

NewGen NEWS

Issue 1, February 2015



Feature Article: Procuring Municipal Solid Waste Services



Local governments that do not provide solid waste or recycling services with city trucks and personnel will typically contract these services out to a private hauler. These municipalities will either handle the procurement process themselves or will hire a consulting firm familiar with the procurement process. This article describes, in an abbreviated format, the process for conducting such a procurement. Regardless of whether a solid waste utility conducts this process “in-house” or uses a consulting firm, these steps provide a best practices approach and framework for the procurement of solid waste services.

Procurement Timeline and Milestones



Kick-off and Development of Documents

Kick-off Meeting

Procurement of solid waste services requires consensus on various process components including, but not limited to: provided services, contractual terms, bid process, etc. Additionally, including key staff (e.g. City Manager, Purchasing Manager, and Director of Public Works, etc.) in the kick-off meeting is essential to ensuring that the procurement process ultimately meets the goals of the municipality. It is also important to allow an adequate amount of time (often three or more hours) to thoroughly discuss all details.

Development of Procurement Documents (6 to 8 weeks)

Building on the consensus gained during the kick-off meeting, the development of the procurement documents becomes one of the most critical tasks during the procurement process. This step includes developing the following components: a detailed scope of services, evaluation criteria, and required proposal structure (company background information, qualifications, insurance, etc.).

Issue Request for Proposal (RFP)

Pre-Bid Meeting

An optional or mandatory pre-bid meeting is recommended, as it allows an opportunity for prospective bidders to ask questions. Additionally, this meeting allows for a tour of the solid waste facilities (if applicable).

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Proposal Evaluation and Meetings

Evaluation of Proposals

The proposers often take two to three weeks to review the bid documents, and another six to eight weeks to develop their bids. Once the proposals are received, the evaluation process may be a one- or two-step process depending on how the RFP was structured. If the RFP included qualifications and pricing submittals, the evaluation should be separated into an evaluation of the qualifications and past performance, then the pricing submittal. The second step would focus on the pricing.

Conduct Proposal Interviews

Upon completion of the evaluation of the proposals, it is best to identify the top three to five qualified bidders and invite the selected firms in for interviews to address and clarify any outstanding issues.

Council Meeting/Executive Session

It is also common to have a council meeting (customarily in executive session) to recommend to city council the firm to enter into negotiations with.

Contract Negotiations

Contract negotiations can take up to six to eight weeks, and it is often the most unpredictable step in the process. During contract negotiations, it is essential that all items being negotiated are accurately captured in the service levels and pricing adjustments. A strong contract coupled with a thorough financial analysis of the firm's proposal and service levels is essential to ensuring the city receives value and quality service at an appropriate cost.

Notice of Award

After successfully completing contract negotiations, the announcement of the award is made. At this time, it is critical that the city staff manage the transition of vendors by collaborating with the current provider and the selected vendor. This supports a seamless transition in services and further ensures the vendor is ready to begin on day one!

For more information regarding NewGen's Procurement Services please contact:

Austin Office: Dave Yanke at dyanke@newgenstrategies.net; Mandy Sines at msines@newgenstrategies.net

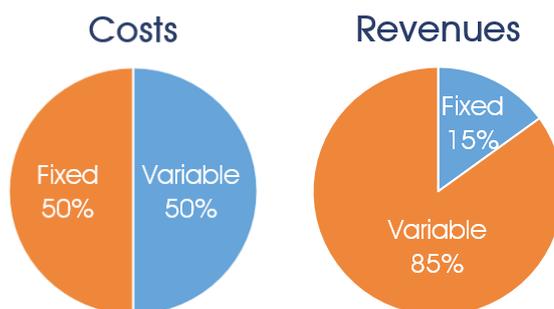
Denver Office: Jessica Terry at jterry@newgenstrategies.net



Distributed generation concerns driving base and customer charge changes

The recent trend of increasing the base or monthly charges for municipal utility customers has escalated with growing penetration levels and concerns over cost shifting impacts and equity for distributed generation. With fixed utility costs typically representing 50% to 70% of total costs, but only 20% to 30% of the revenues, utilities continue to increase monthly charges to address the misalignment and equity issues between customers.

The figure above illustrates the potential risks facing utilities if or as distributed generation becomes widespread and variable rate revenues (e.g. kWh related revenues) begin declining.



Is demand destruction really here?

This past summer The Wall Street Journal published an article noting while the U.S. GDP has increased significantly and our economy recovers, electric consumption has not returned to pre-recession levels. In fact, it appears energy demand has decoupled from U.S. GDP growth since 2010. Are utilities and customers now realizing the long-heralded and long-promised benefits of energy efficiency and competing technologies? A recent survey for a Federal Power Administration noted public power managers' awareness and expectation that the amount of distributed generation and alternatives will only continue to grow for customers. Utilities will be

[Energy Insights cont.](#)

forced to respond to the new reality with increasing rates, changing rate structures, new products or all of the above.

Energy Project Highlight

Distributed Generation Financial Impacts City of Vernon, CA

NewGen is evaluating the potential fiscal impacts related to customers' growing interest in conventional and renewable distributed generation. NewGen developed a financial forecast to evaluate state regulatory constraints, adoption rates, and financial impacts to the utility and City. The financial forecast, related scenario analysis and cost of service results will quantify the financial operating impacts to the utility, identify subsidizations and facilitate discussion and evaluation of rates or structures to address cost shifting and operating losses.



EPA nearing decision on Clean Water Act's application of "navigable waters"

The U.S. EPA's comment period has ended for the proposed rule defining the scope of the "Waters of the United States" under the agency's jurisdiction granted by the Clean Water Act (CWA). The rule was originally published in April 2014 and is meant to provide clarity as to the resources that are protected under the CWA. Currently, the CWA is limited to "navigable waters". This rule could have impacts on public water suppliers and the final outcome of the rule-making should be closely monitored.

Developing appropriate and equitable drainage fees

In June 2014, a State District Judge in Texas ruled that the City of Austin's Drainage Utility Fee was invalid. The original lawsuit, filed in 2009, argued that charging the same fee to single-family homes as well as individual apartment units was illegal. Cities should be aware of this ruling and watch the outcome of any appellate action to ensure that the basis for their own Drainage Utility Fee is appropriate.

State funding approved to address infrastructure issues created by the convergence of the Great Recession, drought, customer growth, and historically deferred capital expenditures

In November 2013, Texas voters approved a one-time

investment of \$2 billion in water infrastructure from the state's Rainy Day Fund. On November 6, 2014, the Texas Water Development Board adopted the final rules for implementing this investment through the State Water Implementation Fund for Texas (SWIFT). Project ranking and funding implementation will begin soon based on applications submitted prior to February 3, 2015.

In the November 2014 elections, California voters approved Proposition 1, a \$7.2 billion bond initiative, also known as the Water Quality, Supply, and Infrastructure Improvement Act, to invest in water projects throughout the state. Stay tuned for more information on implementation of this much needed investment.

Water, Wastewater, and Stormwater Project Highlight

Drainage Utility Billing Database Review City of Terrell, TX

NewGen was retained by the City of Terrell to review and amend their drainage utility billing database in light of recent court decisions. Specifically, NewGen is reviewing the assignment of equivalent residential units to multi-family customers and ensuring that the basis on which the drainage fee is billed is in compliance with current legal interpretation.



Alternatives to wax coatings dramatically increase 'recyclability' or rates for recycling corrugated boxes

The use of wax coatings on corrugated containers continues to decline, which is a positive for the paper recovery industry. The Corrugated Packaging Alliance reports waxed coating usage dropped below 3% of total corrugated paperboard. This is a reduction of nearly 50% in a decade. This material helps preserve the strength of boxes when shipping wet or iced products (primarily food). 47 different coating applications, which can be recycled and have repulpability (i.e. can be made into a new box) have passed certification to replace wax coatings.

Evolution of industry trade publications

The solid waste industry has lost another print magazine. Waste & Recycling News, an 18-year old publication with 28,000 subscribers has ceased publication due in part to weakening ad sales. This is also a likely reason why Waste360.com will move to digital only distribution in January 2015.

Solid Waste and Recycling Insights cont.

New perceptions in residential recycling

The Foodservice Packaging Institute recently completed a study based on a sampling of 2,600 pounds of residential recyclables that showed that food service packaging is not too contaminated to be recycled. In particular, tubs and lids for food products are capable of being recycled based on this study. The reason some municipal programs will not accept these containers is the perception that these containers may have increased food contamination. *(Editor's note: Many municipal recycling programs have different recycling policies with regard to materials accepted. Be sure to contact your city's solid waste department, check the city website, or call 311 to confirm what materials can be recycled.)*

Recent Georgia court case reaffirms local government control of franchises

In a recent court case, *Advanced Disposal Services Middle Georgia, LLC v. Deep South Sanitation, LLC*, Nos. S14A0784, S14A0785, Supreme Court of Georgia, September 22, 2014, the Supreme Court ruled that local governments have the right to limit competition with the issuance of an exclusive franchise. The justices also ignored the trial judge's conclusion that the system created an illegal monopoly. The Supreme Court based this on the fact that local governments are immune from federal antitrust laws where their anti-competitive conduct is sanctioned by state policy. (For more information refer to Waste360.com, November/December 2014, p. 12.)

Solid Waste and Recycling Project Highlight

Procurement

City of Superior, WI

NewGen was retained in December 2014 by the City of Superior, Wisconsin to manage two solid waste procurements. The first, to look at privatizing their solid waste collection services; the second to evaluate the feasibility of selling the City's landfill. The collection procurement will take approximately six months; while the landfill transaction may take up to 12 months due to the increased complexities.

**NewGen
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Have a question? Contact us at

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Recent Hires

Brown Thornton, Director (Nashville, TN)

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Brown joined NewGen in February 2015 as a Director. Brown brings 30 years of consulting experience in the energy and infrastructure markets. He specializes in utility management, financial management and analysis, rate studies, power supply and transmission service, strategic business planning, and process review and organizational studies for energy, water, and natural gas clients. Brown leverages his broad experience base to work with utility management and governing bodies in engagements involving strategic planning, examination of complex issues, and decision making.

Jessica Terry, Senior Consultant (Lakewood, CO)

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Jessica joined NewGen Strategies and Solutions in September 2014. Since attaining a Bachelor in Business Administration in Finance at University of Texas, Jessica has worked in the utility industry for five years. Through her career, Jessica has focused on financial and operational aspects of the water, wastewater, electric, solid waste, and recycling industries. Her project experience includes cost of service, rate design, operations reviews, operational modeling, feasibility studies, financial planning, procurement, and benchmarking.

Greg White, Intern (Dallas, TX)

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Greg White joined the Dallas, TX office in January 2015. He is a graduate of the University of Oklahoma and is currently seeking his Master's Degree in Public Administration at the University of North Texas. He has previously served as an intern in the Office of Congressman Mac Thornberry and in the Office of the Chief Clerk of the Oklahoma House of Representatives.