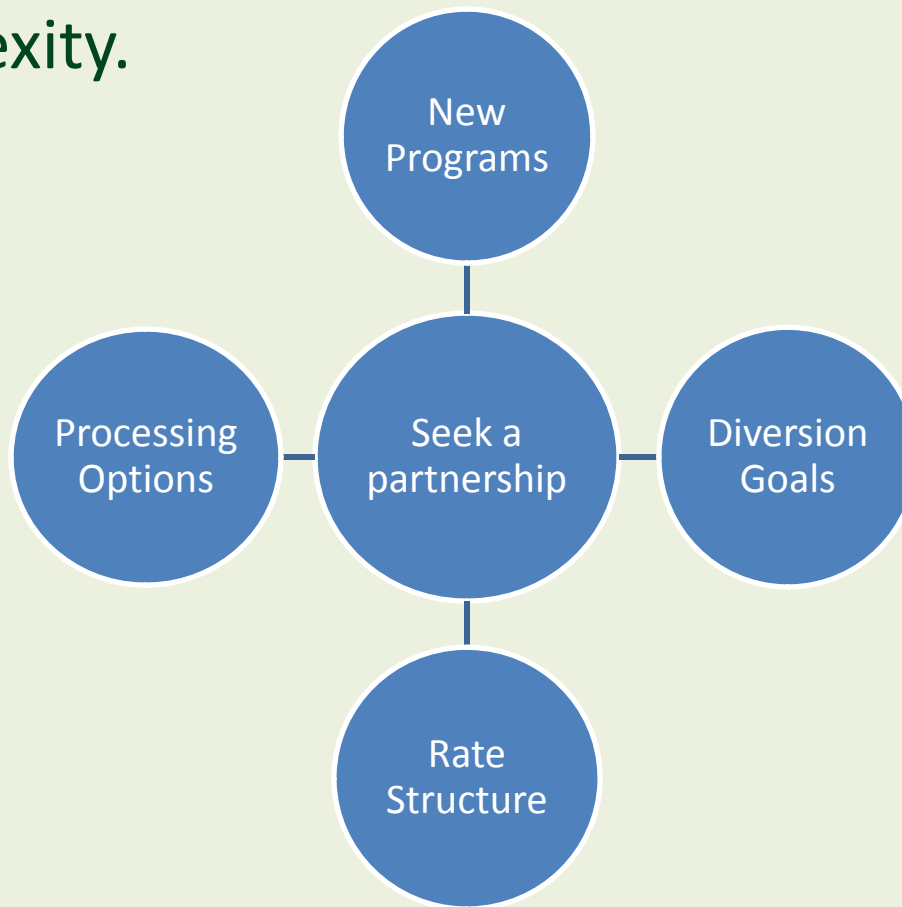
Minimizing risk means:

1. Identify risks to contractor and jurisdiction.
2. Eliminate risks that can be eliminated.
3. Minimize risks that cannot be eliminated.
4. Balance unavoidable risks between contractor and ratepayers.

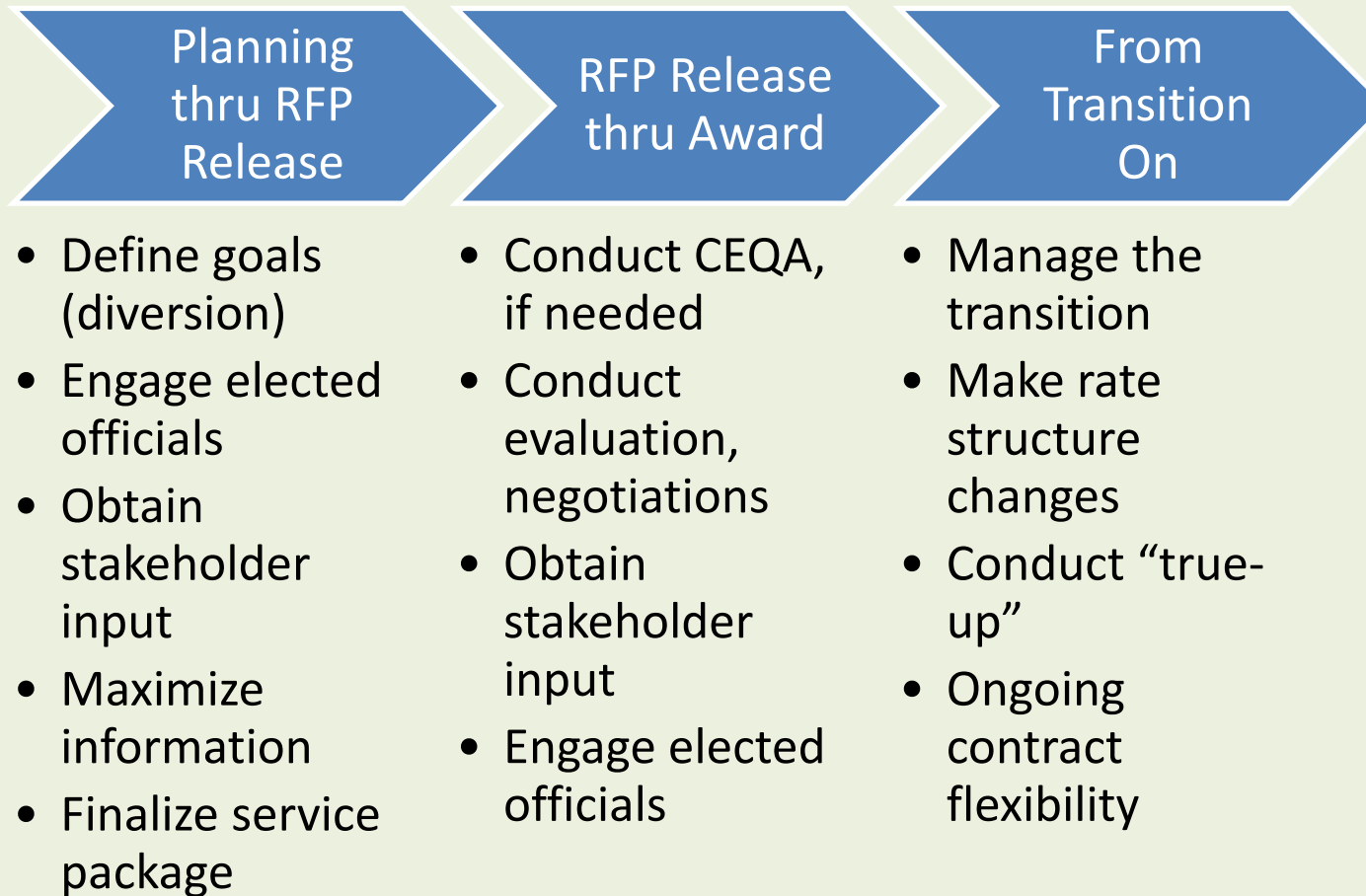


High Diversion RFPs = Partnership

Why more risk? More variables, added complexity.



Elements of HD RFP Processes



4 Reference RFP Processes

City/Years	Sectors	RFP Process - Competitive or Sole Source	Diversion (Before/Now)
Palo Alto 2007-08	All	C	~70%/~80%
San Jose 2007-11	Commercial	C	~23%/~75% (sector)
Mountain View 2011-13	All	S	~72%
Daly City 2012-14	All	C	~49%



Big Picture

- Allow Adequate Time:
 - Stakeholder input
 - Defining RFP program options
 - Selecting final programs
 - Evaluation and possible “mix and match”
 - CEQA, if needed
- Define Goals:
 - Identify and define goals
 - Ensure process achieves them



Diversion Planning

- Tie to high diversion planning process
- Fit to community needs
 - Palo Alto, San Jose, Mountain View - similar City-wide ZW goals
 - Daly City's goal is to achieve and maintain compliance with steady progress towards higher goals
- The carrot and the stick



CEQA & Data

- CEQA: Needed?
 - Increasing role with facility changes, transport changes, climate action plans
 - Consider whether needed, and in what form
- Data: More (good) data reduces risk
 - Conduct a waste characterization
 - Maximize current conditions data



Stakeholder Input

- Define timing
 - Pre-RFP
 - Pre-contract
- Define format
 - Council study sessions
 - Citizen commissions
 - Informal workshops
 - Surveys
 - Social media
- Develop content



Define and Finalize the Service Package, RFP

- Terminology and Emphasis: Reflect your goals
- Services:
 - Base services
 - Alternative services (required and optional)
 - Pilot programs
 - Phasing of programs
- Post-Collection Services: Solicit, contract separately
- Treatment of Disposal: Separate?
- Avoid Tonnage Commitments
- Rate Structures: Proposals based on current structure



Evaluation & Selection

- Evaluation:
 - Base services – sets a new baseline
 - Alternative services – diversion/cost tradeoffs
 - Benchmarking – against ZW PPlan
- Decision-makers: What to take to elected officials, and when?
- Rate Structures: Avoid significant changes in rate structures and programs at the same time
- Mix and Match: Necessary to evaluate combinations of proposers and facilities?
- Final Service Package: Alternative services immediately or longer-term?



Transition and Beyond

- Transition:
 - Clear, detailed responsibilities with milestones
 - Monitor progress
- “True-Ups”:
 - Consider both revenue and expenses
 - Adjust for factors out of reasonable contractor control
 - Do not adjust for operating assumptions, inefficiency



Summary Results

City	Services Added	Rate Impacts
Palo Alto	<ul style="list-style-type: none"> - Commercial organics - Enhanced recycling 	<ul style="list-style-type: none"> - Impact of near-term ZW services on total rate base: about 4.5%
San Jose	<ul style="list-style-type: none"> - “2 Bin Plus” service tailored to about 8,000 businesses. - All streams processed. - Anaerobic digestion for organics. 	<ul style="list-style-type: none"> - Initially – unknown - Substantial increase in commercial rates with true-up.
Mountain View	<ul style="list-style-type: none"> - Full scale commercial food. - Enhanced MFD, commercial recycling. - SFD food scraps pilot at no cost. - Possible later additions include SFD food scraps. 	<ul style="list-style-type: none"> - Impact of near-term ZW services on total rate base: about 7% - Impact of ZW services on commercial bins, compactors: 15-20%



A Partnership

Partnership: What ultimately makes it work.

- Contract flexibility
- Meet and confer on ongoing basis
- Performance reviews
- Changes in scope
- Changes in compensation



Recap

- ✓ Frontload planning
- ✓ Allow adequate overall time
- ✓ Identify and manage risks
- ✓ Ensure community and elected official support
- ✓ Minimize number of variables changed at a time
 - e.g. programs, rate structure, containers, facilities, etc.
- ✓ Seek a partner
- ✓ Plan for a true-up
- ✓ Assume some degree of ongoing contract oversight



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