




III.A.

OFFICE OF THE CITY ADMINISTRATOR

Memorandum

TO: MEMBERS - Planning/Public Works Committee

FROM: Michael G. Herring, City Administrator 

DATE: October 14, 2008

RE: Contract extension - Allied Waste

As detailed/confirmed in the enclosed letter, from Tony Lamantia, Municipal Account Manager with Allied Waste, I have negotiated a proposal from Allied Waste for a multi-year contract extension, at an annual cost increase of just three (3%) percent per year! Currently, Allied Waste provides the "basic service" of one-time/week collection of garbage and recycling to approximately 13,000 customers. The current cost for this service, that we negotiated approximately two years ago, is \$12.01/month and that cost is guaranteed until July 31, 2009. If endorsed by this Committee and approved by City Council, this cost will increase, as follows:

EFFECTIVE DATE	NEW RATE	AMOUNT OF INCREASE
August 1, 2009	\$12.37	\$.36 (3%)
August 1, 2010	\$12.74	\$.37 (3%)
August 1, 2011	\$13.12	\$.38 (3%)
August 1, 2012	\$13.51	\$.39 (3%)
August 1, 2013	\$13.92	\$.41 (3%)

Obviously, I understand that there is value to Allied Waste, in terms of cash flow and corporate financial planning, in securing a multi-year agreement. There is also the intangible value of having "Chesterfield" as one of its major customers, especially when seeking a contract from other cities. However, taking into consideration all of the factors that could impact future pricing, specifically the costs of fuel and labor, I am extremely pleased to have been able to negotiate this proposal, on your behalf. Regardless the value

to Allied Waste, it is my firm belief that our residents will benefit substantially by our ability to limit future rate increases to just three (3%) percent!

In addition to securing a GUARANTEE, capping future rate increases at just THREE (3%) PERCENT, this proposed contract extension will also include a ten (10%) senior citizen discount, for all residents, age 65 and older. FYI, Allied Waste estimates that this will apply to 4,223 of its current customers! Finally, AT NO ADDITIONAL COST, Allied Waste has agreed to obtain and deliver, to all of its customers, 65-gallon carts, for recycling. Our Citizens Committee for the Environment has long requested this additional service. Obviously, it is in everyone's best interest to encourage our residents to recycle. Providing larger and mobile containers should help to accomplish this goal!

In exchange for all of the above, Allied Waste is requesting just one change to our current contract..... that all YARD WASTE collections be consolidated on Wednesdays, rather than the current collection process which has that service provided Monday, Tuesday, Thursday or Friday. Because of the importance of making this change and the positive impact it will have upon Allied Waste's overall costs of operation, they are also offering to "soften the blow" caused by this change, by agreeing to FREEZE current yard waste costs, at the current level, for the next two years, until July 31, 2011!

It should be obvious that offering "Senior citizen" discounts and purchasing 65-gallon containers for recycling will affect the "bottom line" for Allied Waste. Hopefully, some of these costs can/will be off-set by the increased volumes of recycling to be generated by our residents, using these new carts. Limiting future rate increases to just three (3%) percent is something that, quite honestly, I did not expect Allied Waste to agree to, especially given the cost of motor fuels. If the only "cost" to our residents is having to move yard waste collection services to Wednesdays, then I would suggest to you that this proposal represents a huge bargain for our residents! Especially, if this change can allow Allied Waste to limit its cost increases, for the "basic services" provided to all of its customers, to just three (3%) per year!

In checking with other cities, I have determined that it is not unusual to have a separate, citywide collection day for yard waste only. Keep in mind, also, that of the 13,000 customers that receive garbage/recycling services, only approximately 6,000 obtain yard waste services and many of those contract for just three months per year, which is the minimum contract period.

While I certainly do not condone nor excuse Allied Waste for their "jumping the gun" and notifying their current yard waste customers, IN ERROR, that a change in yard waste collection, on Wednesdays only, would begin October 1, 2008, it has given us an unscientific ability to gauge the reaction to such a change. Our records indicate that we received just five phone calls here at City Hall and, according to Mr. Lamantia, Allied Waste received NONE.

In conclusion, while I strongly endorse this proposal, due to the many reasons noted above, and urge your favorable consideration as well, I want to assure you that Allied

Waste has established and maintained a strong commitment to customer service, within our community. Problems that arise, while few and far between, are routinely addressed and resolved, in most instances, the same day that they are reported to us. In particular, I want you to know that Tony Lamantia, Allied Waste's Municipal Account Representative, goes above and beyond the call, during his interactions with our residents.

As always, if you have any questions, please let me know. Otherwise, I look forward to discussing this with you, at the October 23 meeting of this Committee.

CC: Mayor John Nations



ALLIED WASTE

October 14, 2008

Mr. Michael G. Herring, City Administrator
City of Chesterfield
690 Chesterfield Parkway West
Chesterfield, MO 63017

J. Herring
10/14/08

Dear Mr. Herring:

To begin with, let me convey to you Allied Waste's appreciation for the excellent working relationship we have established during our long association with the City of Chesterfield. Let me thank you for your willingness to work so closely with us and for the high standards that you have set for our company. With the assistance and active involvement of you and your staff, I am certain that you will agree that we have been successful in providing quality services to the citizens of your community.

As you know, our current contract with the City will expire as of July 31, 2009. To insure uninterrupted services, you and I have met, on numerous occasions, over the past several months, to discuss our request for a long-term extension to the current contract. During those meetings, you specifically requested several enhancements, to the current contract and, after review by our regional and corporate headquarters, I am pleased to be able to offer you the following proposal, incorporating all of the changes you have requested:

- * A five (5) year contract extension, expiring July 31, 2014, with a GUARANTEED price increase, for the basic services of garbage/recycling, of just three (3%) percent per year. The first increase would take effect August 1, 2009. As has been the case in the past, we would request that this contract contain the option for unlimited one-year extensions, beginning August 1, 2014, but understand that such extensions would be possible only if any cost increases, at that time, would be no higher three (3%) percent;
- * A ten (10%) senior citizen (age 65, or older) discount, for the life of this contract and any extensions thereto, effective August 1, 2009;
- * Delivery to all of our customers, AT NO ADDITIONAL COST, of sixty-five (65) gallon carts, with lids and wheels, for recycling. While not required by the current contract, it would be our intent to deliver these recycling carts, no later than the month of April 2009;

In exchange for these enhancements, Allied Waste is only requesting that YARD WASTE COLLECTION, which is an optional service, be consolidated and collected, citywide, on Wednesdays, rather than the current system of collecting same on Monday, Tuesday, Thursday and Friday. If approved by the City, we will notify all of our customers of this change, thirty (30) days in advance, AND will commit to freezing the current cost for those customers that select this option, for TWO YEARS, until July 31, 2011. With the approval of City Council, we are requesting the ability to implement this change as soon as the new contracts are signed.

The savings that we will realize by this consolidation are significant and, given the high cost of motor fuels and the probability of future increases, we must begin to operate more efficiently. With this in mind, we can no longer offer "specialized" services, such as two garbage collections/week or rear-yard services, to new customers. We will, however, agree to continue to provide those services to those residents currently receiving them. The cost for these "specialized" services is significantly higher than the cost for "basic" services and those costs are likely to increase fairly substantially, over the coming years. As you know, we voluntarily provide rear-yard collection services, on a case-by-case basis, to those who cannot bring their garbage and recycling to the curb, either due to age or physical limitations. We will continue that practice for anyone needing this assistance.

The City of Chesterfield is an important customer and we hope you will agree that our proposal is a strong indication of the importance that we place on our partnership. Please let me know if you need any additional information. I look forward to hearing from you soon.

Sincerely,

Tony Lamantia
Municipal Account Representative
Allied Waste Services LLC
Cell Number (314) 568-2488