

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

September 3, 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

At 6:01 p.m., Deputy Mayor Robertson called the meeting to order and declared recess to Executive Session for approximately 30 minutes to discuss two items of potential litigation.

The meeting resumed at 6:56 p.m., with Mayor Lee presiding.

2. Study Session

- (a) Briefing on Results of 2014 Comprehensive Garbage, Recyclables, and Organic Waste Collection Contract Procurement Process

Councilmember Chelminiak recused himself from discussion of this item, noting that he is employed by Waste Management. While that company is not bidding on this contract and he does not have a conflict of interest, he prefers to recuse himself from participation to ensure the appearance of fairness. Mr. Chelminiak left the meeting room for the remainder of the Study Session.

Acting City Manager Brad Miyake opened staff's presentation regarding the 2014 comprehensive garbage, recyclables, and organic waste collection contract. The current contract expires in June 2014. The new contract has an initial term of seven years with an option to extend for an additional seven years. The contract totals \$18 million to \$20 million annually. Mr. Miyake said proposals were received from Republic Services, the current provider, and CleanScapes in response to the request for bids.

City Attorney Lori Riordan described the Process Integrity Guidelines contained within the request for proposals (RFP) which applies to the process for vendors bidding on City contracts. The purpose of the guidelines is to ensure fairness to all vendors seeking the contract. Vendors and their agents are prohibited from contact with City Councilmembers and with staff members conducting the evaluations for a blackout period.

Ms. Riordan said it was learned today that an email was sent to Councilmembers. She suggested that the Mayor ask Councilmembers to report whether they opened and read that email. In addition, she suggested that Councilmembers disclose any communications they may have had with any vendor, employee, agent or other party providing information on the potential vendors or services covered by the contract. Any disclosures should address the other party involved in the communication, date and general content, and whether the Councilmember feels he or she can base his or her decision on the information received through the City's RFP proposals and evaluations and not on the outside communications.

Responding to Mayor Lee, Councilmember Stokes said he received an email from KidsQuest Museum, who apparently is a subcontractor involved in the proposal for Republic Services. He also received an email from Cedar Grove, who he now understands is also a subcontractor. He said he read them hastily before leaving for tonight's meeting. He believes he can remain impartial with regard to discussing the proposals.

Councilmember Balducci said she received both emails described by Mr. Stokes and opened and read them. She responded briefly to the one from Cedar Grove to thank them for the information. She was not aware at that time that they were considered a subcontractor to Republic Services. She also received a voicemail from the same representative of Cedar Grove, and she exchanged phone calls with the director of KidsQuest. Neither of those contacts were substantive. They involved a desire to submit comments and a question about how to submit comments. Ms. Balducci said she is able to make a fair decision based on information received through appropriate channels.

Councilmember Wallace said he received the email from Cedar Grove. He has received a number of other communications from Cedar Grove in the form of personal discussions based on their business relationship with Wallace Properties. It has now come to his attention that they are a subcontractor subject to a blackout rule. Mr. Wallace recused himself from participating in the discussions. He said there have been a number of communications, which he feels badly about because he was not aware of the rules. He wants to be sure there are no issues about appearance of fairness. Mr. Wallace left the meeting room.

Councilmember Davidson said he did not open or read the email from Cedar Grove. He printed the email from KidsQuest but has not yet read it. He said that neither attempted contact will influence his decision. He did not realize that the entities were subcontractors.

Deputy Mayor Robertson said she received two emails from Cedar Grove, one with an attachment. She opened the emails on her phone but did not read them to any extent due to the difficulty of reading on the small device. She did not realize they were partners and prohibited from contacting Council. She received an email from KidsQuest and also did not realize that they were a partner. Ms. Robertson said she quickly skimmed the email and briefly responded on the process, essentially a two-sentence answer saying staff recommends and Council decides. Ms. Robertson said she believes she received an email reply thanking her. She said the communications have not and will not bias her decision on the solid waste and recycling contract.

Mayor Lee said he received emails from both organizations as discussed by other Councilmembers. He recalled that he responded to Cedar Grove to acknowledge receipt of the email. In addition to the email from KidsQuest, he also received a letter from the museum's representative earlier that day at the Rotary luncheon. Mr. Lee said the Council has engaged in extensive review, analysis, and discussions with staff on the proposals. He commented on the importance of this contract and the services it provides. He said he can be objective in making a decision.

Mr. Lee said this is a fair and open process. It is the responsibility of the vendors to ensure that their employees and subcontractors abide by the Process Integrity Guidelines.

Utilities Director Nav Otal recapped the process to date. On March 25, Council directed staff to structure the evaluation criteria to be 80 percent quantitative and 20 percent qualitative. The request for proposals (RFP) was issued in mid-April. Staff's evaluation shows that both vendors are capable of providing the identified services for Bellevue. Ms. Otal noted the scoring results for the two vendors, Republic Services and CleanScapes.

Toni Rezab, Assistant Finance Director, presented the quantitative findings. Both vendors would be profitable based on their bids, and both bids are higher than the current annual cost of \$17.3 million.

Lucy Liu, Assistant Director of Utilities, described the impact on the typical customer monthly bill under the current contract and the two proposed contracts.

Dan Stroh, Planning Director, reported on the qualitative evaluation. This team included Joyce Nichols, Director of Intergovernmental Affairs; Mike McCormick Huentelman, Neighborhood Outreach manager; and Nav Otal, Utilities Director. He said the quantitative and qualitative teams did not review or discuss each other's materials or analysis until each team finalized its conclusions.

Mr. Stroh said staff visited both bidders' facilities to observe their operations. The evaluation determined that both vendors could fulfill the contract in terms of customer service, contract implementation and compliance, operations, and sustainability (i.e., economic, social and environmental). Mr. Stroh said there was a recognition that Republic Services, as the current vendor, has a solid track record and would provide a smooth transition.

Ms. Otal noted the summary of staff's scoring and said the Council will make the final decision in selecting the vendor. Operations was a heavily weighted criteria and there was less than a half point difference between the two vendors. CleanScapes scored higher primarily due to its use of technology to optimize operations and reduce costs and its demonstration of route management.

In order to finalize the contract, Ms. Otal said Council direction is requested in three areas: 1) key service enhancements, 2) new service options, and 3) rate structure.

Ms. Otal described the potential key service enhancements identified in the presentation. Staff recommends implementing all of the enhancements. Staff is seeking final Council direction on the contract on September 9.

Mayor Lee commented on the relatively low cost difference of \$38,000 between the two vendors for the key service enhancements.

Councilmember Balducci concurred. Responding to Ms. Balducci, Ms. Otal confirmed that the customer rate difference based on the key enhancements is not noticeable .

Ms. Robertson agreed about the cost difference and said she would like to include all of the service enhancements.

Ms. Otal requested Council feedback on the new service options: 1) unlimited recycling for commercial customers, 2) in-city customer service center, and 3) commercial/multifamily organics collection (96-gallon weekly container embedded in garbage rate).

Mayor Lee commented that the City wants to encourage recycling and waste reduction. He believes it would be good to have all three services. Responding to Mr. Lee, Ms. Otal said the rate impact of these services is negligible within the context of a \$18 million contract.

Mayor Lee said the three new service options are consistent with the City's goals and values, and the cost is minimal.

Councilmember Stokes agreed regarding the importance of maximizing recycling within the community. As a ratepayer himself, he supports including the new services.

Deputy Mayor Robertson concurred and noted the ongoing goal to recycle items, including organics, as much as possible.

Ms. Otal said staff recommends maintaining the current rate structure, which minimizes rate impacts to all customers.

Ms. Balducci said it would be more meaningful to discuss that issue after the vendor is selected. She noted that the rate impacts differ between the two vendors. Ms. Otal said staff will bring back more information on rate structures next week.

Ms. Otal said the next steps are to finalize the contract with the vendor of choice this month, and to present the vendor-executed contract to the Council in early October for approval.

Councilmember Balducci questioned how staff determined that both vendors are able to perform and fulfill the contract.

Ms. Otal said Republic Services is the current provider with a proven track record. For CleanScapes, staff looked at their experience with customers in other jurisdictions. CleanScapes

serves approximately 60,000 residential customers and nearly all commercial customers in Seattle.

Mr. Stroh said staff conducted site visits of both companies and their fleets, and spent considerable time asking questions about operations and technology.

Councilmember Balducci asked how staff assessed the ability of CleanScapes to ramp up to serve a new large customer like Bellevue.

Mr. Stroh said the evaluation team looked at the company's staffing and transition plan, spoke with senior management, and reviewed their operations in Seattle. Staff also discussed new contract items with Republic Services and determined they are capable of meeting the contract.

Ms. Balducci said that Republic Services has not been making a profit under the \$17.3 million annual contract. She questioned whether it is realistic that CleanScapes could make the capital investments and provide more services for \$17.9 million the first year.

Ms. Otal said the financial information recently provided by the current vendor shows a profit.

Ms. Liu said the City asked for a one-year financial projection and does not have information beyond that timeframe.

Ms. Balducci said she does not believe there is sufficient information tonight to be able to make a decision.

Ms. Rezab said there are no indications that CleanScapes could not provide the services.

Councilmember Balducci questioned how the City is protected from a vendor being unable to provide the services and/or requesting a rate increase. Ms. Liu said the rates are set and include an inflationary factor. She said a performance bond is required for the contract, which provides some assurance about the contract.

Ms. Otal said there are two elements. One is an inflationary increase on the collection portion, and the other is a pass-through of any disposal costs. The inflationary increase in the new contract has been changed from 70 percent to 100 percent of CPI.

In further response to Ms. Balducci, Ms. Otal said staff will provide additional information next week regarding the performance bond and termination provisions.

Ms. Balducci questioned the higher bid from Republic Services. Ms. Liu said this relates primarily to insurance costs and the amounts the vendors expect to make from recyclables.

Responding to Ms. Balducci, Ms. Liu confirmed that Republic Services' rates include a charge based on the fee anticipated by the City if recycling targets are not met. Ms. Balducci thanked staff for their thorough work on this issue.

Responding to Mayor Lee, Ms. Ota confirmed that the financial analysis of estimated contract costs is based on one year.

Deputy Mayor Robertson thanked staff for their hard work. Responding to her, Ms. Ota said staff has not received any information from either vendor that disputes staff's analysis, based on either facts or conclusions.

(b) Reviewing Draft Recruitment Brochure for City Manager

Mayor Lee noted that it was almost time for the Regular Session to begin.

Responding to the Mayor, City Clerk Myrna Basich said it would be helpful to receive Council direction on the City Manager recruitment brochure that night.

Mayor Lee said the Council would address it during Agenda Item 6, Council Business.

At 7:57 p.m., Mayor Lee declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

/kaw