

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

March 4, 2013
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson, and Councilmembers Balducci, Chelminiak, Davidson, Stokes and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:08 p.m., with Mayor Lee presiding. There was no Executive Session.

2. Study Session

(a) Environmental Stewardship Initiative Update

City Manager Steve Sarkozy introduced staff's update on the Environmental Stewardship Initiative, which was adopted in 2006 with the purpose of reducing the City's and the community's greenhouse gas emissions.

Sheida Sahandy, Assistant to the City Manager, introduced Paul Andersson, Program Administrator and Emma Johnson, Resource Conservation Manager. Ms. Sahandy said the ESI program's first strategic plan ended in 2012, and staff is working to develop the 2013-2018 plan.

Ms. Sahandy described storms and extreme weather events attributed to global climate change. She said 2012 was the warmest year ever for the United States and the second most extreme in terms of storms. The average annual temperature increased 1.5 degrees in the Pacific Northwest between 1920 and 2003, and the warmest decade was the 1990s.

Ms. Sahandy described additional impacts including ocean acidification, which adversely affects shellfish farming, and wildfires. According to a Bellevue College survey, the most pressing sustainability issue identified was climate change/global warming. In 2007, the City Council adopted a reduction target and became a signatory to the U.S. Mayors Climate Protection

Agreement. The target is to achieve a seven percent reduction in greenhouse gas (GHG) emissions by the year 2012, compared to 1990 levels.

Ms. Sahandy demonstrated that the City, while not meeting the target, has been lowering greenhouse gas emissions since it began monitoring emission levels in 2006. On the community side, there is a slight increase due to both the focus on municipal emissions and an increase in Bellevue's population. Per capita emissions have decreased slightly.

Ms. Johnson said the Resource Conservation Management program started in 2009. It focuses on reducing energy consumption at City facilities through low cost or no cost operational improvements. City Hall earned the Energy Star award in 2008 and 2010 and is in the top five percent nationwide in terms of energy efficiency. She described additional savings realized through new parks lighting systems, which also provide a better quality of light, savings in paper usage, the use of recycled asphalt shingles for roadway surfacing, paperless permitting, and an increasingly more energy efficient vehicle fleet.

Ms. Emma demonstrated the new online "dashboard" which provides statistics and trends to enable staff to better manage environmental performance. Mr. Andersson noted that the dashboard was launched internally in December. Staff wanted to discuss this tool with the Council tonight in anticipation of public release. A local software company is providing the software and helping City staff administer the data. Ms. Johnson noted that municipal emissions are only one percent of the overall community emissions.

Mr. Andersson described community actions over the past couple of years to reduce greenhouse gas emissions including the development of electric vehicle infrastructure (public and private charging stations), activities of the Eastside Sustainable Business Alliance, a community sustainability site called GreenWA.org that will launch this spring, and the home energy reports program. He demonstrated a tool that provides real-time monitoring of charging stations usage throughout the community.

Ms. Sahandy said the next steps are to draft the next ESI Strategic Plan for 2013-2018. Staff will come back to discuss the plan and new greenhouse gas emission targets. Staff proposes the audacious goal of Bellevue becoming a Carbon Neutral City by 2050. This includes activities within the local economy, energy usage, carbon storage (i.e., tree canopy, gardens, parks, compost), and mobility.

Mayor Lee thanked staff for the update.

Councilmember Stokes thanked staff and said it is exciting to be able to track the numbers.

Responding to Deputy Mayor Robertson, Ms. Johnson confirmed that asphalt recycling is a pilot program and said there has been no decision yet on whether it will continue. In further response, Ms. Johnson said there has been discussion about the potential for recycling construction waste and debris. Ms. Robertson said approximately 20 percent of landfill material is construction related, and some can be reused. Responding to Ms. Robertson, Ms. Sahandy agreed that it

would make sense to discuss the recycling of construction waste as a potential component of the solid waste collection contract.

Councilmember Chelminiak thanked staff for the work. He observed that this is an example of local government leadership in the absence of good federal policy. He commented on the importance of snow pack and water for agriculture on the east side of the state and for all economic activity statewide.

Councilmember Davidson said he is pleased to see the dollar savings payoff as well as the achievement of environmental and sustainability goals.

(b) Proposed Contract Service Package and Procurement Process for 2014
Comprehensive Garbage, Recyclables, and Organic Waste Collection Contract

Mr. Sarkozy opened discussion regarding the proposed contract service package and procurement process for the 2014 Comprehensive Garbage, Recyclables, and Organic Waste Collection Contract.

Councilmember Chelminiak said that Waste Management, one of the potential bidders on this contract, is a client of his. He recused himself from participating in the discussion or voting on the contract and left the study session room.

Nav Otal, Utilities Director, introduced Susan Fife-Ferris, Utilities Communications and Outreach Manager; Elaine Borjeson, Program Administrator; and Jeff Brown, consultant with Epicenter Services LLC.

Ms. Otal said the City's current solid waste management contract is with Republic Services for a term of 2004-2014. It is the City's highest dollar value contract with a private vendor. The new contract is anticipated to range from seven to 14 years.

Ms. Otal reviewed the guiding objectives of the solid waste management program which include outstanding customer service, maximizing the diversion of material from the landfill, and providing a rate structure with incentives for recycling and organics participation.

Ms. Fife-Ferris provided the history of the City's solid waste management program since 1953. The state was divided into two garbage territories in 1961, and the Factoria Transfer Station opened during the 1960s. Both of Seattle's small landfills were closed by 1986. Seattle chose to long-haul solid waste to Oregon and to put significant efforts into reducing waste and recycling. Ms. Fife-Ferris described the introduction of recycling in Bellevue in 1989 followed by yard debris pickup in 1990. The current recycling, garbage and organics contract went into effect in 2004.

The Solid Waste Interlocal Agreement with King County was established in 1988 and extends through 2028. It obligates the City to comply with the County's Solid Waste Management Plan and includes the option to extend the contract through 2040. King County manages transfer

stations and the disposal of solid waste in the Cedar Hills Landfill. The County's Solid Waste Management Plan is due to be updated this year.

Ms. Fife-Ferris described the development of the 2014 contract which included a comparison of Bellevue collection services with other collection programs around the region and country, review of customer feedback, input from solid waste collection vendors, input from the Environmental Services Commission (ESC), input from stakeholders, and industry expertise and assistance with the scoping process and the preparation of documents.

Ms. Fife-Ferris said customer feedback was gathered through a survey conducted by the Neighborhood Outreach Program, and the City has received continuous input over the course of the current contract. She described the methods used for commercial/business input and feedback on an ongoing basis.

The 2004 contract has a seven-year term with three one-year options to extend. It has been fully extended through June 28, 2014. The base level of curbside services is embedded in the garbage fee, which is based on the size of the container. Single-family residential services are garbage, recycling, organics (yard debris and food waste), small appliances, small electronics, and clean textiles. The existing contract provides multifamily and commercial garbage and recycling services. The 2004 contract does not cover independent contract commercial recycling, food waste for commercial and multifamily customers, or construction, demolition or land clearing related debris.

Ms. Fife-Ferris explained that the proposed 2014 contract services package builds on the 2004 contract's base level of services including curbside garbage collection, commingled recycling collection, and curbside organics collection. Rates were set in 2004 and have been adjusted annually based on inflation, a fuel adjustment, and changes in the King County tipping fee. Additional services in the contract are litter collection on main arterials, on-call bulky waste collection for a fee, landscape debris collection from multifamily and commercial customers for a fee, and special event garbage and recycling for an additional fee. The Utilities Department operates two semi-annual, special collection events for materials that are difficult to recycle.

Bellevue's current single-family residential recycling rate is 67.8 percent, which is one of the highest in the state and the nation. Bellevue businesses generate 57 percent of Bellevue's waste and recycle an estimated 33 percent of that amount. The exact commercial recycling rate is difficult to determine because many businesses use private vendors. Approximately 92 percent of Bellevue single-family households subscribe to curbside solid waste collection. Of those, more than 99 percent are signed up for recycling services and 91 percent utilize yard debris/food collection services.

Ms. Fife-Ferris said the 2014 contract includes a base level of garbage, recyclables and organics service for all customers and unlimited recycling for commercial customers. One of the main differences in the new contract is expanding the longstanding commercial and multifamily recycling program to include organics (i.e., food waste and food-soiled paper products).

Ms. Fife-Ferris said that concerns have been raised about this expansion of service, and there is some interest in implementing it in year 8 of the proposed 2014 contract. She noted that at least half of local businesses want assistance in setting up organics recycling. However, they are concerned about additional costs.

Ms. Fife-Ferris explained that the current commercial and multifamily garbage collection service has subsidized the disposal of food waste as garbage for many years. In the interest of having a simplified, consistent rate structure, garbage generators that produce heavy dumpsters do not pay more; they pay by volume, not by weight. In effect, they are subsidizing customers with lighter loads including retail centers and schools. In the current situation, if a business chooses to pay for separate organic collection, the savings of light-weighting their garbage container goes to the garbage hauler, not to the customer, unless the customer is able to downsize its dumpster and does so. No savings accrue to the other ratepayers who have paid a higher rate than necessary to subsidize food service customers.

She said that including commercial organics collection addresses three problems: 1) It encourages organics diversion, 2) It credits the value of that diversion to the entire commercial rate base, and 3) It ensures that the cost-effective organics collection is available to smaller customers who would otherwise not have an economical organics collection option. Ms. Fife-Ferris said it is less expensive to pay for organics composting than to pay King County's \$120+ per ton disposal fee.

Responding to Councilmember Balducci, Ms. Fife-Ferris said staff will provide these details in writing. Ms. Balducci said it would be helpful to identify major decision points and the key pros and cons of the different elements.

Continuing, Ms. Fife-Ferris said the proposed 2014 contract will continue the collection of litter on a prescribed route through the city and add quarterly single-family customer bulky waste collection at a reduced additional fee. It also provides online account management, expands customer service to seven days per week, and offers Saturday pickup for items missed on a Friday.

Ms. Fife-Ferris said the proposed contract provides a seven-year term with the flexibility for renewal, depending on the next renewal of the King County Interlocal Agreement. She referred to Attachment A in the meeting packet [Page SS 2-19] for a comparison of the 2004 and 2014 contracts.

Ms. Fife-Ferris briefly reviewed the 2014 contract development timeline. She noted that the Environmental Services Commission has reviewed the proposed service package and provided input for the Council [Attachment B, Page SS 2-21]. Next steps are to meet with Councilmembers individually, come back with an update on March 18, and issue the request for proposals (RFP) on April 1. Staff anticipates allowing approximately two months for vendors to submit proposals.

Mayor Lee said this is a great deal of information, and he expressed support for individual Councilmember briefings. He asked staff to highlight the key differences and benefits of the new contract as part of these briefings.

Responding to Mayor Lee, Ms. Fife-Ferris said the proposed contract has a seven-year base term, with the option for either three-year or seven-year extensions.

City Manager Sarkozy said that, during the development of the 2004 contract, the haulers suggested targeting 2028 for the expiration of both the local services contract and the King County contract for disposing of the City's waste at the Cedar Hills site.

Responding to Councilmember Balducci, Ms. Fife-Ferris said the Environmental Services Commission discussed the topic during three meetings but has not held a public hearing. Ms. Balducci said she has been contacted by citizens who would like to provide input on the next contract. She appreciates the comparison of the current and proposed contracts provided as Attachment A in the meeting packet.

Responding to Ms. Balducci, Mr. Brown said that, for almost all cities that have gone through a competitive process during the past few years, new contracts have increased services and/or lowered costs. In the cities with negotiated contracts, that has not been the case and often rates have gone up. One advantage for Bellevue in requesting bids relates to approximately \$150 in containers/carts at each household which become the City's property upon the conclusion of this contract. This could bring a significant cost savings for ratepayers in the new contract.

Councilmember Balducci said it would be helpful to have more details on what the City expects and/or to look at the experience of other cities. She would like a better sense of the potential financial impact.

Mr. Brown noted that there are now three competitors, instead of two, who will likely be involved in the bidding process. The continued slow economy is a good time to go through the competitive process as well.

Councilmember Davidson questioned how administrative costs are handled. Mr. Brown said there is a base administrative fee for City functions and dedicated fees for specific programs contained within individual contracts. Mr. Brown said the basis for determining the administrative fees changed recently. Ms. Otal said staff will provide more information in the Council briefings.

Deputy Mayor Robertson said it would be helpful for staff, in the Council briefings or a future meeting, to lay out the pros and cons of taking a different look at the services contract and to provide a summary of feedback. She said gathering feedback from the community is important.

Ms. Robertson referred to page SS 2-15 of the meeting packet, which addresses the linear model rate structure. She expressed concern that the rates will be too high for larger containers, which will penalize larger households. She noted that the fixed cost of stopping at an address is the

same, regardless of the size of the container, and she is concerned about charging double for containers that are twice as big as smaller containers.

Ms. Robertson said she is concerned about how the commercial organics service will work. Some businesses generate a high volume of organic waste while other businesses do not. She observed that the latter category will be subsidizing the higher volume customers. She has heard from commercial property owners who are concerned about the costs.

Mr. Brown explained that the subsidy concept was a policy choice some years ago and it is built into the commercial rate structure already in order to charge a consistent rate. Businesses who currently compost organics pay for a private disposal service and they also pay the same flat rate as other customers for the City's garbage pickup. Embedding the cost of organics service into the flat rate actually benefits all customers because a lower total volume of garbage lowers the overall garbage services flat rate. Mr. Brown said this makes organics collection more efficient as well because more customers participate under an embedded rate structure.

Ms. Robertson suggested that the Council discuss the subsidy policy because it does not seem fair to businesses who will have low levels of organic materials. She would like to understand the policy implications and suggested greater community outreach.

Responding to Ms. Robertson about construction waste, Ms. Fife-Ferris said that any garbage generated within the community, including on construction sites, is covered by the City's contract. However, under state law, if a commercial customer wants to recycle their material, they have the right to hire a private disposal company. Many large construction sites utilize private services to collect and recycle construction materials.

Ms. Robertson questioned the likelihood of increased noise impacts related to emptying more dumpsters at night, especially for downtown residents adjacent to restaurants. Ms. Fife-Ferris said there will not necessarily be more truck trips related to the commercial organics proposal.

Ms. Robertson reiterated that she would like further discussion of embedded rates, particularly with regard to commercial organics collection. She would also like to consider and discuss an approach in which the City, instead of setting the contract service requirements, communicates the goals (e.g., increasing diversion, expanding organics recycling, and maintaining low costs) and allows the vendors to propose how they would achieve the goals.

Councilmember Stokes said he would like information about the split in the two factors of cost versus value. He said there was some discussion of this issue by the Environmental Services Commission. He suggested a comparison with other jurisdictions on this issue as well.

Mr. Stokes expressed concern that the contract does not specify that there will be a customer service center in Bellevue. He would like this to be seriously considered.

Councilmember Stokes questioned the plan for new vehicles beyond the initial seven-year contract period. Mr. Brown said the first term is seven years, starting out with relatively recent

trucks. If the term is extended three additional years, new trucks will not be necessary. If the term is extended for seven more years, new trucks would be purchased. Mr. Brown said the contract does not save money by using old trucks, as there are more spills, leaks and other problems. The goal is to provide the most efficient timeline in the contract to optimize the use of the equipment and to capitalize new equipment.

Mr. Stokes expressed concern about requiring a whole new fleet of trucks at the end of seven years. He suggested staggering the purchase of new vehicles. He questioned a vendor's ability to prepare a proposal and cost estimate that covers the two contract extension options.

Mr. Brown said the hauler may choose to depreciate equipment over 10 years in order to be more competitive. He said that truck costs are relatively small compared to labor and other costs. The bigger issue is to avoid a potential entry barrier for a hauler who wants to compete. A positive feature of the new contract is that service providers will not need to recapitalize new residential carts in order to place a bid. Mr. Brown added that there are three to four strong competitors who would not have a problem capitalizing equipment and the investment in new trucks. He explained that newer equipment minimizes service interruptions.

Councilmember Wallace said he is concerned about the costs and the lack of discussion about costs with the Environmental Services Commission. He observed that the embedded rate structure is socializing costs and will ultimately drive costs higher. He would like to see more engagement with the providers about the flexibility and costs of options. He wondered whether combining commercial organics with the traditional contract is the best approach versus contracting with a separate provider that is already collecting organic materials.

Mayor Lee said there is a need to talk about price and value. Responding to Mr. Lee, Ms. Fife-Ferris said the last contract decision was based solely on price.

Mayor Lee encouraged targeted public outreach to specifically address the new services package and contract including objectives and costs. He said it is important to understand how the waste will be handled and processed because this ultimately affects cost. He said it is also important to talk about organics recycling.

- (c) Implementation of the 2013-2019 Capital Investment Program (CIP) financing plan by providing for the issuance of limited tax general obligation Councilmanic bonds to finance, reimburse, or refinance a portion of the cost of the City's CIP, and discussion with Council concerning mix of short-term versus long-term debt

At 7:58 p.m., Mayor Lee declared recess to the Regular Session. He noted that item (c) would be moved to that agenda.

Myrna L. Basich, MMC
City Clerk
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