

CITY OF LAGUNA BEACH

EVALUATION OF PROPOSALS RECEIVED FOR SOLID WASTE AND RECYCLING SERVICES

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PROPOSAL EVALUATION

Introduction

EcoNomics was retained by the City to assist with the Request For Proposals (RFP) process to procure a new 8-10 year contract for solid waste and recycling services. A key goal of the RFP process was to develop a modernized contract that required all the diversion programs, public education, reporting and all other contractual elements for the City to comply with SB 1383.

EcoNomics worked with City staff to define goals, specific programs and requirements for the new contract. The work resulted in an RFP which contained a draft contract that would be signed by the selected proposer.

On August 16, 2022, the City Council approved the RFP and directed staff to solicit proposals. The RFP was issued on August 22, 2022, and a mandatory Pre-Submittal Conference was held on September 1, 2022. At that meeting, all potential proposers were asked to sign and submit a document stating they understood and agreed to follow the RFP process Integrity Rules Protocol included in the RFP and approved by the City Council. Proposers were invited to submit written questions concerning the RFP to the City. The City responded to all questions submitted and made certain revisions to (a) the draft contract contained in the RFP and (b) certain proposal forms, as well as made changes to the schedule for the RFP process, via issuance of three Addenda to the RFP.

Proposals were received from CR&R and WM in response to the RFP on November 21, 2022. The evaluation of the proposals was completed by City staff and EcoNomics. Proposal evaluation was completed in several phases:

- Phase 1 Each proposal was reviewed to ensure it met the minimum requirements of the RFP and was considered responsive. Both proposals were found to be responsive.

- Phase 2 Thorough analysis was conducted of each proposal addressing each evaluation criterion listed in the RFP. CR&R and WM each received four sets of questions, tailored to obtain more specific information and/or clarification regarding their proposals. Both proposers submitted responses to all questions.

- Phase 3 City staff and EcoNomics met four times to discuss and compare the costs, to analyze each company's approach to diversion programs, and to discuss each proposal in light of the evaluation criteria provided in the RFP. EcoNomics further

analyzed and evaluated the strengths and weaknesses of each proposal. Staff contacted references for each firm and relayed the results to EcoNomics.

Phase 4 Interviews were held on March 28, 2023, with each proposer: CR&R in the morning and Waste Management in the afternoon. Each proposer was asked to make a 30-minute presentation summarizing their proposal, qualifications, experience, proposed approach, etc. Then specific questions were asked of each proposer team to further clarify points in the proposal and to learn more about each proposer team and their approach to fulfilling all the contract requirements. The interviews were recorded on video.

Phase 5 City staff and EcoNomics met again after the interviews for a final discussion and to make a decision about which firm was the preferred proposer.

This report summarizes the results of the Proposal Evaluation by EcoNomics. The Proposal Evaluation was conducted using the nine criteria described in Section 5.2 (Proposal Evaluation Criteria) of the RFP. Each of the sections of this report describes the proposal evaluation for one of the criteria. Each section also contains specific components of sub-criteria as listed in the RFP.

The information used to evaluate each proposer was obtained from the Proposal Forms completed by each of the Proposers. Each of the nine criteria are paired with the corresponding Proposal Form(s) that contain the pertinent information.

Within each of the nine criteria sections, the evaluation for each proposer is provided in alphabetical order.

Section 1. Organization

(Proposal Forms 2, 3, 4, 5, 6, 7, 13 and 19)

1.1. Role of team members on the project; Contractual arrangements among team members; Key personnel assigned to the project; and Experience of assigned personnel in collection and materials diversion operations:

CR&R: CR&R's proposed operations and management team for Laguna Beach has experience in providing collection and recycling services for cities in Southern California, specifically for 16 cities in Orange County with a population over 20,000.

CR&R proposed assigning a well-experienced day-to-day team to Laguna Beach. In addition to the two well-experienced Sustainability Coordinators assigned to Laguna Beach, CR&R's Proposal Form 13 (Implementation Plan) includes a team of three high-level, senior management CR&R staff that would immediately be assigned to work closely with Laguna Beach upon award of contract and through the course of the contract: Senior Vice President Julie Barreda, Enterprise Sustainability Director Hashem Shokair and Manager of Sustainability Mike Carey.

Senior Vice President Julie Barreda has thirty-five years of solid waste and recycling experience, and she is proposed as the principal Contractor's representative and primary contact/liaison for Laguna Beach. At least one member of CR&R's proposed team, Hashem Shokair, has Laguna Beach-specific experience as a former employee of WM.

CR&R's proposal lists a variety and thorough list of tasks that will be accomplished by the Sustainability Coordinators and provided the names of two well-qualified Sustainability Coordinators that will be assigned to Laguna Beach. The tasks listed to be accomplished by the Sustainability Coordinators include public education as well as assisting residential and commercial customers with all aspects of diversion program implementation. The Sustainability Coordinator Supervisor and Manager are named in the CR&R proposal and are both very experienced staff members.

CR&R's Proposal Form 7 (List of Contractor Furnished Personnel) included 14 drivers in its proposal. In its response to Question Set #4, CR&R updated its Proposal Form 7 to include 12.3 drivers. The overall employee headcount submitted by CR&R in Proposal Form 7 is adequate to perform the work required by the contract.

WM: WM submitted personnel in its proposal that have experience in providing collection and recycling services for cities in Southern California. Specifically, they identified 3 cities, each with a population of over 20,000, within Orange County.

The proposed WM personnel listed in the proposal consist of region-wide positions in the organization chart in Proposal Form 6 and day-to-day staff for Laguna Beach listed in Proposal Form 5 (Key Personnel). In addition to the “to-be-hired” Sustainability Coordinator, two WM staff persons are mentioned in Proposal Form 13 (Implementation Plan) that would be working closely with Laguna Beach: Operations and Customer Liaison/Public Sector Sales Representative Muyisa Kasomo and Area Fleet Director Frank Guercio. The Area Fleet Director Frank Guercio is only mentioned in the Implementation Plan to determine the electric vehicle selection for Laguna Beach.

Operations and Customer Liaison/Public Sector Sales Representative Muyisa Kasomo has four years of experience in municipal account management, and she is proposed as the principal Contractor’s representative and primary contact/liaison for Laguna Beach.

The tasks described in the proposal to be accomplished by the Sustainability Coordinator are minimal and primarily relate to education and outreach and enhancing awareness. The proposal also states that the Sustainability Coordinator would be responsible for the recycling programs required by the contract. The contract does include a very detailed list of the Coordinator’s duties and responsibilities however, the proposal noted only a small portion of these.

The number of drivers submitted by WM in Proposal Form 7 (List of Contractor-Furnished Personnel) took several iterations of questions and answers to arrive at a reasonable number. WM’s original proposal included 125 drivers. The City asked for clarification in Question Set #1, and WM’s response stated a total of 39 drivers. Additional clarification was asked for in Question Set #2, and WM’s response stated a total of 21 drivers. The City’s Question Set #4 requested information as to the drivers assigned to vehicles in a supplemental table, and a total number of 21 drivers were listed in WM’s response. However, the total for drivers listed in the revision to Proposal Form 7 in Question Set #4 was 20.

1.2. Explanation of how the local management and corporate structure are linked:

CR&R: As a local, private corporation, CR&R’s structure is clear and senior management decision-makers are local.

WM: USA Waste of California, Inc. is a local subsidiary of WM national and international structure of companies. The proposal described their standard operating process of local, area and regional management reporting to corporate headquarters in Houston, Texas. The WM proposal identified the local team responsible for contract operations plus area, regional and national senior management.

1.3. Client references:

Reference checks were conducted by City of Laguna Beach staff with cities currently contracting with CR&R and with cities currently contracting with WM. The results of those reference checks are reported here:

CR&R: The cities providing the references reported receiving resident complaints regarding missed pick-ups by CR&R and the cities reported that CR&R has improved its responses to missed pick-ups. In general, the references reported positive working relationships between the CR&R staff and the cities' staff. The references reported that CR&R had vehicle oil or hydraulic oil spills within the last eighteen months, and the cities reported that CR&R responded promptly and appropriately in cleaning up the spills.

Some cities contractually require CR&R to provide a dedicated telephone number for their city residents to call CR&R for customer service. Otherwise, cities' residents call CR&R's main telephone number for customer service. The city references with a dedicated CR&R telephone number for its city's residents indicated receiving few complaints regarding telephone hold times when calling customer service. The city references in which its residents have to call the main CR&R customer service telephone number indicated residents complained of hold times of up to one hour. (The new Laguna Beach contract includes the provision of a dedicated customer service telephone number for Laguna Beach and a maximum monthly average hold time of ninety seconds. A software tracking system will record hold times and liquidated damages can be assessed by the City any time the average monthly hold times exceeding ninety seconds.)

WM: The cities providing the references reported receiving resident complaints regarding missed pick-ups by WM, and the cities reported that WM has improved its responses to missed pick-ups. In general, the references reported positive working relationships between the WM staff and the cities' staff. The references reported that WM had vehicle oil or hydraulic oil spills within the last eighteen months, and the cities reported that WM responded promptly and appropriately in cleaning up the spills.

The reference cities with WM service indicated the cities have received numerous complaints of customer service telephone hold times of up to one hour over the last two years. The telephone service has a call back feature, however, if the resident missed the call back, they would have to start again in the queue. In the last couple of weeks, WM has updated its customer service telephone system which has lessened the number of resident complaints.

The reference cities indicated significant issues with WM's Smart Truck technology which resulted in a portion of their residents and businesses being charged for contamination and/or overages that did not occur, being overcharged for contamination and/or overages and/or attributing contamination or overages to the wrong customer. These issues required considerable time and

effort by customers and the cities to work with WM to get the incorrect charges removed from the customers' accounts.

Determining the correct service level for customers is termed 'right-sizing' (i.e., determining the right size and service frequency of carts/bins for the customer for each material stream, including trash, recycling, and organics). Right-sizing can be used by generators to reduce their MSW service levels when incorporating recycling and organics recycling services, which can lead to cost savings if there are lower rates than MSW for recycling and organics services. The reference cities indicated that WM tends to 'up-size' rather than 'right-size' when working with a customer to determine the correct service levels, meaning WM tends to tell customers that they need larger carts/bins than necessary, sometimes resulting in higher customer rates and increased rate revenue to WM. In some cases, reference cities indicated that customers were receiving seemingly unsolicited calls from WM encouraging them to increase their service levels and their corresponding monthly solid waste and recycling costs.

Over the past few years, there has been turnover in the WM staff assigned to Laguna resulting in a situation where the current WM complement of managers and supervisors serving Laguna Beach does not have a great deal of experience or history with Laguna Beach. The number of WM staff in regular contact with City of Laguna Beach staff has declined over the past few years, with only 2 WM staff providing contact to City of Laguna Beach staff over the past year. This has led to the need for additional City staff time devoted to assisting Laguna Beach residents and businesses in resolving complaints and problems related to WM services. In addition, due to a reduced WM staff level that is in regular contact with Laguna Beach, there are longer turnaround times to resolve the issues with WM. The main WM staff member now assigned to Laguna Beach has only worked with Laguna Beach for approximately 1 1/2 years. References noted high staff turnover for contract management team in recent years.

1.4. Pending litigation:

CR&R: CR&R has 18 pending matters, including one group of consolidated cases related to the load fire. These levels of litigation are fairly typical of most companies in the industry. It does not appear from the information submitted that any of the pending matters would prohibit CR&R from performing the services required by the contract.

WM: USA Waste of California, Inc. listed 5 pending labor matters. However, the proposal noted that personal injury and property damage claims were excluded from the listed pending litigation as these are handled by insurers. The list also excluded worker's compensation claims and other matters that WM's proposal states were not searchable in the company's databases. These levels of litigation are fairly typical of most companies in the industry. It does not appear from the

information submitted that any of the pending matters would prohibit WM from performing the services required by the contract.

1.5. Section 1 (Organization) Conclusion:

CR&R: The information provided by CR&R was clear and the personnel assigned to Laguna Beach are specifically identified in Proposal Forms 5 and 6. The line of authority and oversight throughout the full spectrum of CR&R's assigned personnel, from senior management through its sustainability coordinators is well-defined in its proposal. The employee headcount submitted by CR&R in Proposal Form 7 is adequate to perform the work required by the contract.

WM: As noted in Section 1.1. above, the day-to-day personnel assigned to Laguna Beach in Proposal Form 5 are overseen by regional managers and an area manager (listed in the organizational chart in Proposal Form 6). The City needed multiple questions and responses from WM to obtain understandable answers in relation to its drivers reported in Proposal Form 7, and the final 4th iteration appears to be reasonable.

CR&R: Sustainability Coordinators play a significant role in assisting cities with program implementation needed to achieve the cities' State-mandated recycling goals. CR&R identified two well-experienced Sustainability Coordinators proposed to be assigned to the Laguna Beach team, and CR&R's proposal is more comprehensive in its description of tasks to be accomplished by the Sustainability Coordinators, including program implementation tasks. Therefore, CR&R's proposal provides confidence in the role of its Sustainability Coordinators for Laguna Beach and in the assistance the Sustainability Coordinators will provide for CalRecycle compliance.

The references for CR&R reported issues which were appropriately addressed when such issues occurred, including missed pick-ups and leaking vehicles.

The pending litigation for CR&R is within industry experience. It does not appear from the information submitted that any of the pending matters would prohibit CR&R from performing the services required by the contract.

WM: As mentioned above, Sustainability Coordinators play a significant role in assisting cities with program implementation needed to achieve the cities' State-mandated recycling goals. WM's proposal states that the Sustainability Coordinator is yet to be hired, and the description of tasks to be accomplished by the Sustainability Coordinator is minimal and relate more to public education than program implementation.

The references for WM reported issues which were appropriately addressed when such issues occurred, including missed pick-ups and leaking vehicles. The references noted concern with WM's use of its Smart Truck technology which causes overcharging and/or charging the wrong customer

for contamination and overages as well as concerns with the 'up-size' rather than 'right-size' strategy.

The pending litigation for WM is within industry experience. It does not appear from the information submitted that any of the pending matters would prohibit WM from performing the services required by the contract.

Section 2. Contract Exceptions

(Proposal Form 20)

2.1. Number, nature and materiality of the exceptions taken to the terms of the Agreement:

CR&R: CR&R proposed one exception that would significantly impact the City's ability to enforce the contract. CR&R objected to excluding pandemics and epidemics from being Force Majeure Events. This would mean that if an epidemic or pandemic occurred, the company would be excused from performing the services required in the contract if that part of the services was affected by the pandemic and/or epidemic.

CR&R proposed one exception that would potentially alter the term of the contract from 8 years with two possible one-year extensions (which would be earned by CR&R and approved unilaterally by the City) by making the extensions by "mutual agreement" of the City and CR&R.

CR&R proposed several exceptions that would have a moderate impact on the City including the following:

- (1) Proposing to limit City inspections and observations of waste characterizations at transfer stations and processing facilities to "normal business hours" instead of during whatever hours those events (characterizations and operations) were actually taking place. [Note: this appears in two places in the Agreement so there were 2 requests for the same change].
- (2) Requesting additional compensation for special vehicles, labor and/or equipment if use of an in-city small local composting facility were to become available since costs, quantities of material to be delivered, location, type of vehicle required to deliver the material and timing were all unknown at the time of the RFP (and are still unknown).
- (3) Requesting additional compensation if the City directs that multi-family and commercial containers be collected in separate trucks in order to track the tons separately. (The contract contains two other options for achieving this goal. This exception would become active only, if and when, all the other less costly alternatives had been tried and did not work.)
- (4) Requested a reduction in the required length of Sustainability Coordinator experience from 3 years of prior experience to 1 year of experience. Based upon industry experience, this position requires a more senior, experienced employee with full knowledge of recycling, food scrap, yard trimmings and other diversion programs and a complete understanding of all the requirements of SB 1383.
- (5) Requested a change in the amount to be paid to the City in the event of contractor's failure to certify 15 new Green Businesses per year and to recertify all existing Green Businesses that are due for re-certification each year, from \$25,000 for any failure, to a "per failure" cost for each failure.

CR&R proposed minor exceptions that mainly clarified contract language and would have a small effect on the City. These were the following:

- (1) Asked to change the number of hours to clean up blown or strewn trash or recyclables from 2 hours to 4 hours.
- (2) Asked to clarify that the 4-hour cleanup timeframe applied during regular business hours.
- (3) Asked to clarify that the prohibition on use of a 'dirty MRF' did not affect CR&R's use of its own transfer station for transferring MSW and other materials. CR&R has a 'dirty MRF' at the same location that is used for other cities but that would not be used for Laguna Beach.
- (4) Requested a change from 24 hours to 48 hours to clean graffiti off carts and bins.
- (5) Asked to add a definition of 'discourteous behavior' to the contract so liquidated damages could be assessed in the event of an employee's "discourteous behavior".

After a thorough review of both proposers' exceptions, the City sent a Question Set to each proposer describing the exceptions that were unacceptable to the City. The letter asked if the proposer wanted to withdraw any of the proposed exceptions. For CR&R, the letter listed the most significant exception (i.e. pandemics and epidemics not Force Majeure events) and the exception that would potentially affect the term of the agreement (requesting mutual agreement on extensions vs. unilateral city extensions of the Agreement). The letter to CR&R also stated that reducing the Sustainability Coordinator's experience to 1 year was not acceptable to the City.

CR&R responded with a letter withdrawing the 3 exceptions the City found unacceptable. After the completion of Phase 5 of the proposal evaluation process (described in the introduction to this report), City staff and EcoNomics concluded that CR&R was the preferred proposer. The City determined the contract award should go to CR&R conditional upon 1) CR&R's acceptance of language developed by the City to address the remaining CR&R exceptions in a manner that was acceptable to the City; and 2) reallocation of cost centers within service sectors while maintaining the total cost submitted in the original proposal (see Section 7). A letter was sent to CR&R to this effect. CR&R agreed to the conditions. The final contract language, developed by the City and accepted by CR&R, was used in the final analysis of the exceptions.

WM: WM proposed 4 very deleterious exceptions that would harm the City greatly. These were the following:

- (1) Rate increases for change of law. This exception would allow WM to request rate increases due to changes in law, whether or not the City directed such a change. 'Change of law' would be defined as any change in federal, state, local, and administrative laws, decisions of any court, public utility, bureau, commission, department, public body or arbitrator. This is very broad and would allow WM to

- reopen the rates and request rate increases an unlimited number of times during the contract term;
- (2) WM requested *a separate exception called 'extraordinary cost adjustments' that would allow WM to request rate increases at any time, and for an unlimited number of times, during the term of the contract for a myriad of reasons including (but not limited to) new or increased taxes, fees and charges imposed by any governmental entity, fuel and transportation costs, recycling and processing costs and fees, recyclable materials market conditions including commodity values. The impact of these two exceptions would be to remove from the contract any controls over costs that the City built into the contract in the RFP.*
 - (3) WM's third very significant exception objected to the sixty-three Liquidated Damages contained in Section 15.09 of the contract. WM stated the amounts were unjustified, that some damages were "unjustified and punitive", and that the Liquidated Damages would be "unenforceable under California law". WM requested negotiation to arrive at different liquidated damages and possibly different liquidated damage language. The City and EcoNomics had carefully crafted the sixty-three Liquidated Damages to provide the City and its ratepayers a method to enforce the contract for everything from missed pickups, long hold times on the contractor's telephone lines, failure to file timely and accurate reports, failure to have the required collision avoidance systems on collection trucks, failure to clean up liquid spills, blown trash, and failure to provide other key services. Most of the Liquidated Damages were based upon complaints the City has received over the past several years in order to deter the contractor from failing to perform as required. The Liquidated Damages are a standard component of solid waste and recycling contracts industry-wide and have been accepted by many or most companies contracting with cities to provide solid waste and recycling services.
 - (4) The fourth deleterious exception proposed by WM was objecting to pandemics, epidemics and labor strikes being excluded from being Force Majeure events. This would mean that if an epidemic, pandemic or strike occurred, the company would be excused from the contract requirements to perform the services if affected by the pandemic, epidemic or strike. As noted above regarding CR&R's exception regarding pandemics and epidemics, this would significantly impact the City's ability to enforce the contract and to require WM to continue provision of all services during a pandemic, epidemic or strike. The addition of 'labor strikes' would add another layer of uncertainty regarding WM's willingness and ability to provide the required services, especially weekly collection of trash, recyclables, food scraps and yard trimmings for residents and weekly or more frequent collection for businesses. Agreeing to this exception could provide a disincentive to WM to avoid strikes and other labor interruptions.

WM proposed two exceptions that would have significant negative impacts on the City.

- (1) The first would narrow the scope of the general indemnification of the City by the company. The indemnification section of the contract was approved by the City Attorney. It is always in the best interest of the City to have the indemnification be as broad and as detailed as possible.
- (2) The second significant exception defeats the City's ability to properly administer the contract to determine if all programs were being implemented and requirements were being met. It would also prohibit the City's compliance with the SB 1383 reporting requirements including City maintenance of an Implementation Record (including all tonnage records, detailed records of program implementation, etc.) which must be available for review by CalRecycle upon short notice. Such failure could lead to fines for the City for violating the SB 1383 regulations. The proposed exception would require that all data that WM deemed to be 'proprietary' on tonnages, diverted tons, program implementation and any other information required to be reported to the City under the contract be held as 'confidential' by WM and not be disclosed to any third party (including CalRecycle) without the company's permission and without the third party signing a non-disclosure agreement. The City could view the proprietary information at WM's offices but could not receive copies of it either electronically or in hard copy. This exception is untenable to the City.

WM also proposed exceptions that would have important negative impacts on the City. These included:

- (1) Capping the City's Administrative Cost Reimbursement annual adjustments at 5% (and rolling over any amount over 5% to future years).
- (2) Requiring the City to "meet and confer" about the City participating in any regional diversion programs (such as County public education programs, household hazardous waste, or other regional programs). The City would be required to add the program (and costs for the program,) to the company's scope of work instead of the City being able to choose which is the most cost effective and best method to accomplish the program.
- (3) In the event WM failed to achieve the contamination levels by the due dates in the contract, and/or failed to achieve 95% customer participation in all the diversion programs, WM objected to the requirement that the company pay the City to reach the required contamination reduction levels in trash, recyclables and food scraps/yard trimmings and to achieve full customer participation in the diversion programs. (Contamination consists of the amount of food scraps in the trash and in the recyclables, the amount of recyclables in the trash and in the food scraps/yard trimmings, and the amount of trash in the recyclables and in the food scraps/yard trimmings.) WM objected to the amount the contract requires it to pay, and the methods the City would have to achieve the required contamination levels (hiring staff or part time employees, hiring consultants, or others to train residents and businesses and to reduce contamination). WM's exception requested more detailed controls over who the City could use to attain

the required contamination levels, the costs, the time it would take to achieve the required levels, and could give WM control over the person(s) the City chose to conduct the training and other tasks to get contamination out of the trash, recyclables and/or food scraps/yard trimmings in either residential carts, commercial bins and carts or both. The exception also raised these same objections regarding the City being able to utilize (and have WM pay for) the cost of achieving 100% customer participation in all required programs (recycling, food scraps and yard trimmings) versus 95% participation which is the minimum required for the contractor to achieve.

WM proposed the following two exceptions which would have minimal impact on the City:

- (1) WM objected to providing copies of the company's insurance policies upon City request and instead would provide insurance certificates and allow the City to view the complete policies only at WM's headquarters.
- (2) WM proposed changing the annual inflation adjustment for processing of food scraps/yard trimmings and construction and demolition debris to match the indexes in WM's contract with Tierra Verde Enterprises. (WM provided a copy of the agreement with Tierra Verde which includes the formula for these adjustments). The formula could result in higher increases in the processing costs than the formula in the contract in the RFP.

The City sent a Question Set to WM describing the 4 very significant exceptions, the 2 significant exceptions and 1 of the important exceptions (the objection to paying for the City to bring contamination levels into compliance if the company failed to achieve the levels required by the contract) and outlining why these exceptions were unacceptable to the City. The letter asked if WM wanted to withdraw any of the proposed exceptions.

WM responded with a letter saying that the company "was not able to withdraw our exceptions at this time as we have not had an opportunity to meaningfully discuss our exceptions with the City". WM stated it felt its exceptions were "reasonable considering the length and scope of the proposed contract." The letter stated WM submitted the exceptions "with the intent and desire to preserve these issues for discussion with the City during negotiations as specified and required by Section 5.2 of the RFP".

The City replied with a letter stating that the RFP did not require negotiations regarding the exceptions either in Section 5.2 or in any other section. The City requested confirmation of receipt of the letter and WM representatives confirmed they had received the City's letter.

2.2. Section 2 (Exceptions) Conclusion:

WM's exceptions were much more significant than those proposed by CR&R. WM's exceptions could have potentially increased the costs and rates for the City and its ratepayers greatly over

the term of the contract. It is not possible to know the magnitude of such increased costs, as the exceptions would have afforded WM an unlimited number of opportunities to reopen the contract and request increased rates. WM's exceptions would also greatly inhibit the City's ability to manage the contract and to determine if WM was properly performing all required programs and reporting. WM expressed no willingness to withdraw any of its exceptions despite the City pointing out that the RFP did not require negotiations concerning the exceptions. CR&R's exceptions were less significant in nature. CR&R was immediately forthcoming and withdrew the 3 exceptions that the City said were unacceptable. Upon receipt of the letter from the City stating that the contract would be awarded to CR&R conditional upon 1) CR&R's acceptance of the exception language developed by the City to address the remaining CR&R exceptions, and 2) reallocation of cost centers within service sectors while maintaining the total cost submitted in the original proposal, CR&R promptly agreed to both conditions. CR&R accepted the language drafted by the City, as written, with no changes. This continued the pattern observed over the course of the proposal evaluation of CR&R being timely, cooperative, and forthcoming and WM holding back, being hesitant to comply with the City's requests and with requirements of the contract.

Section 3. Technical Capability

(Proposal Forms 2, 3, 5, 10, 11, 13, 15, 16, 18, 25, 28, 30 and 31)

3.1. Demonstrated experience with implementation and administration of collection services for MSW, recyclables, yard trimmings, and food scraps from residential, commercial, multi-family and institutional generators; Understanding of impacts of 75% diversion and legislation; and Developing a comprehensive diversion and collection/processing approach and business model that will adequately address 75% diversion mandates during the term of the Agreement:

CR&R: CR&R has extensive experience with implementation and administration of collection services for MSW, recyclables, yard trimmings, and food scraps from residential, commercial, and multi-family and institutional generators. CR&R has an understanding of the CalRecycle requirements and impacts of 75% diversion and legislation.

CR&R's proposal indicates that it has assisted one Orange County city in achieving both 100% AB 341 and 100% AB 1826 compliance. CR&R listed four Orange County cities it has assisted in achieving 95-100% compliance with AB 341 and AB 1826, and four additional Orange County cities it has assisted in achieving 85-99% compliance with AB 341 and AB 1826.

WM: WM has extensive experience with implementation and administration of collection services for MSW, recyclables, yard trimmings, and food scraps from residential, commercial, and multi-family and institutional generators. WM has an understanding of the CalRecycle requirements and impacts of 75% diversion and legislation.

WM's proposal indicates that it has assisted the City of Laguna Beach in achieving both 100% AB 341 and 100% AB 1826 compliance. City staff confirmed that the most recent WM report to the City indicated 100% AB 341 compliance and 99% AB 1826 compliance for Laguna Beach.

3.2. Minimum 3 years of experience providing reliable residential, commercial and roll-off collection services to a jurisdiction equal to, or larger in size, than the City of Laguna Beach; and Demonstrated experience with providing high quality customer services for 8-10 year contracts:

CR&R: CR&R has over three years of experience providing reliable residential, commercial and roll-off collection services to a jurisdiction equal to, or larger in size, than the City of Laguna Beach. CR&R also has experience with long-term contracts in similarly sized Orange County cities and other

Southern California jurisdictions of 20,000+ population. CR&R currently has contracts with the following cities (in addition to 32 other Southern California cities):

- Aliso Viejo
- Irvine (non-exclusive commercial)
- Laguna Niguel
- Newport Beach (residential and non-exclusive commercial)
- Costa Mesa
- La Habra
- Laguna Woods
- Orange
- Dana Point
- Laguna Hills
- Lake Forest
- Rancho Santa Margarita
- San Clemente
- San Juan Capistrano
- Stanton
- Tustin

WM: WM has over three years of experience providing reliable residential, commercial and roll-off collection services to a jurisdiction equal to, or larger in size, than the City of Laguna Beach. WM also has experience with long-term contracts in similarly sized Orange County cities and other Southern California jurisdictions of 20,000+ population. WM currently has contracts with the following cities in Orange County plus 14 other Southern California jurisdictions of 20,000+ population:

- Laguna Beach
- Mission Viejo
- Irvine

3.3. Demonstrated experience in operation or successful use of a fully permitted materials recovery facility, composting facility and C&D processing facility:

CR&R: CR&R has the requisite experience in using materials recovery facilities, composting facilities, and C&D processing facilities. As discussed in Section 4.4 (Processing facilities) below, for Laguna Beach, CR&R is proposing utilization of a clean MRF that is owned and operated by CR&R, a composting facility that is owned and operated by CR&R and two C&D processing facilities that are owned and operated by CR&R.

WM: WM has the requisite experience in using materials recovery facilities, composting facilities, and C&D processing facilities. As discussed in Section 4.4 (Processing facilities) below, for Laguna Beach, WM is proposing utilization of a clean MRF that is owned and operated by WM and a C&D processing facility that is operated by a third party. WM is proposing utilization of two composting facilities; one is owned by a third party and operated by WM and the other is owned and operated by a third party.

3.4. Demonstrated experience in operation of special recycling programs:

CR&R: CR&R has the requisite experience in operating special recycling programs including bulky item collection, household hazardous waste collection, household hazardous waste drop-off events, sharps programs, compost giveaways and workshops, holiday greenery recycling and similar collection programs. Laguna Beach included a new special program in the RFP, a textile recycling

collection day program. CR&R included the new textile recycling program in its proposal, with the collected textiles that are reusable being donated to local charities.

WM: WM has the requisite experience in operating special recycling programs including bulky item collection, household hazardous waste collection, household hazardous waste drop-off events, sharps programs, compost giveaways and workshops, holiday greenery recycling and similar collection programs. Laguna Beach included a new special program in the RFP, a textile recycling collection day program. WM included the new textile recycling program in its proposal, with the collected textiles that are reusable being donated to local charities.

3.5. Demonstrated experience with use of bin sensor technology, integration of technology producing cost-savings, and increases in productivity of collection and processing:

CR&R: CR&R's proposal incorporates on-board computers in its collection trucks to assist with productivity, routing and customer relations which allows for cost-savings. CR&R's proposal states that its on-board computers have the capability to incorporate data from bin sensors and other data management tools. In its Proposal Form 25 (Bin Sensors to be Provided by Contractor), CR&R stated that it has years of experience working with companies around the world in the deployment, monitoring and use of bin sensors in Southern California. CR&R further describes its proposed use of Compology bin sensors in Laguna Beach per the RFP requirements.

WM: WM's proposal incorporates on-board computers in its collection trucks to assist with productivity, routing and customer relations which allows for cost-savings. In its Proposal Form 25 (Bin Sensors to be Provided by Contractor), WM describes its proposed use of Compology bin sensors in Laguna Beach per the RFP requirements.

In Proposal Form 3 (Proposer Background and Experience), WM describes the use of Compology bin sensors in Laguna Beach in 2019, which was phased out for the use of WM Smart Trucks. The WM Smart Trucks were to replace the capabilities of the bin sensor (i.e. taking photo records of the bin's contents, capture data, and determine contamination levels). However, the WM Smart Truck technology usage resulted in many Laguna Beach businesses being over-charged and/or charged incorrectly. The City required WM to stop using the WM Smart Truck technology to assess overages and/or contamination charges in Laguna Beach.

3.6. Demonstrated experience with the purchase, operation and maintenance of battery electric collection vehicles, and permitting and installation of charging facilities:

The use of electric collection vehicles in the collection of solid waste and recycling materials is fairly new in the industry. A number of jurisdictions in California have implemented pilot-scale electric vehicles to collect refuse materials, including Palo Alto, Carson, Santa Ana, Santa Cruz, Elk Grove,

and Sacramento. The state of California has adopted regulations requiring that 10% of refuse collection fleets be zero emission by 2030 and that 100% of refuse fleets be zero emission by 2042. After extensive analysis and research to determine the feasibility of electric refuse collection vehicles in the City of Laguna Beach, it was recommended that the RFP include the requirement that 1 collection vehicle be battery electric. This vehicle will service the City's commercial cart customers, mostly in the downtown core of the City (e.g. the Forest Avenue area). Based on the state of the technology at the time of the RFP release, this was the most appropriate application of this technology due to flat terrain and the ability to use a split body truck to collect two types of materials in one pass. This will eliminate truck trips, help alleviate vehicle congestion and reduce air emissions.

CR&R: CRR has committed to having the electric collection vehicle in service by July 1, 2024.

WM: WM did not commit to providing the City an electric collection vehicle until the City awarded the contract and expected a 18-24 month fulfillment period for the vehicle (January – July 2025). The Orange County division of WM is not operating any electric collection vehicles in other cities. WM corporate has tested a Peterbilt EV in 2020 and had two additional pilots in 2022, including one in Palmdale.

3.7. Demonstrated experience in maintaining accurate records and providing complete, accurate, and useful data to cities/counties on a consistent and timely basis:

CR&R: CR&R has demonstrated experience in maintaining accurate records and providing data to its customers and cities.

WM: WM has demonstrated experience in maintaining accurate records and providing data to its customers and cities. However, as the current Contractor for Laguna Beach, WM should contractually be providing Laguna Beach with monthly reports needed to ensure the City is progressing toward its CalRecycle requirements. However, City staff experienced months long gaps in WM's SB 1383 data monthly reporting.

3.8. Demonstrated experience with public education and outreach:

CR&R: The CR&R outreach is customized to the customer sector targeted and provides city-specific program information tailored to the City's needs and programs, as well as general recycling information.

WM: The bulk of WM outreach is generic content for use in many different cities by changing the name and phone number of the city at the bottom of the brochure/flyer. WM does have a flyer/brochure based on Laguna Beach's special programs that is tailored to the City.

3.9. Section 3 (Technical Capability) Conclusion

CR&R: CR&R has the technical capability to implement and administer trash, recyclables, yard trimmings and food scraps collection services for Laguna Beach and implement special collection and recycling programs, as well as understand the impacts of 75% diversion and the State's legislation. CR&R has the experience needed in the operation of on-board technology.

CR&R stated that it has years of experience working with companies around the world in the deployment, monitoring and use of bin sensors in Southern California, and described its proposed use of Compology bin sensors in Laguna Beach per the RFP requirements.

CRR has committed to having the electric collection vehicle in service by July 1, 2024. CR&R is not currently operating electric vehicles in other cities.

CR&R has experience maintaining accurate records, and its public education and outreach experience is targeted to the appropriate sector and includes city-specific program information.

WM: WM has the technical capability to implement and administer trash, recyclables, yard trimmings and food scraps collection services for Laguna Beach and implement special collection and recycling programs, as well as understand the impacts of 75% diversion and the State's legislation. WM has the experience needed in the operation of on-board technology.

WM used Compology bin sensors in Laguna Beach in 2019, which were phased out for the use of WM Smart Trucks. However, the WM Smart Truck technology usage resulted in many Laguna Beach businesses being over-charged and/or charged incorrectly. The City required WM to stop using the WM Smart Truck technology to assess overage and/or contamination charges in Laguna Beach.

WM did not commit to providing the City an electric collection vehicle until the City awarded the contract and expected an 18-24 month fulfillment period for the vehicle (January – July 2025). The Orange County division of WM is not operating electric vehicles in other cities; however, WM corporate has tested a Peterbilt EV in 2020 and had two additional EV pilots in 2022.

WM has experience maintaining accurate records however, with the current contract, there have been months-long gaps in WM's SB 1383 data monthly reporting to Laguna Beach. WM has experience with public education and outreach, however the bulk of the outreach is generic content for use in multiple cities.

Section 4. Proposed Approach

(Proposal Forms 1 – 31)

4.1. Thoroughness of proposed approach:

CR&R: CR&R submitted a cohesive and comprehensive proposal aligned with the RFP requirements. The responses to the question sets were well-reasoned and detailed. CR&R’s proposal was tailored to Laguna Beach, its needs, and the local conditions in Orange County.

WM: WM’s proposal was more generic in nature with many of the sections seeming to be a standardized approach that is proposed across WM on a California/national level with only small portions customized to Laguna Beach and its needs.

4.2. Incorporation of technology:

CR&R: Overall, CR&R’s proposal expressed its commitment to innovation and to providing the technological innovations desired and required by the City of Laguna Beach.

WM: Although WM’s national, generic portion of the proposal stated a commitment to innovation, the technological innovation sections of WM’s proposal specific to Laguna Beach expressed reluctance in implementing the technological innovations desired and required by the City of Laguna Beach. The proposal questioned whether it was “too soon” to utilize an Electric Vehicle in Laguna Beach and suggested waiting before considering an EV.

4.2.1. Bin sensors.

CR&R: CR&R’s proposal states that its on-board computers have the capability to incorporate data from bin sensors and other data management tools. In its Proposal Form 25 (Bin Sensors to be Provided by Contractor), CR&R stated that it has years of experience working with companies around the world in the deployment, monitoring and use of bin sensors in Southern California. CR&R further describes its proposed use of Compology bin sensors in Laguna Beach per the RFP requirements.

WM: Although WM proposed use of Compology bin sensors as required by the RFP, WM’s proposal states the preference for the use of WM Smart Truck technology over Compology bin sensors despite the WM Smart Truck technology issues previously encountered in Laguna Beach. As described in Section 3.5. above, in 2019 WM began a Compology bin sensor program in Laguna Beach which was phased out in order for WM to use its WM Smart Truck technology. However, the WM Smart Trucks resulted in many Laguna Beach businesses being over-charged and/or charged

incorrectly, so the City required WM to stop using the WM Smart Truck technology to assess overage and/or contamination charges in Laguna Beach.

Bin sensors allow the customer to remotely monitor bin fullness levels, service confirmation, overflow of materials out of bin, and provide fullness insight over time to allow the customer to 'right-size' containers that are larger or smaller than the customer needs. The bin sensors can photograph bin contents and identify potential contamination types in the bin. Bin sensors can send automatic alerts to the customer when contamination occurs or when overflow of materials occurs, provide calculations for right-sizing of the container if it is too large or too small, and monitor the bins in real time. Bin sensors are placed in a specific customer's bin and the bin sensor data is sent directly to that specific customer. That way, there is not any confusion or misidentification of which customer the bin contents, contamination or bin overages should be attributed.

WM Smart Truck technology consists of cameras mounted on the vehicles that create a record of collection events and the contents of the collected containers. WM's proposal states that the "data captured – including vehicle location and photo and video documentation of the service – then drives a targeted education strategy to reduce recycling contamination and container overages while also improving the customer experience through service verification notification." However, in 2020, WM's use of the Smart Truck technology resulted in a number of Laguna Beach businesses being over-charged and/or charged incorrectly due to systems errors and GPS tracking issues. WM's Smart truck technology was also attributing contamination and/or overages to the wrong customer. All of these issues with the Smart Truck technology resulted in extra charges to customers as well as considerable time and effort by customers and the City to work with WM to get the incorrect charges removed from the customers' accounts. Therefore, the City required WM to stop using the WM Smart Truck technology to assess overage and/or contamination charges in Laguna Beach. However, during reference checks as described in Section 1.3. above, issues with the WM Smart Truck technology were reported. WM's proposal states that safeguards have been put in place to improve the WM Smart Truck technology.

4.2.2. Cloud-based data management.

CR&R: CR&R uses cloud-based data management systems.

WM: WM uses cloud-based data management systems.

4.2.3. Lightweight vehicle.

CR&R: CR&R's proposal of the lightweight collection vehicle incorporated language indicating its commitment to innovation in service delivery. CR&R confirmed in its proposal that the lightweight collection truck capital costs are less than the regular collection trucks' capital costs, and that the City also saves due to reduced maintenance and road repair in relation to the lighter truck weight.

CR&R currently has three lightweight collection vehicles deployed in Orange County, two in Tustin and one in Lake Forest.

WM: WM's proposal of the lightweight collection vehicle incorporated language that the \$30,000 - \$50,000 savings gained by using the lightweight collection vehicle rather than a regular collection vehicle over the term of the contract is accurate. However, WM stated that "the fuel savings are very minimal" and "though savings are insignificant, any dollar removed from the costing model is a dollar not passed along to the rate payer."

4.2.4. Electric vehicle and charging station installation.

CR&R: Overall, CR&R's proposal and answers to the City's questions in relation to the electric collection vehicle for Laguna Beach was positive and demonstrated a willingness and enthusiasm to incorporate an electric collection vehicle into its fleet. CR&R indicated in its proposal that it was proposing to purchase and operate a Peterbilt Model 520EV utilizing a Mentor 14Xe e-axes to provide power to the wheels. The vehicle features a range of 80-100 miles, and its state-of-the-art, high-energy density LFP battery packs can recharge in 3-4 hours when using a recommended DC fast-charging system. The cost for the vehicle is estimated at \$705,000. CR&R indicated that it would order the vehicle upon the 2023 award of the contract for deployment on July 1, 2024 (the start date of the new contract). CR&R stated that it has long standing partnerships with industry leaders for electric vehicle development. To this end, CR&R feels confident it in its ability to integrate and operate the electric collection vehicle in its fleet within the timelines set forth in the contract.

Although the RFP required only one charging station for the electric collection vehicle, CR&R included two charging stations in its proposal, one at CR&R's Stanton facility and one at the City of Laguna Beach municipal facilities. CR&R's proposal specified Paccar charging stations and provided detailed information on the charging station. Although the second charging was not required by the RFP, CR&R's inclusion of the second charging station at the City of Laguna Beach facilities would act as back up to the charging station in Stanton, if and when needed. It would also be available for the City's use in charging its vehicles.

CR&R also provided a monthly cost comparison of historical RNG collection vehicle costs as compared to projected EV collection vehicle costs, showing a slight savings in costs for the EV.

WM: Overall, WM's proposal, and subsequent answers to the City's questions, demonstrated reluctance to incorporate an electric collection vehicle into its fleet. WM stated in its proposal that indicating the exact vehicle to be used would unnecessarily confine its options to specify a unit type in the proposal. WM further stated that specifying a unit type would put WM and the City at a competitive disadvantage to lock in this rapidly changing technology early. WM stated an approximate cost of \$715,000 for an electric vehicle in its proposal, however its proposal did not specify a model type and/or manufacturer for the electric collection vehicle.

However, in response to question sets from the City requesting a specific make and model for the electric collection vehicle, WM indicated it still did not want to commit to a specific make and model. In light of the need to be responsive to the City's RFP requirements, WM indicated it would provide a Peterbilt 220EV for Laguna Beach. According to Peterbilt's website, the 220EV is a light-duty vehicle intended for pickup and delivery, regional haul and food and beverage applications. The City requested further clarification in question sets #2 and #4 to confirm that this model was suitable for the duty cycle required by the contract (i.e. commercial cart collection) and that a dual-compaction cycle split-body would be installed with dual lid-flippers to service 2-streams of commercial carts in a single-pass. In response, WM clarified that it would install a Labrie split collection body equipped with compaction units for each side of the split body and lid-flipping capabilities. The amount of drive time for this unit per battery charge was not specified, but WM expected it to perform at 90 miles or better per charge. WM indicated that its current fulfillment time for the electric collection vehicle is 18-24 months and that it would likely need to request the contractually allowed extension of up to 12 months after the contract start date to procure the vehicle, install the charging station, and prepare it for service. WM indicated that it does not anticipate the EV will be in service by July 1, 2024 (the contract start date). The Peterbilt 220EV light-duty vehicle does not seem to have the capabilities needed to perform the collection duties as prescribed by the RFP.

WM stated that Rhombus Energy Solutions will be the electric collection vehicle charging station for Laguna Beach, and it will be located at WM's Irvine facility. More detailed information was not provided.

The City requested cost comparison data for current collection vehicles as compared to the electric collection vehicle in the RFP and in multiple question sets, however WM stated that the data was not currently available.

4.3. Adequacy and reliability of collection equipment:

Both firms have a history of reliable and adequate deployment of collection equipment. As shown in the chart below, the number of proposed vehicles is similar for both companies.

	CR&R	WM	CURRENT
Side Loader Collection Vehicles	8	8	8
Hard-to-Service Collection Vehicles	1	1	1
Front-Loader Collection Vehicles	4	5	5
Roll-off Vehicles	1	2	1
Electric Vehicles	1	1	
Special Vehicles	3	2	
Route Manager Vehicles	1	1	
Total Proposed Vehicle Count	19	20	15
Total Capital Cost	\$6,983,788	\$7,878,750	

The proposers' number of vehicles was also analyzed by considering the proposed total capital cost of vehicles for each proposer:

	CR&R Proposed Vehicles	CR&R Cost per Vehicle	CR&R Vehicle Capital Cost	WM Proposed Vehicles	WM Cost per Vehicle	WM Total Vehicle Capital Cost	Difference (WM - CR&R)
Side-Loaders	8	\$396,900	\$3,175,200	8	\$448,000	\$3,584,000	\$408,800
Hard-to-Service	1	\$358,300	\$358,300	1	\$448,000	\$448,000	\$89,700
Front-Loaders	4	\$396,900	\$1,587,600	5	\$440,000	\$2,200,000	\$612,400
Electric	1	\$705,000	\$705,000	1	\$715,000	\$715,000	\$10,000
Roll-offs	1	\$375,000	\$375,000	2	\$370,000	\$740,000	\$365,000
Special Vehicles	3	Various	\$716,600	2	Various	\$151,250	\$(565,350)
Route Manager	1	\$66,088	\$66,088	1	\$40,500	\$40,500	\$(25,588)
Totals	19	-	\$6,983,788	20	-	\$7,878,750	\$894,962

CR&R: CR&R proposed an adequate number of vehicles and correct types of collection trucks for Laguna Beach per the RFP requirements. CR&R is proposing Peterbilt collection trucks with Amrep bodies. CR&R's vehicles total capital cost is \$894,962 less than WM's vehicles total capital cost, while still being consistent with the level of services required to be provided for the City of Laguna Beach.

The almost \$900,000 difference in vehicles total capital costs for CR&R is shown in the itemized comparison of the side-loader and front-loader collection truck costs. CR&R's cost for its proposed eight side-loader collection vehicles is \$50,000 less per vehicle, which accounts for \$400,000 of the difference in CR&R's vehicles capital costs. CR&R's cost for its proposed four front-loader collection vehicles is \$40,000 less per vehicle, which accounts for \$160,000 of the difference in CR&R's vehicles capital costs. Lastly, CR&R is proposing one less front-loader collection truck, which accounts for the remaining \$440,000 difference in CR&R's vehicles total capital costs.

WM: WM is proposing Autocar collection trucks with Amrep bodies. The \$895,000 difference in capital costs for WM is due to the side-loader and front-loader collection truck costs. WM's cost for its proposed eight side-loader collection vehicles is \$50,000 more per vehicle, which accounts for \$400,000 of the difference in WM's vehicles capital costs. WM's cost for its proposed four front-loader collection vehicles is \$40,000 more per vehicle, which accounts for \$160,000 of the difference in WM's capital costs. Lastly, WM is proposing an additional front-loader vehicle at \$440,000, which accounts for the remaining \$440,000 difference in WM's vehicles capital costs.

4.4. Proposed processing facilities:

4.4.1. Clean MRF.

CR&R: CR&R proposed an Orange County Clean MRF with adequate capacity for Laguna Beach: CR&R Western MRF in Stanton which is owned and operated by CR&R.

WM: WM proposed an Orange County Clean MRF with adequate capacity for Laguna Beach: Waste Management of Orange Transfer Station in Orange which is owned and operated by WM.

4.4.2. Composting facility.

CR&R: CR&R proposed one composting facility with adequate capacity for Laguna Beach: Yuma Composting Facility in Yuma, AZ for composting of yard trimmings and food scraps, which is owned and operated by CR&R.

WM: WM proposed two composting facilities with adequate capacity for Laguna Beach:

- 1) Tierra Verde Industries EcoCentre (TVI) in Irvine for composting of yard trimmings and food scraps, which is owned and operated by TVI;
- 2) WM South Valley Compost Facility in Tulare for composting of yard trimmings and food scraps, which is owned by Shannon ('A' and 'B') and operated by WM.

4.4.3. C&D processing facility.

CR&R: CR&R proposed two C&D processing facilities with adequate capacity for Laguna Beach:

- 1) CRT C&D MRF in Stanton which is owned and operated by CR&R;
- 2) South Orange County C&D MRF in San Juan Capistrano which is owned and operated by CR&R.

WM: WM proposed a C&D processing facility with adequate capacity for Laguna Beach: Tierra Verde Industries EcoCentre (TVI) in Irvine for C&D materials processing, which is owned and operated by TVI.

4.5. Plan for efficiently and safely collecting materials from “hard-to-service” area:

CR&R: For 90% of the hard to service accounts, CR&R proposes to utilize a split-body rear loader collection truck to collect the three streams of materials (MSW, organics and recyclables) separately for the approximately 400 residential hard-to-service accounts in Laguna Beach. This would accomplish collection from these homes in two truck trips (or “passes”) in the neighborhoods, instead of three. The split-body collection truck has two chambers that allows for collection of two streams of materials in one pass of the truck. In the first pass, the split-body collection truck will only collect MSW from the hard-to-service area. It will then go to the landfill, be emptied, and return for the second pass in the hard-to-service area. The split-body collection truck will then make a second pass and collect the recyclables in one chamber and the organics (food scraps and yard trimmings) in the other chamber of the truck. By collecting and placing the recyclables in one chamber and the organics in the second chamber, the streams remain separate and do not contaminate each other. Collecting each stream separately is the most desirable and allows for the highest possible diversion levels for the City to meet its CalRecycle requirements. For the other 10% of the hard to service accounts with space constraints that limit access of the proposed rear-loader, CR&R will use a split-body utility vehicle that was developed for collection on Catalina Island. CR&R tested this service configuration in Laguna Beach and has determined that it will be able to provide service to all hard-to-service accounts in the City. CR&R has experience with collection in hard-to-service residential and commercial areas. It has hard-to-service collection experience with a split body truck in Balboa Island. In the hard-to-service area of Catalina, CR&R utilizes a rear-loader body on a utility truck designed specifically for narrow alleys. In the hard-to-service areas of Idyllwild and Wrightwood, CR&R provides collection on narrow roads and in inclement weather.

WM: WM proposes to route the 400 hard-to-service residents over a five-day period such that approximately 80 households are serviced each day. A small collection vehicle with a 6-cubic yard capacity will make 3-passes each day to service each collection stream. WM anticipates that this will require only one trip to the transfer station for each commodity stream per day. This approach would ensure even hard-to-service households would receive state-mandated 3-stream collection service, but would require 3 passes by the collection vehicle. The additional truck trips required by

the 3-pass collection system used by WM provides additional road impacts, and noise impacts for nearby residents.

4.6. Public education strategy:

CR&R: CR&R's discussion of public education in its proposal is well thought out and comprehensive. CR&R proposes to develop public education specific for each sector to inform the community about recycling and special programs. Custom materials are proposed to be developed for each targeted customer sector, and the Sustainability Coordinators will provide supplemental training materials during customer program implementation.

WM: WM's discussion of public education in its proposal identified a design subcontractor (PM Design Group) that would be utilized for production of materials. The section did not expand upon the content WM is proposing, however WM communicated it would comply with contractual requirements.

4.7. Implementation plan:

Both proposers submitted collection implementation/transition plans with tasks and schedules for acquisition and deployment of new vehicles and equipment (bins, carts, etc.) public outreach, and other tasks to transition to the new contract and new rates.

CR&R: CR&R's implementation plan is comprehensive and thorough. CR&R's plan for the transition to the new contract in the proposal was well thought-out and included detailed information on the plans for the Laguna Beach transition as well as background information on previous transitions accomplished by CR&R.

The senior management staff and Sustainability Coordinators will attend the transition meetings. CR&R stated in its proposal that it has successfully transitioned services in 16 municipalities over the last 10 years, and completed a comprehensive implementation process in each municipality.

The new contract calls for one Sustainability Coordinator to be assigned to Laguna Beach. Due to the workload during the first year of the new contract associated with the change to direct billing and the roll-out of new carts/containers, as well as diversion program implementation, CR&R's proposal includes two Sustainability Coordinators assigned to Laguna Beach for the first two years of the Term in its proposal. At the end of the second year, CR&R proposal includes assigning one Sustainability Coordinator to Laguna Beach as per the new contract. The inclusion of a second Sustainability Coordinator demonstrates a commitment by CR&R to the transition to the new contract while continuing to implement and maintain all the recycling programs required by CalRecycle.

WM: WM's implementation plan is comprehensive and thorough. WM's plan for the transition to the new contract in the proposal includes detailed information on the plans for the Laguna Beach transition. WM stated that its local representative and regional staff would attend the transition meetings.

4.8. Driver training programs:

CR&R: CR&R submitted detailed information on its driver training program. CR&R implements comprehensive safety programs and achieves safety metrics that are well below industry average. As of April 2022, CR&R has a Worker's Compensation Experience Modification factor of 0.99. The industry standard EMR is 1 and lower factors equate to higher risks.

WM: WM submitted detailed information on its comprehensive driver training program. WM implements comprehensive safety programs and achieves safety metrics that are well below industry average. WM has a Worker's Compensation Experience Modification factor of 0.92 as of January 2023. The industry standard EMR is 1 and lower factors equate to higher risks.

4.9. Environmental responsibility:

CR&R: CR&R submitted acceptable information about its environmental efforts, sustainability policies and training. CR&R included marketing materials with its proposal that indicated it has a commitment to zero waste (i.e. 0% landfill), 0% fossil fuels, 100% resource conservation, 100% renewable fuels, and zero carbon emissions by 2045.

WM: WM submitted acceptable information about its environmental efforts, sustainability policies and training. According to its 2022 corporate sustainability report, WM has committed to a 42% reduction in Scope 1 and 2 emissions by 2032. WM has committed to a 60% increase in recovery of materials by 2030.

4.10. Reporting:

Both proposers are aware of, and stated that, they would comply with the reporting requirements.

CR&R: CR&R's proposal stated that it would maintain SB 1383-compliant records and provide monthly reports to the City of Laguna Beach.

WM: WM's proposal stated that it would maintain SB1383-compliant records and provide monthly reports to the City of Laguna Beach. However, in its exceptions (as described in Section 2 above),

WM stated that the data is confidential and proprietary. Under the current contract, there have been months-long gaps in WM's SB 1393 data monthly reports to Laguna Beach.

4.11. Adequacy of numbers of bins/containers:

CR&R: CR&R's Proposal Form 12 (Numbers of and Types of New Containers to be Furnished by Contractor) included the types of residential and commercial containers along with the associated costs that all are in line with industry standards and the current cubic yards of MSW, recyclable materials and organics being collected in Laguna Beach. In the Question Set #2, the City had to ask a question to clarify the number of roll-off boxes that would be provided by CR&R in Laguna Beach, and CR&R's answer was sufficient.

WM: WM's Proposal Form 12 (Numbers and Types of New Containers to be Furnished by Contractor) submitted with the proposal contained numerous errors in relation to the costs of the carts/containers, the number of carts for the residential sector and the number of carts/bins for the commercial sector. In Question Sets #3 and #4, the City had to ask for multiple corrections and clarifications of Proposal Form 12 to obtain understandable and sufficient data. The proposed number of carts and bins compared to the number of carts and bins reported by WM in their reports is within twenty-five percent. It appears the number of containers to be provided would be adequate.

4.12. Section 4 (Proposed Approach) Conclusion:

4.12.1. Conclusion: Thoroughness of proposed approach.

CR&R: CR&R submitted a cohesive and comprehensive proposal aligned with the RFP requirements. The responses to the question sets were well-reasoned and detailed. CR&R's proposal was tailored to Laguna Beach, its needs and the local conditions in Orange County. Overall, CR&R's proposal expressed its commitment to innovation and to providing the technological innovations desired and required by the City of Laguna Beach.

WM: WM's proposal was more generic in nature with many of the sections seeming to be a standardized approach that is proposed across WM on a California/national level with only small portions customized to Laguna Beach and its needs. Although WM's California/national, generic portion of the proposal stated a commitment to innovation, the technological innovation sections of WM's proposal specific to Laguna Beach expressed reluctance in implementing the technological innovations desired and required by the City of Laguna Beach; specifically hesitation to utilize an electric vehicle.

4.12.2. Conclusion: Incorporation of technology.

CR&R: Overall, CR&R's proposal expressed its commitment to innovation and to providing the technological innovations desired and required by the City of Laguna Beach.

CR&R's commitment to innovation and the technology desired by Laguna Beach was clear in its proposal regarding detailed information on bin sensors; CR&R's experience with lightweight collection trucks and acknowledgement of the savings in usage of this type of collection vehicle; CR&R's detailed electric collection vehicle information and willingness to deploy an EV collection vehicle in Laguna Beach; and CR&R's detailed information on its Paccar charging stations.

WM: Although WM's national, generic portion of the proposal stated a commitment to innovation, the technological innovation sections of WM's proposal specific to Laguna Beach expressed reluctance in implementing the technological innovations desired and required by the City of Laguna Beach.

WM's reluctance in implementing the technological innovations required by the City include WM's preference for use of WM Smart Truck technology over the required bin sensors even though use of the WM Smart Truck technology has been problematic (as noted in Sections 1.3., 3.5. and 4.2.1.); the downplaying of the savings by using a lightweight collection vehicle for commercial recycling collection; WM's reluctance to indicate the specific EV model for Laguna Beach; the uncertainty that the EV ultimately proposed by WM, a Peterbilt 220EV, has the capability to perform the collection duties prescribed by the RFP; and WM did not provide detailed information on the proposed Rhombus Energy Solutions electric vehicle charging station.

4.12.3. Conclusion: Adequacy and reliability of collection equipment.

CR&R: CR&R proposed an adequate number of vehicles and the correct types of vehicles per the RFP requirements. CR&R's vehicles total capital cost is \$900,000 less than WM, to provide the level of services required to be provided for the City of Laguna Beach.

WM: WM proposed an adequate number of vehicles and the correct types of vehicles per the RFP requirements. WM's additional \$900,000 in vehicles total capital cost is due to additional costs per collection vehicle and an additional collection truck as compared to CR&R.

4.12.4. Conclusion: Proposed processing facilities.

CR&R: CR&R's proposed Clean MRF, composting facility and C&D processing facilities are adequate per the requirements of the RFP.

WM: WM's proposed Clean MRF, composting facilities and C&D processing facility are adequate per the requirements of the RFP.

4.12.5. Conclusion: Plan for efficiently and safely collecting materials from hard-to-service areas.

CR&R: CR&R provided a well-thought-out approach for hard-to-service neighborhoods that included the development of a customized, light-duty, split-body collection vehicle to access neighborhoods where a heavy-duty rear-loader could not. CR&R's hard-to-service proposal was informed by its experience servicing logistically challenging communities including Avalon (Catalina Island), Balboa Island, and Idyllwild. CR&R's hard-to-service proposal limited collection passes to two per household instead of three, through the use of split-body collection vehicles, limiting truck traffic, road impacts, and the disruption to the residents in these areas. CR&R indicated in its interview that it had tested the vehicles in the actual hard-to-service neighborhoods to determine feasibility.

WM: WM's proposed hard-to-service collection plan would ensure all residents in these neighborhoods would have SB 1383-compliant 3-stream collection service but would result in 3 passes of the collection vehicle using a split-body vehicle. The third pass by the collection vehicle results in increased truck traffic, road impacts and disruption to the residents in these areas.

4.12.6. Conclusion: Public education strategy.

CR&R: CR&R's discussion of public education in its proposal was well thought out and comprehensive.

WM: WM's discussion of public education in its proposal was limited.

4.12.7. Conclusion: Implementation plan.

CR&R: CR&R's proposal included a comprehensive and well-thought-out implementation plan that includes detailed information about the transition to the new contract as well as a senior level management and well-experienced Sustainability Coordinators at the transition meetings for the new contract. Due to the workload during the first year of the new contract associated with the change to direct billing and the roll-out of new carts/containers, as well as diversion program implementation, CR&R's proposal includes two Sustainability Coordinators assigned to Laguna Beach for the first two years of the Term in its proposal.

WM: WM's implementation plan is comprehensive and thorough. WM's plan for the transition to the new contract in the proposal includes detailed information on the plans for the Laguna Beach transition. WM stated that its local representative and regional staff would attend the transition meetings.

4.12.8. Conclusion: Driver training programs.

CR&R: CR&R submitted detailed information on its driver training programs and its implementation of comprehensive safety programs.

WM: CR&R submitted detailed information on its driver training programs and its implementation of comprehensive safety programs.

4.12.9. Conclusion: Environmental responsibility.

CR&R: CR&R included marketing materials with its proposal that indicated it has a commitment to zero waste (i.e. 0% landfill), 0% fossil fuels, 100% resource conservation, 100% renewable fuels, and 0 carbon emissions by 2045.

WM: According to its 2022 corporate sustainability report, WM has committed to a 42% reduction in Scope 1 and 2 emissions by 2032. WM has committed to a 60% increase in recovery of materials by 2030.

4.12.10. Conclusion: Reporting.

CR&R: CR&R's proposal stated that it would maintain SB 1383-compliant records and provide monthly reports to the City of Laguna Beach.

WM: WM's proposal stated that it would maintain SB1383-compliant records and provide monthly reports to the City of Laguna Beach. However, in its exceptions (as described in Section 2 above), WM stated that the data is confidential and proprietary. Under the current contract, there have been months-long gaps in WM's SB 1393 data monthly reports to Laguna Beach.

4.12.11. Conclusion: Adequacy of numbers of bins/containers.

CR&R: CR&R's proposal included sufficient bins/containers to service Laguna Beach per the requirements of the RFP.

WM: There were numerous errors in WM's Proposal Form 12 in relation to the costs and numbers of carts/bins. The City had to ask for multiple corrections and clarifications of Proposal Form 12 to obtain understandable and sufficient data. The proposed number of carts and bins compared to the number of carts and bins reported by WM in their reports is within twenty-five percent. It appears the number of containers to be provided would be adequate.

Section 5: Financial Capability

(Proposal Forms 3, 15, 16, 18, 20, 21, 29)

5.1. Financing capacity and strength:

Both proposers have financial capacity to finance the purchase of the new fleet and equipment required by the contract, hire required employees and implement their proposed implementation plans. Both have proven track records in fleet management/preventative maintenance. The size and condition of their existing fleets in use in California show the fleets are well-maintained and operated. Both companies have owned their own material recovery facilities for decades. CR&R also owns its composting and C&D processing facilities, and WM owns one of the composting facilities it is proposing to use. Nothing presented in the proposals, answers to follow-up questions or in the interviews raised doubts about either company having the financial capacity and strength to undertake and perform all the requirements of this contract for the City of Laguna Beach.

CR&R: CR&R is a privately held large regional company with long-term contracts throughout most of Southern California (in Orange, Riverside, San Bernardino, Imperial and Los Angeles Counties) and in Arizona and Colorado, that has been operating for over 59 years. In Southern California, it currently serves 3 million customers including over 25,000 businesses and has 48 franchise agreements/contracts with Southern California jurisdictions. This represents a reliable revenue stream for the company.

WM: USA Waste of California, Inc. is a subsidiary of WM that has the financial strength of a national and global company behind it; the City would be contracting with the local subsidiary backed by a parent company guaranty. WM's parent company total revenue in 2021 was reported at \$17.93 billion, with an asset base of \$29.1 billion. WM is a NYSE-traded company and is regulated by the Securities and Exchange Commission, which requires WM to disclose matters and conditions that may affect its finances and returns to shareholders.

5.2. Understanding of rate impact of required diversion programs and 75% diversion:

CR&R: CR&R indicated, through its proposed rates, projected diverted tons and diversion program descriptions, that it understands the rate impact of the required diversion programs and the shift to 75% diversion.

WM: WM indicated, through its proposed rates, projected diverted tons and diversion program descriptions, that it understands the rate impact of the required diversion programs and the shift to 75% diversion.

5.3. Ability to handle risk factors:

The financial information and data submitted in the proposals was used to evaluate the proposers' ability to handle risk factors. In addition, a third-party forensic CPA conducted a risk analysis of both proposers' audited financial documents by comparing key risk metrics, including the acid-test ratio, current ratio, debt ratio, and gross margin ratio, against industry benchmarks.

CR&R: CR&R has the financial resources to handle the risk factors associated with the contract, including those that can be covered by insurance (including deductibles and self-insured retentions). CR&R has the capacity to handle recycled market risks demonstrated by no exceptions seeking cost recovery. CR&R has a history of selling into secondary markets where the company has long-term relationships. A financial risk analysis conducted by the third-party forensic CPA determined that CR&R has adequate financial resources to handle the risk factors associated with the contract.

WM: WM has the financial resources to handle the risk factors associated with the contract, including those that can be covered by insurance (including deductibles and self-insured retentions) as well as the risk of commodity markets for sale of recycled materials, compost and other recovered materials.

As noted in Section 2 (Contract exceptions) above, WM's proposal included significant exceptions that shift risk to the City of Laguna Beach.

5.4. Consistent and accurate financial reporting:

CR&R: CR&R has a history of accurate and thorough financial reporting.

WM: WM has a history of financial reporting as monitored and regulated by the Securities and Exchange Commission.

5.5. Ability to perform scope of work for rates quoted in the proposal:

As noted above, the proposed rates were compared to existing rates and were also tested for consistency with the following: number of collection vehicles and support vehicles to be provided to perform the scope of work, number of each category of employee to be provided, and the cost required for implementing the programs included in the scope of work.

CR&R: CR&R's rates were found to be adequate to cover the costs of performing the scope of work in the contract.

WM: WM's rates were found to be adequate to cover the costs of performing the scope of work in the contract.

5.6. Demonstration of corporate ethics:

CR&R: CR&R's proposal described its sustainability efforts, participation in the communities it serves, and internal training procedures, including safety training and hiring practices.

WM: WM's proposal described its sustainability efforts, participation in the communities it serves, and internal training procedures, including safety training and hiring practices.

5.7. Section 5 (Financial Capability) Conclusion:

CR&R: CR&R has the financial capability and strength to enter fulfill the requirements of the contract with Laguna Beach, including purchasing the new fleet and equipment, hiring the required employees and implementing the required services. CR&R has a history of accurate and thorough financial reporting, and its rates were evaluated and found to be adequate to cover the costs of performing the contract's scope of work.

WM: WM has the financial capability and strength to enter fulfill the requirements of the contract with Laguna Beach, including purchasing the new fleet and equipment, hiring the required employees and implementing the required services. WM has a history of financial reporting as monitored and regulated by the Securities and Exchange Commission. WM's proposed rates were evaluated and found to be adequate to cover the costs of performing the contract's scope of work. WM has the financial resources to handle the risk factors associated with the contract.

As noted in Section 2, WM's proposal included significant exceptions that would shift financial risk to the City of Laguna Beach.

Section 6. Diversion Strategy

(Proposal Forms 3, 4, 5, 6, 7, 12, 13, 15, 16, 18, 20, 23, 24, 25, 26, 29, 30, 31)

6.1. Number of FTE devoted to implementation and maintenance of diversion programs and Experience of assigned FTE's with diversion program implementation in other cities or counties:

CR&R: CR&R's proposal provided a detailed approach for staffing program implementation and maintenance of diversion programs. CR&R identified two Sustainability Coordinators that would be assigned to Laguna Beach, and they both are experienced in diversion program implementation. The new contract calls for one Sustainability Coordinator to be assigned to Laguna Beach. Due to the workload during the first year of the new contract associated with the change to direct billing and the roll-out of new carts/containers, as well as diversion program implementation, CR&R's proposal includes two Sustainability Coordinators assigned to Laguna Beach for the first two years of the Term in its proposal. At the end of the second year, CR&R's proposal includes assigning one Sustainability Coordinator to Laguna Beach as per the new contract. CR&R identified the supervisor responsible for overseeing and assisting the Sustainability Coordinators, and this supervisor is very experienced in diversion program implementation. In addition, CR&R identified three senior-management level team members team that would immediately be assigned to work closely with Laguna Beach upon award of contract and through the course of the contract: Senior Vice President Julie Barreda, Enterprise Sustainability Director Hashem Shokair and Manager of Sustainability Mike Carey. The CR&R team allocated to Laguna Beach are located in Orange County.

WM: WM's proposal provides information on staffing program implementation and maintenance of diversion programs. However, the specific Sustainability Coordinator for Laguna Beach, is yet to be hired and the WM day-to-day team assigned to Laguna Beach does not appear to have high-level experience. In addition to the to-be-hired Sustainability Coordinator, two WM staff persons are identified in Proposal Form 13, Implementation Plan as working closely with Laguna Beach: Operations and Customer Liaison/Public Sector Sales Representative Muyisa Kasomo and Area Fleet Director Frank Guercio. Area Fleet Director Frank Guercio is only mentioned in the Implementation Plan to determine the electric vehicle selection for Laguna Beach.

6.2. Does proposal maximize diversion rates and participation levels; Does proposal minimize contamination of recyclables, yard trimmings, food scraps, C&D waste:

CR&R: CR&R's proposal provides a well thought out approach utilizing the bin sensor technology and the staffing of one additional Sustainability Coordinator in the first two years to address 1) diversion program implementation, including field coordination to lower contamination and ensure high program participation and 2) the incorporation of mid and senior staff that will be able to e WM's proposal includes a thinly staffed team assigned to the City of Laguna Beach, and the team is

not senior level or sufficiently experienced in transitioning to new contracts, which requires accomplishing a variety of important tasks. A dedicated, well-experienced team is needed to implement direct-billing and the roll-out of new carts/containers, in addition to diversion program implementation. The tasks listed to be accomplished by the Sustainability Coordinator are minimal and primarily relate to education and outreach and enhancing awareness. ensure that the correct amount of trucks, bins, and supervision is applied to meet the field generated implementation needs.

WM: WM's proposal includes the use of WM Smart Truck technology to assist in minimizing contamination. However, in 2019, the City instructed WM to stop utilizing WM Smart Truck technology in Laguna Beach as many Laguna Beach customers were being significantly over-charged and/or erroneously charged due to issues occurring with the use of the WM Smart Truck technology.

6.3. Demonstrated ability to meet AB 939, AB 341, AB 1826, AB 1594, SB 1383 diversion requirements in another jurisdiction the size of the City of Laguna Beach or larger:

Both proposers have demonstrated the ability to meet AB 939, AB 341, AB 1826 and AB 1594 diversion requirements in another jurisdiction the size of the City of Laguna Beach or larger. Both proposers are currently working with other jurisdictions the size of Laguna Beach or larger on achieving the SB 1383 diversion requirements.

CR&R: CR&R's proposal indicates that it has assisted one Orange County city in achieving both 100% AB 341 and 100% AB 1826 compliance. CR&R listed four Orange County cities it has assisted in achieving 95-100% compliance with AB 341 and AB 1826, and four additional Orange County cities it has assisted in achieving 85-99% compliance with AB 341 and AB 1826.

WM: WM's proposal indicates that it has assisted the City of Laguna Beach in achieving both 100% AB 341 and 100% AB 1826 compliance. City staff confirmed that the most recent WM report to the City indicated 100% AB 341 compliance and 99% AB 1826 compliance for Laguna Beach.

6.4. Section 6 (Diversion Strategy) Conclusion:

CR&R: CR&R's proposal conveys a compelling approach in its designation of three high-level, senior staff and two well-experienced Sustainability Coordinators to be assigned as the day-to-day team to work with the City of Laguna Beach on implementation programs, maintenance of diversion programs, maximizing diversion rates and minimizing contamination rates. This team is well-qualified to maximize diversion rates and minimize contamination.

WM: WM's proposal includes a thinly staffed team assigned to the City of Laguna Beach, and the team is not senior level or sufficiently experienced in transitioning to new contracts, which requires

accomplishing a variety of important tasks. A dedicated, well-experienced team is needed to implement direct-billing and the roll-out of new carts/containers, in addition to diversion program implementation. The tasks listed to be accomplished by the Sustainability Coordinator are minimal and primarily relate to education and outreach and enhancing awareness, not implementation of recycling programs at businesses and residences.

WM's proposal includes the use of WM Smart Truck technology to assist in minimizing contamination. However, in 2019, the City instructed WM to stop utilizing WM Smart Truck technology in Laguna Beach as many Laguna Beach customers were being significantly over-charged and/or erroneously charged due to issues occurring with the use of the WM Smart Truck technology. WM appeared resistant to using the bin sensors required in the contract.

Section 7: Cost Evaluation

(Proposal Forms 8, 9, 10, 11, 12, 25, 29)

7.1. Proposed Cost:

7.1.1. Basic services.

In order to evaluate the total cost of each proposer's rates to perform the required services described in the RFP, the rates submitted by each proposer were multiplied by the numbers of customers, collection frequency, and sizes of carts, bins and roll off boxes (provided in Section 2 (Project Background) of the RFP), to calculate the projected annual rate revenues. The calculations of customer costs were then aggregated into commercial and residential customer sectors and annualized. The final calculation provides the annual amount the selected proposer would receive from the City's ratepayers for performing all the services in the new contract. The calculation methodology used was provided as part of the evaluation criteria in Section 5.2 (Proposal Evaluation Criteria) of the RFP.

The total calculated aggregate annual cost for CR&R was \$9,912,550. The total calculated aggregate annual cost for WM was \$11,668,262. Given CR&R's lower annual cost was \$1,755,712 less than WM's \$11,668,262, the City determined that CR&R was the preferred proposer from a cost perspective. After the completion of Phase 5 of the proposal evaluation process described in the Introduction of this report, the City determined the contract award should go to CR&R conditional upon (a) CR&R's acceptance of the City's exception language (described in Section 2), and (b) reallocation of cost centers within service sectors while maintaining the total cost of \$9,912,550 as submitted in the original proposal. A letter was sent to CR&R to this effect. CR&R agreed to the conditions. The rates reflecting that acceptance were used in this analysis.

Note: To provide adequate time for an award of contract and the purchase of new collection vehicles and containers, the City secured a 1-year contract extension with WM for July 1, 2023 – June 30, 2024. The rates during the 1-year extension are referred to as the 'Gap Year Rate' in subsequent tables and figures.

7.1.1.1. Residential Services.

The City requested rates that provide an incentive to residents to dispose of a smaller proportion of their household waste and to recycle and compost a higher proportion of their household waste. To this end, the City asked for three 'bundled' rate packages from the proposers:

- Option 1: (1) 35-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size

- Option 2: (1) 65-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size
- Option 3: (1) 96-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size

CR&R: CR&R provided the lowest residential rates for all three MSW cart-size bundled options (see table below for side-by-side comparison of CR&R and WM residential rates compared to current and “Gap Year” rates). CR&R’s residential rate for the most-common 3-cart residential service option (i.e. 96-gal curbside trash cart, 96-gal recycling cart, and 96-gal co-collected yard trimmings and food scraps cart) of \$27.25 per household per month is 9% less than the rate proposed by WM, at \$29.83 per household per month. The annual revenue generated by CR&R’s residential rates is projected to be \$3.7 million, including extra cart revenue. Sixty (60) percent of residential ratepayers with a 95-gallon MSW cart will see an approximately 1% **decrease** in rates on July 1, 2024, if CR&R is selected. Residents with smaller MSW carts will see larger decreases.

WM: WM provided the highest residential rates for all three MSW cart-size bundled options (see table below for side-by-side comparison of CR&R and WM residential rates compared to current and “Gap Year” rates). The annual revenue generated by WM’s residential rates is projected to be \$4.1 million, including extra cart revenue. If WM is selected, residential customers with a 95-gallon MSW container will see an 9% **increase** in rates on July 1, 2024 compared to what they will be paying for collection service during the gap year.

Comparison of Current, Future, and Residential Rates Received from CR&R and WM as Part of RFP

	Now - June 30, 2023	July 1, 2023- June 30, 2024	July 1, 2024 onward	
	Current*	WM 'Gap Year' Rates**	CR&R New Contract ***	WM New Contract ***
Option 1. 35-gal MSW Residential Rate	\$21.99	\$27.46	\$26.74	\$28.79
Option 2. 65-gal MSW Residential Rate			\$27.05	\$29.30
Option 3. 95-gal MSW Residential Rate			\$27.25	\$29.83
Administrative Fee	\$2.75		\$-	\$-
Total Monthly Rate Paid by Resident	\$24.74		***	***

*Includes \$2.75 per household administration fee assessed by City for billing via property tax rolls, which will be discontinued 7/1/24 when direct residential billing begins.

**The Gap Year rate includes a rate stabilization contribution from the City of \$2.72 per household per month. The full cost per month for residential service, including the administrative fee, is \$30.18 per month

***Monthly rate per resident is based on size and number of containers with CR&R and WM proposals. Most residents currently have a 96-gallon MSW cart.

NOTE: The City requested a reduced rate for residents participating in City-verified backyard composting programs for food scraps and/or yard trimmings. CR&R provided a higher rate reduction (\$0.85) than the reduction provided by WM (\$0.60) for residents with a backyard composting program for either food scraps or yard trimmings. Residents who have City-verified backyard composting programs that divert 100% of all food scraps and yard trimmings that they generate, may completely 'opt-out' of the green food scraps and yard trimmings cart and therefore not have to pay for this service. By opting out of the curbside food scrap/yard trimmings cart, residents would save \$9.88 per month if CR&R were selected and \$10.31 per month if WM were selected. More analysis on backyard composting rate reductions provided by the proposers can be found in Section 3.2 of Appendix 1.

Approximately 10% of residential customers currently have extra carts. The City requested rates for extra carts in the RFP. CR&R's rates for extra carts are lower compared to those of WM. Additional analysis on extra cart rates can be found in Section 3.3. of Appendix 1.

7.1.1.2. Commercial Services.

In the RFP, the City requested commercial and multi-family rates for trash, recycling, food scraps, yard trimmings, and co-collected food scraps and yard trimmings. A detailed analysis, by service line, comparing the current rate revenues, the gap year rate revenue, and the projected rate revenue from the two proposals is included below.

	Now - June 30, 2023	July 1, 2023-June 30, 2024	July 1, 2024 - onward	
	Current	WM 'Gap Year' Rates	CR&R	WM
Commercial MSW revenue	\$2,786,097	\$4,362,924	\$4,276,164	\$5,510,242
Commercial Recycling Revenue	\$0	\$893,508	\$1,011,409	\$1,199,057
Commercial organics revenue*	\$69,228	\$215,124	\$138,125	\$131,086
Commercial Valet Service	\$0	\$144,090	\$47,480	\$78,690
Roll-off Revenue	\$570,224	\$821,903	\$753,011	\$670,898
Commercial Revenue	\$3,425,550	\$6,437,548	\$6,226,189	\$7,589,973
Commercial \$ Increase compared to current rate		\$3,011,999	\$2,800,639	\$4,164,423
Commercial % Increase above the current rate		88%	82%	122%

CR&R: The aggregate annual commercial rate revenue for CR&R's commercial rates is \$6,226,189 million. Overall, CR&R's projected annual commercial rate revenue was lower than the rate revenue proposed by WM in the amount of \$1.4 million per year (i.e. CR&R's commercial annual rate revenue of \$6,226,189 is projected to be 22% lower than WM's annual commercial revenue of \$7,589,973). CR&R's aggregate commercial rate revenue represents an 82% increase

compared to current commercial rates effective through June 30, 2023, and a 3% **decrease** compared to the gap year rates that are effective July 1, 2023 – June 30, 2024.

The following analysis compares the aggregate revenue for the subcomponents of the commercial sector for areas where CR&R's projected revenue is **less** than that proposed by WM:

- **Commercial MSW:** CR&R's annual projected revenue for commercial MSW service is \$1.2 million lower than the annual commercial MSW revenue projected using WM's rates (i.e. CR&R's revenue for commercial MSW service is 29% lower than WM's).
- **Commercial Recycling:** CR&R's annual projected revenue for commercial recycling service is \$187,648 lower than the annual commercial recycling revenue projected using WM's rates ((i.e. CR&R's revenue for commercial recycling service is 19% lower than WM's).
- **Commercial Valet Service (i.e. push out service):** CR&R's annual revenue for commercial valet service is projected to be \$31,209 lower than the annual commercial valet service revenue using WM's rates (i.e. CR&R's revenue for commercial valet service is 66% lower than WM's).

WM: WM's aggregate annual commercial rate revenue is \$7.6 million. In aggregate, WM's commercial rates represent an 122% **increase** compared to the City's current rates and an 18% **increase** compared to the Gap Year rates that will become effective July 1, 2023.

The following analysis compares the aggregate revenue for the subcomponents of the commercial sector for areas where WM's projected revenue is **less** than that proposed by CR&R:

- **Commercial organics:** WM's annual projected revenue for commercial organics service is \$7,038 lower than the annual commercial organics revenue projected using CR&R's rates (i.e. WM's revenue for commercial organics service is 5% lower than CR&R's).
- **Temporary and permanent roll-off/compactors:** WM's temporary and permanent roll-off services rates (and aggregate annual revenue) is approximately 11% lower than CR&R's rates, which equates to \$82,113 less per year in projected roll-off/compactor revenue.

Additional analysis regarding commercial rates can be found in Section 4 of Appendix 1.

7.1.1.3. Combined Aggregate Commercial and Residential Revenue Analysis

The projected aggregate annualized projected WM rate revenue (i.e. cost) for both commercial and residential service lines exceeds that of CR&R. As part of the cost evaluation process, the original container count that was provided in the background section of the RFP was refined. As noted in the RFP background section containing the data, the numbers were estimates and proposers were directed to undertake any verification of this information necessary for it to submit a response. The cost evaluation was completed using 1) the data provided in the

background section of the RFP and 2) a set of refined service data. The relative cost calculations' conclusions for the commercial and residential aggregate rate revenue analyses above were the same using both sets of data. A direct comparison of the aggregate costs for each proposer continues below.

CR&R: CR&R's projected total aggregate rate revenue is \$9.9 million, which is \$1.8 million **less** than the annual aggregate rate revenue from the rates proposed by WM of \$11.7 million.

WM: WM's projected total aggregate rate revenue is \$11.7 million. This is \$1.8 million **more** than the annual aggregate rate revenue from the rates proposed by CR&R.

Overall, the cost evaluation shows that CR&R's proposal will cost the City's ratepayers approximately \$1.8 million less per year than the WM proposal. This aggregate revenue analysis includes all residential and commercial service lines which were analyzed and is shown in the table below. Further analysis calculating aggregate revenue is included in Section 2 of Appendix 1.

Aggregate Revenue Analysis

CR&R Projected Total Aggregate Annual Revenue	WM Projected Total Aggregate Annual Revenue	Difference (WM - CR&R)
\$9,912,550	\$11,668,262	\$1,755,712

7.1.2. Special services.

The City requested rates for special services, including rates for special events collection and 40 other special collection services requested in Proposal Form 29, including bulky goods collection (in excess of the 4 complementary bulky items provided per household), bin cleaning service, bin exchanges, and extra pick-ups for containers.

CR&R: The sum of CR&R's rates for the 40 special services in Proposal Form 29, section 22 (Proposed Maximum Rates to be Charged) was \$3,427.36. In four of the most utilized special services, CR&R provided a lower cost for the most common commercial and residential special service charges, as shown in the table below.

WM: The sum of WM's rates for the 40 special services in Proposal Form 29, section 22 (Proposed Maximum Rates to be Charged) was \$3,834.75. In four of the most utilized special services, WM provided a higher cost for the most common commercial and residential special service charges, as shown in the table below.

CR&R’s and WM’s rates for the most common special service requests are shown below.

Special service rate item	CR&R	WM
22a. Residential bulky item (after 4 free collections)	\$31.22	\$60.00
22i. Commercial bin wheel-out service (25’-50’)	\$43.71	\$20.00
22g. Cart replacement/exchange	\$31.22	\$50.00
22k. Residential extra Pick-up	\$31.22	\$75.00
22ii. Commercial Locking bin fees	\$11.83/month	\$15.00/month
22kk. Residential overage (on third instance)	\$39.34	\$10.00

7.1.3. Proposed rates for divertible materials collection and processing services at 50% of the proposed rates for the equivalent size and frequency of MSW service.

The RFP required that the proposers provide diversion (recycling) collection service at half the cost of equivalent trash service for commercial and multi-family customers, including recycling, food scrap recycling, yard trimming recycling, and co-collected food-scrap and yard trimming recycling. This cost reduction provides an incentive for commercial and multi-family accounts to implement services that divert from the landfill as a means for the City to meet and exceed state diversion mandates.

CR&R: CR&R provided rates for recycling, food scrap recycling, and yard trimmings at half the cost of equivalent MSW collection service.

WM: CR&R provided rates for recycling, food scrap recycling, and yard trimmings at half the cost of equivalent MSW collection service.

7.1.4. Cost impacts of proposed rates on customers with existing diversion programs.

An analysis was conducted of the rate impact on five common commercial and multi-family service levels (utilizing different common sizes of container and frequencies of collection) in the City. The baseline scenario assumed the generators had the 3 state-mandated collection streams (MSW, recycling, and organics) and compared the Gap Year rates that will become effective on July 1, 2023 with the proposed rates for CR&R and WM.

CR&R: This analysis indicates that CR&R's rates would result in an average rate increase of 9% above the Gap Year rate if no service adjustments were made to existing service levels at 5 customer service profiles.

WM: This analysis indicates that WMs rates would result in an average rate increase of 20% above the Gap Year rate if no service adjustments were made to existing service levels at 5 customer service profiles.

Additional analysis calculating the impact of the rates on existing customers can be found in Section 4.7 of Appendix 1.

7.1.5. Cost of battery electric vehicle and charging station installation.

CR&R: CR&R provided a cost for a 3-axle, heavy-duty electric collection vehicle at \$705,000. CR&R did not initially provide the cost of permitting and installing the charging station. Upon the City's request in Question Set #1, CR&R provided a cost of \$75,000 for the permitting and installation of each charging station (one in the City and one at CR&R's yard). In total, CR&R estimated the cost of installing both (2) charging stations to be \$150,000. CR&R provided a monthly operating cost of \$10,928 for the electric vehicle, which includes the cost of the vehicle, the cost of financing the vehicle, the energy usage to power the vehicle, and the monthly maintenance. The operating cost was about 1% less than the operating cost of a natural gas vehicle that was provided by CR&R is \$11,000 per month. Lower electricity costs in comparison to CNG fuel costs and lower maintenance costs offset the 176% higher capital cost of the electric vehicle in the monthly cost analysis provided by CR&R. CR&R indicated that the cost-saving analysis it provided will be refined based on real world performance and costs, and if higher-amounts of operational costs savings are uncovered during this period, the cost savings will be shared with the ratepayers.

WM: WM provided a cost for a light-duty 2-axle electric collection vehicle of \$715,000. WM estimated that the cost of permitting and installing one charging station to be \$82,000. WM did not provide the monthly operating costs for electric vehicles in its original proposal. The City requested monthly operating costs in Questions Set 1 and again in Question Set 2. After several requests, WM did not provide the requested EV monthly cost analysis and instead indicated: *"As there are no specific vehicles that meet the requirements of the RFP on the road available now, current electric cost per mile rates are not known and WM cannot accurately answer this question at this time."*

7.1.6. Use of innovation to reduce costs.

7.1.6.1. Bin sensors.

CR&R: CR&R provided pricing information regarding bin sensors but did not provide specific cost reductions associated with bin sensors.

WM: WM provided pricing information regarding bin sensors but did not provide specific cost reductions associated with bin sensors.

Note: Commercial customers that opt-in to the bin sensor program will receive “push notifications” (messages sent to phones/computers) when their container is over-filled and, if they correct the overfill, they may avoid over-filled container charges.

7.1.6.2. Less expensive collection vehicles for single stream recyclables.

CR&R: CR&R indicated in Proposal Form 9 that the light-weight vehicle that will be used to collect commercial recycling will save \$38,880 over the course of the initial 8-year contract term. The cost-savings include \$14,000 lower purchase price, \$880 lower annual license fee, and \$24,000 in fuel savings. CR&R indicated that these cost-savings were passed along to the ratepayers in its cost model.

WM: WM estimated that a 3-axle light-weight vehicle is \$50,000 less than a standard, 4-axle vehicle. WM indicated that the natural gas savings to fuel this vehicle will be ‘very minimal’ but did not provide a cost saving estimate. WM indicated that these capital cost-savings were passed along to the ratepayers in its cost model.

7.2. Supporting documentation:

7.2.1. Completeness.

CR&R: CR&R provided all rates and cost assumptions requested in proposal form 29.

WM: WM provided all rates and cost assumptions requested in proposal form 29.

7.2.2. Reasonableness.

CR&R: CR&R provided reasonable rates that were in line with the processing and operational cost assumptions that it provided.

WM: WM provided reasonable rates that were in line with the processing and operational cost assumptions that it provided.

7.2.3. Clear cost buildups and assumptions included in Proposal Form 29.

CR&R: CR&R provided complete rate build-ups and cost assumptions in Proposal Form 29.

WM: In its proposal, WM failed to provide processing and disposal costs for some compactor and roll-off services taken to a third-party facility for processing. The City requested this information in Question Set 1. WM provided the requested processing and disposal costs in response to Question Set 1.

7.2.4. Clear documentation showing how innovations and/or sharing of incentives (i.e. HVIP) is used to reduce cost to ratepayers of providing service.

CR&R: CR&R indicated that any reduced operational or capital costs from the light-weight vehicle were deducted from the cost model. CR&R further indicated that it would 'offer a credit or rebate to city residents' if there were greater cost-savings for the use of the EV than projected in the RFP.

WM: WM indicated that any reduced operational or capital costs from the light-weight vehicle were deducted from the cost model. WM did not provide assurances to the City that any cost-reductions resultant from the electric vehicle would be shared with the City's ratepayers.

7.3. Conclusion:

Overall, the cost evaluation shows that CR&R's proposal will save the City's ratepayers approximately \$1.8 million compared to the WM proposal.

CR&R's residential rates were lower than those proposed by WM with all service configurations available to residents. CR&R's commercial rates were also lower than WM's. CR&R's rates for most of the commonly requested special services were lower than WM. CR&R's rates also resulted in less of an increase for customers that have existing diversion programs in place when compared to the increases experienced by these customers with WM's rates. CR&R provided a lower cost for the electric vehicle and provided more detailed cost build-ups for the electric vehicle operating costs. CR&R provided thorough, complete, and reasonable costs for the rates and assumptions requested in proposal form 29. WM, after an additional clarification request from the City, provided a similar level of completeness, thoroughness and reasonableness with their rates.

Section 8. Procedural Compliance

(Proposal Forms 1-31)

8.1. The procedures required for the RFP process include:

- Following the requested proposal format and requirements
- No additional or alternate programs proposed
- Adherence to City Council RFP Process Protocol
- Prompt and complete responses to the City's requests for additional information and explanations about proposals

CR&R: CR&R complied with four of the four procedures required for the City's RFP process including:

- No additional or alternate programs proposed
- Following the requested proposal format and requirements
- Adherence to City Council RFP Process Protocol
- Prompt and complete responses to the City's requests for additional information and explanations about proposals

CR&R proposed to provide up to 10,000 Ball Aluminum Cups with the City's logo and/or a sustainability message for use at special events in Laguna Beach. These aluminum cups are recyclable and/or may be taken home and reused. In addition, CR&R proposed to provide ten Olyns Cube Reverse Vending Machines to be placed in Laguna Beach at locations approved by the City. These machines allow for the recycling of bottles and cans into the Vending Machine with the receipt back of the CRV value of the recycled bottles and cans. These items were not included in the proposal evaluation. The City chose to accept these items.

WM: WM complied with three of the four procedures required for the City's RFP process including:

- No additional or alternate programs proposed
- Adherence to City Council RFP Process Protocol
- Prompt and complete responses to the City's requests for additional information and explanations about proposals

WM did not comply with the first procedure required by the City's RFP process: "Following requested proposal requirements". WM's submitted proposal included use of an anaerobic digestion processing facility which was prohibited by the City's RFP. The RFP Section 3.1.4 clearly described the types of processing facilities that were to be included in proposal responses to the RFP. Per the City's direction, RFP Section 3.1.4 clearly stated that food scraps should be sent to a composting facility; Section 7.07 of the contract included with the RFP clearly states that the

Contractor may not utilize an anaerobic digestion facility; the definition of Processing Facilities in Attachment A of the contract included with the RFP clearly states that anaerobic digestion may not be used as a processing facility for Laguna Beach; and Addenda 1 and 2 to the RFP included questions from the proposers with responses from the City regarding the prohibition of anaerobic digestion processing facilities.

In order to avoid finding WM's proposal non-responsive to the RFP and disqualify it from evaluation, the City sent WM a letter on December 20, 2022 allowing WM to amend its proposal, if it chose to do so, to take the anaerobic digestion processing facility out of the WM proposal and replace it with a composting processing facility. WM sent a letter back to the City on January 6, 2023 agreeing to utilize a composting processing facility in place of an anaerobic digestion processing facility.

8.2. Section 8 (Procedural Compliance) Conclusion:

CR&R: CR&R followed all of the four procedures required by the RFP. The durable aluminum cups and the reverse vending machines were not considered in the proposal evaluation process.

WM: WM followed three of the four procedures required by the RFP. The first procedure, Following the requested proposal format and requirements, prohibited the use of an anaerobic digestion processing facility. By including in its proposal, the use of an anaerobic digestion processing facility, WM did not comply with the first procedure. In order to avoid finding WM's proposal non-responsive to the RFP, the City issued a letter allowing WM to withdraw the anaerobic digestion processing facility from its proposal and replace it with a composting processing facility.

Section 9. AB 1669 Employment Offers to Incumbent's Employees (Proposal Form 22)

9.1. Proposer's willingness to offer employment to the incumbent contractor's employees:

CR&R: If selected, CR&R proposed to follow the AB 1669 requirements and offer employment to the employees of the existing contractor in the City of Laguna Beach.

WM: WM is the incumbent, so this requirement would not be applicable If WM is selected.

9.2. Section 9 (AB 1669) Conclusion:

CR&R: CR&R proposed to follow the AB 1669 requirements, if selected.

WM: This requirement would not apply to WM, if selected.

Section 10. Recommendation

EcoNomics recommends that the contract be awarded to CR&R for following reasons:

1. **Costs and Rates:** CR&R provided the lowest overall costs and rates. CR&R's total annual cost to the City's ratepayers is projected to be \$1,755,712 less than the total annual cost proposed by WM. Over the period of the 8-year contract (without the two possible one-year extensions) CR&R's overall costs are \$14 million less than the WM proposal (not adjusted for inflation). CR&R residential rates for 35-gallon, 65-gallon and 95-gallon cart service are all lower than those of WM. Likewise, the overall commercial rates provided by CR&R are lower than the overall commercial rates proposed by WM.
2. **Vehicle Capital Cost.** One of the ways the lower costs were achieved by CR&R as compared to WM is that CR&R obtained favorable pricing on the new collection vehicles. CR&R's total vehicles capital cost is \$895,000 less than WM's total vehicles capital cost as CR&R's costs are approximately \$50,000 per truck lower than the cost for WM vehicles.
3. **Thoroughness of Proposal:** CR&R provided a well-prepared, extensively researched, and complete proposal which contained a lot of thought about how best to serve the City of Laguna Beach. The proposal was tailored to the City's specific demographics, character and current conditions.
4. **Responsiveness During Evaluation:** CR&R was timely, cooperative, and forthcoming during the proposal evaluation and provided detailed responses to all questions from the City. CR&R was well-prepared for its interview and answered all questions directly and to the satisfaction of the City.
5. **Team:** CR&R's proposed senior management team has extensive experience with transitions and diversion program implementation and is able to quickly obtain decisions from local owners. CR&R's proposal recaps that the company has successfully transitioned services in sixteen municipalities over the last ten years and completed a comprehensive implementation process in each municipality. The contract requires provision of one Sustainability Coordinator. In recognition of the importance of the transition to the new contract and the need to move rapidly to implement all required transition tasks plus keep existing recycling and diversion programs operating effectively and implement new programs, CR&R proposed to provide two Sustainability Coordinators for the first two years of the contract. Both Sustainability Coordinators are already hired, are well thought of in the industry, and have a high degree of experience in these positions. The two Sustainability Coordinators would also be actively involved in performing transition and program implementation tasks.
6. **Contract Exceptions:** CR&R took exceptions to the contract that were less impactful to the City. The exception that would have the highest negative impact on the City was keeping pandemics and epidemics as Force Majeure events. When the City asked if the proposers would like to withdraw any of the exceptions that the City found unacceptable, CR&R withdrew all three of the exceptions that the City found unacceptable, which included the exception regarding Force Majeure events. Subsequently, after the decision

to recommend CR&R as the preferred proposer, CR&R immediately agreed to all the contract language that the City drafted to address the remaining lesser exceptions.

7. **Technology and Innovation:** CR&R demonstrated a consistently enthusiastic approach to implementing diversion programs that are tailored to the City and that integrate technological innovations to serve the City in a more efficient and sustainable manner. This included providing the most feasible, well-researched, and cost-effective operational plan for the incorporation of an electric vehicle to collect commercial carts in the downtown area of the City. The electric vehicle is very important to the City and will reduce congestion, air emissions and truck trips in the downtown area (e.g. Forest Avenue) since the vehicle has a split-body and can therefore collect two streams (organics and recyclables) in a single pass. CR&R's proposed charging stations for the electric vehicle were well-researched and the proposal description showed CR&R had thought through and covered all the required utility interfaces, permits, electrical connections and other tasks required to bring the charging stations online. The contract required one charging station located at the selected proposer's yard. CR&R proposed the required station at its yard and also a second charging station to be located within Laguna Beach at a location to be determined with the City. This second station would provide backup charging capability for the electric truck and also be available for use by the City's vehicles. CR&R has experience with the commercial bin sensors that will be offered as an optional service to commercial customers to monitor fullness and possible contamination in bins. CR&R also fully embraced providing a light-weight vehicle to collect recyclable materials as required by the RFP. The lighter weight vehicle is less costly and causes less wear and tear on City streets. CR&R already has similar light-weight collection trucks in service in Orange County; two in Tustin and one in Lake Forest.
8. **Hard-to-Service Collection:** Collection of trash, recyclable materials and food scraps/yard trimmings in the hilly areas with narrow streets and small turnaround areas (called "hard-to-service" areas), has been a challenge in Laguna Beach. Collection in the hard-to-service areas needs to be performed safely and with special equipment. CR&R's proposed operational approach to hard-to-service neighborhoods was informed by pilot studies in the City and its experience in other space-constrained communities (such as Balboa Island and Catalina island). CR&R provided a 2-pass collection program using split-bodied collection vehicles that minimizes road impacts, congestion, and disruption in these neighborhoods. With this proposed truck, these neighborhoods will have all their materials collected with two truck "passes", instead of three.

Overall, CR&R provided the most detailed, comprehensive, and well thought out proposal. It was custom-tailored to the needs and requirements of Laguna Beach. CR&R's proposal provides the most value to the City.

EcoNomics found that WM's proposal would not be the most beneficial to the City and its ratepayers for the following reasons:

1. **Costs and Rates:** WM provided higher costs and higher rates compared to those of CR&R.
2. **Thoroughness of Proposal:** Much of WM's proposal was generic in nature. Many of the sections described what seemed to be a standardized approach that is proposed by WM for cities in California and nation-wide; with only small portions customized to Laguna Beach and its needs. The original proposal contained addition errors in the tables for the number of FTE employees to serve the City (Proposal Form 7). WM did not completely follow the format in the RFP for presenting the numbers of bins and carts proposed to serve residential, commercial and multi-family customers in Proposal Form 12. This resulted in mis-categorization of carts. It took several sets of questions to arrive at the number and types of carts and bins that WM was proposing.
3. **Contract Exceptions:** WM took numerous exceptions that would negate performance requirements and cost controls built into the contract. WM proposed that it be entitled to rate increases for changes in all types of laws and for 'extraordinary cost increases' for an unlimited number and type of events. These could include changes in costs for fuel, transportation, fees, recyclable materials market prices and other unspecified costs. These exceptions would shift financial risks to the City. WM proposed inclusion of pandemics, epidemics and labor strikes as Force Majeure events meaning the company would be excused from collecting trash and other materials and from other duties under the contract, if affected by these events. WM took another exception which would allow the company to find any and all information and data related to Laguna Beach to be 'confidential and proprietary'. This exception would prevent the City from complying with the reporting requirements of SB 1383 since WM could decide that critical SB 1383 compliance data was 'confidential and proprietary', and as such could not be disclosed to a third-party (i.e. CalRecycle) without the third party signing a non-disclosure agreement. When asked if WM wanted to withdraw any of these exceptions that the City found unacceptable, WM did not withdraw any exceptions.
4. **Compliance with RFP Requirements:** The RFP and the contract specifically prohibit the use of anaerobic digestion to process the City's food scraps and yard trimmings and state that composting must be used. This prohibition was also re-stated in both Addenda #1 and #2 to the RFP. WM proposed the use of an anaerobic digestion facility. In order to avoid disqualifying WM as being non-responsive to the RFP, the City asked WM to substitute a composting facility to process the food scraps and yard trimmings. WM then proposed two composting facilities for processing the City's materials.
5. **Technological Innovation:** WM's proposal conveyed resistance to incorporating several of the City's desired technological innovations, which are required by the RFP and the contract. Regarding providing one electric collection truck, WM was reluctant to commit to specific details (including the make and model) for the electric vehicle it was proposing to use in the City. At one point WM stated that proposing a specific vehicle would "unnecessarily confine our options" and questioned whether it was too soon to utilize the electric vehicle technology. Several rounds of questions were required to obtain specific

information about the electric vehicle. WM also seemed to prefer the use of SMART Truck technology to identify contaminants rather than the contractually required bin sensors. The SMART Truck technology was used in the City of Laguna Beach during the current contract and led to complaints from a portion of residents and businesses for assessing erroneous contamination and overage charges. The City required WM to stop using the SMART Truck technology to assess overage and/or contamination charges. Cities contacted as part of WM's reference checks indicated that they were having similar complaints from residents and businesses regarding the WM SMART Truck technology.

6. **Problems With Current Service:** WM did not clearly address, in its interview, the problems with current service in the City. No specific plans were presented to correct the issues. Service issues include delayed reporting of compliance data required by SB 1383; lack of timely responsiveness to the City's requests for resolution of customer complaints; and seeming lack of overall management, direction, and coordination of WM's operations in the City. There has also been frequent management staff turnover in the past 2 years (the City has had 5 different designated WM contract Recycling Coordinators in the past 2 years).
7. **Clarity in Responses to City's Questions:** WM's proposal included less specificity and clarity regarding operational staffing details, and required several queries to finalize driver personnel details, and their corresponding costs. An example of this included the driver/transportation FTE count of 125 included in the initial proposal being refined down to 20 drivers after several rounds of questions. Similar issues were encountered with determining the number of containers that WM would need to procure for the contract. In the interview, WM's team did not appear to be cohesive. The company's answers to the City's questions were, at times, incomplete. The presentation provided limited information to help the City gain additional insights about WM's proposal for Laguna Beach.

APPENDIX 1 – RATE EVALUATION

Section 1. Background and Methodology

1.1. Costs – Background:

The City requested that proposers provide MSW (trash), recycling, and organics recycling rates for residential, commercial, temporary (i.e. roll-off) bins, and special service lines. The proposed rates were provided in Proposal Form 29, which will become Attachment D to the contract for the selected proposer. In general, the rates requested by the RFP respond to current legislation that require increasing levels of landfill diversion with a specific focus on organic waste such as food scraps and yard trimmings. The rates requested provide a rate incentive for commercial and multi-family customers to implement diversion programs by providing recycling service and organics service at half the cost of equivalent trash service. Further, incentives are provided to residents for using a smaller trash cart and/or for having City-verified backyard composting programs by paying lower residential rates. This rate structure aligns generators' cost-incentives with the City's state diversion mandates and allows generators to reduce service costs while also complying with state diversion requirements.

1.2. Rate Evaluation Methodology:

In order to evaluate the rates provided by the proposers, the rates provided by each proposer were multiplied by the numbers, collection frequency, and sizes of carts, bins and roll off boxes provided in the background section of the RFP, to calculate the projected annual rate revenues (i.e. the annual amount the selected proposer would receive from the City's ratepayers for performing the services in the new contract.). This methodology was provided as part of the evaluation criteria in Section 5.2 of the RFP. The number of carts, bin and roll off boxes and service levels provided by the current franchise holder Waste Management in their 2021 Annual Report were used to calculate the projected annual revenue for each proposer. These service levels were also published in the background section of RFP document (Section 2 of the RFP).

As part of the cost evaluation process, the original container count that was provided in the background section of the RFP was refined. As noted in the RFP background section containing the data, the numbers were estimates and proposers were directed to undertake any verification of this information necessary for it to submit a response. The cost evaluation was completed using 1) the data provided in the background section of the RFP and 2) a set of refined service data. The conclusion was the same using both sets of data.

Also included in this Rate Evaluation are charts comparing current rates to the proposed rates received from CR&R and WM. Scenarios were prepared that project the impact of the proposed rates on a selection of several types of businesses and residents in Laguna Beach.

Section 2. Aggregate Revenue Analysis

2.1. Projected Annual Aggregate Revenue Analysis – Aggregate Revenue Compared to Current Rates (current rates are effective until June 30, 2023):

Both companies’ rates result in an across-the-board increase in rate revenue (i.e. cost to customers) for all service lines compared to current rate revenues of approximately \$6.6 million per year. The annual rate revenue value of \$6.6 million reflects the **current** rate structure that will be in effect until June 30, 2023. A rate increase will go into effect on July 1, 2023, based on the 1-year contract extension amendment with WM that was approved by City Council on May 16, 2023. Section 2.2 below includes a comparison of projected revenue for rates received by both proposers compared to the rates that become effective July 1, 2023.

CR&R’s projected total rate revenue for Year 1 of the contract is \$9.9 million, a 50% increase compared to current rate revenues. WM’s projected total rate revenue for Year 1 is \$11.7 million, a 77% increase compared to current rate revenues. Figure 1 shows the total revenue for each proposal compared to the current rates that are in effect until June 30, 2023.

Figure 1: RFP Rates vs. Current Rates until June 30, 2023 Comparison

	Current Annual Revenue*	CR&R's Rates			WM's Rates		
		Annual Revenue	Increase from Current Rates	% Increase	Annual Revenue	Increase from Current Rates	% Increase
Residential	\$3,179,232	\$3,686,361	\$507,130	16%	\$4,078,290	\$899,058	28%
Commercial	\$3,425,550	\$6,226,189	\$2,800,639	82%	\$7,589,973	\$4,164,423	122%
Total	\$6,604,781	\$9,912,550	\$3,307,769	50%	\$11,668,262	\$5,063,481	77%

*Current residential rate includes \$2.75 per household administration fee assessed by City for billing via property tax rolls, which will be discontinued 7/1/24 when direct residential billing begins.

2.2. Projected Annual Aggregate Revenue Analysis – Aggregate Revenue Compared to ‘Gap’ Year Rates (‘Gap’ Year Rates are effective July 1, 2023 - June 30, 2024):

To provide adequate time for a contract transition, the City negotiated a 1-year contract extension with WM for July 1, 2023 – June 30, 2024. As part of the negotiated extension, WM will receive an annual aggregate rate revenue increase of approximately 53% effective July 1, 2023. This 1-year extension is referred to as the ‘Gap Year’ in subsequent tables and figures. Calculations have been

performed to compare the aggregate annual revenue for the rates received as part of the City’s RFP process to the gap year rates. WM’s annual rate revenue for the gap year is projected to be \$10.1 million.

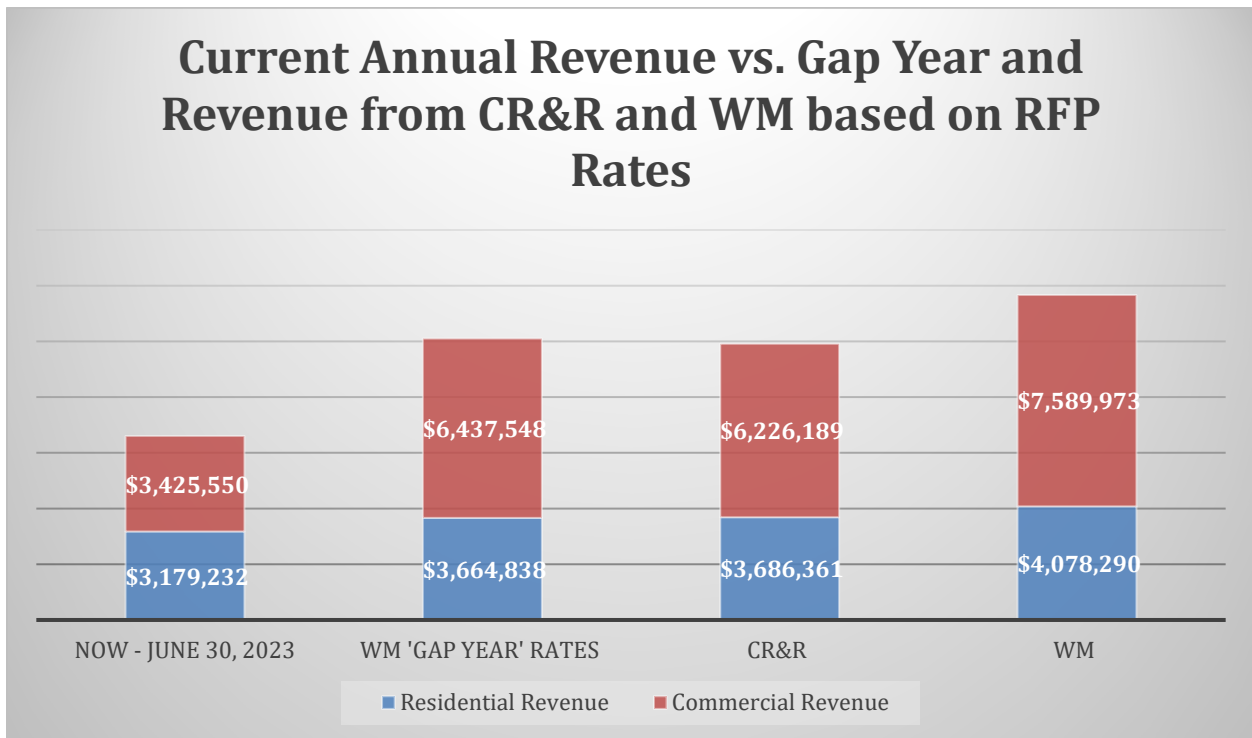
The analysis shows that CR&R’s projected total rate revenue for Year 1 of the contract of \$9.9 million is a 2% **decrease** compared to projected gap year rate revenues of \$10.1 million. WM’s projected total rate revenue for Year 1 is \$11.7 million, a 16% increase compared to gap year rate revenues. Figure 2 shows the total projected revenue for each proposal compared to the gap year rates that will be in effect between July 1, 2023 and June 30, 2024.

Figure 2: CR&R and WM Aggregate Rate Revenue vs. Gap Year Rates Comparison

	Gap Year Annual Revenue	CR&R's Rates			WM's Rates		
		Annual Revenue	Change from Current Rates	Percent Change	Annual Revenue	Change from Current Rates	Percent Change
Residential	\$3,664,838	\$3,686,361	\$21,523	1%	\$4,078,290	\$413,451	11%
Commercial	\$6,437,548	\$6,226,189	\$(211,359)	-3%	\$7,589,973	\$1,152,424	18%
Total	\$10,102,386	\$9,912,550	\$(189,836)	-2%	\$11,668,262	\$1,565,876	16%

Figure 3 below shows the projected aggregate annual revenue, split between commercial and residential rates, for the current rates, the gap year rates, and the rates from the RFP process for CR&R and WM.

Figure 3. Comparison of Annual Aggregate Revenue for Current Rates, Gap Year Rates, CR&R and WM Rates



As shown in Figure 3 above, the projected aggregate annualized rate revenue (i.e. cost) from WM’s proposed rates exceed that of CR&R for both commercial and residential service lines. CR&R’s residential rates for the most-common 3-cart residential service option (i.e. 96-gal curbside trash cart, 96-gal recycling cart, and 96-gal co-collected yard trimmings and food scraps cart) of \$27.25 per household per month are 9% less than those proposed by WM at \$29.83 per household per month. CR&R’s projected aggregate commercial rate revenue of \$6.2 million is \$1.4 million **less** than the annual commercial rate revenue from the rates proposed by WM of \$7.6 million. CR&R’S rates and projected rate revenues are less than WM’s for commercial and multi-family recycling. CR&R’s aggregate rate revenue is 18% lower than WM’s projected rate revenue for commercial and multi-family recycling.

If CR&R is selected, there will be a 3% **reduction** in revenue received from commercial and multi-family customers compared to the revenue being paid to WM for collection service during the ‘Gap Year’. If WM is selected, there will be an 18% **increase** in the amount of revenue commercial and multi-family customers pay compared to what they will be paying for collection service during the ‘Gap Year’.

Residential ratepayers will see a 1% **increase** in aggregate rate revenue if CR&R is selected compared to what they will be paying for collection service during the gap year. If WM is selected, residential customers will see a 7% **increase** in aggregate rate revenue compared to what they will be paying for collection service during the gap year.

WM's aggregate annual revenue for commercial and multi-family food scraps/yard trimmings diversion is approximately \$7,000, or 5%, **lower** than CR&R's rates.

WM's rates (and aggregate annual revenue) for temporary and permanent roll-off services is approximately \$82,000, or 11%, **lower** than CR&R's rates.

Section 3. Residential Rate Analysis

3.1. Basic Services - Residential Rate Evaluation:

The City requested rates that provide an incentive to residents to dispose of a smaller proportion of their household waste and to recycle and compost a higher proportion of their household waste. To this end, the City asked for three 'bundled' rate packages from the proposers:

- Option 1: (1) 35-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size
- Option 2: (1) 65-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size
- Option 3: (1) 95-gallon trash cart, with (1) recycling container of any size and (1) co-collected food scraps and yard-trimmings container of any size

As shown in Figure 4 below, Option 1 was the lowest cost option, Option 2 was the second lowest cost option, and Option 3 was the highest cost option. Approximately 60% of residents currently have 96-gal MSW containers, 30% have 64-gal MSW containers, and 10% have 35-gallon MSW containers. Figure 4 below compares the variable rates for the three residential service options against the City's current resident rates and the 'Gap Year' rates that will become effective on July 1, 2023. Please note, the City has opted to discontinue the practice of billing residents for residential solid waste and recycling collection via the property tax rolls effective July 1, 2024. Starting July 1, 2024, residents will be direct billed by the selected proposer.

Figure 4. Comparison of Current, Future, and Residential Rates Received during RFP

	Now - June 30, 2023	July 1, 2023- June 30, 2024	July 1, 2024 onward	
	Current*	WM 'Gap Year' Rates**	CR&R New Contract ***	WM New Contract ***
Option 1. 35-gal MSW Residential Rate	\$21.99	\$27.46	\$26.74	\$28.79
Option 2. 65-gal MSW Residential Rate			\$27.05	\$29.30
Option 3. 95-gal MSW Residential Rate			\$27.25	\$29.83
Administrative Fee	\$2.75		\$-	\$-
Total Monthly Rate Paid by Resident	\$24.74		***	***

*Includes \$2.75 per household administration fee assessed by City for billing via property tax rolls, which will be discontinued 7/1/24 when direct residential billing begins.

**The Gap Year rate includes a rate stabilization contribution from the City of \$2.72 per household per month. The full cost per month for residential service, including the administrative fee, is \$30.18 per month

***Monthly rate per resident is based on size and number of containers with CR&R and WM proposals. Most residents currently have a 96-gallon MSW cart.

3.2. Backyard Composting Rate Reductions:

In addition to using lower-volume trash carts to reduce collection costs, residents may also receive reduced rates for food scraps/yard-trimmings service if they have backyard composting programs for yard trimmings, food scraps, or both. The City requested monthly cost reduction values from the proposers for residents having a City-verified backyard composting program.

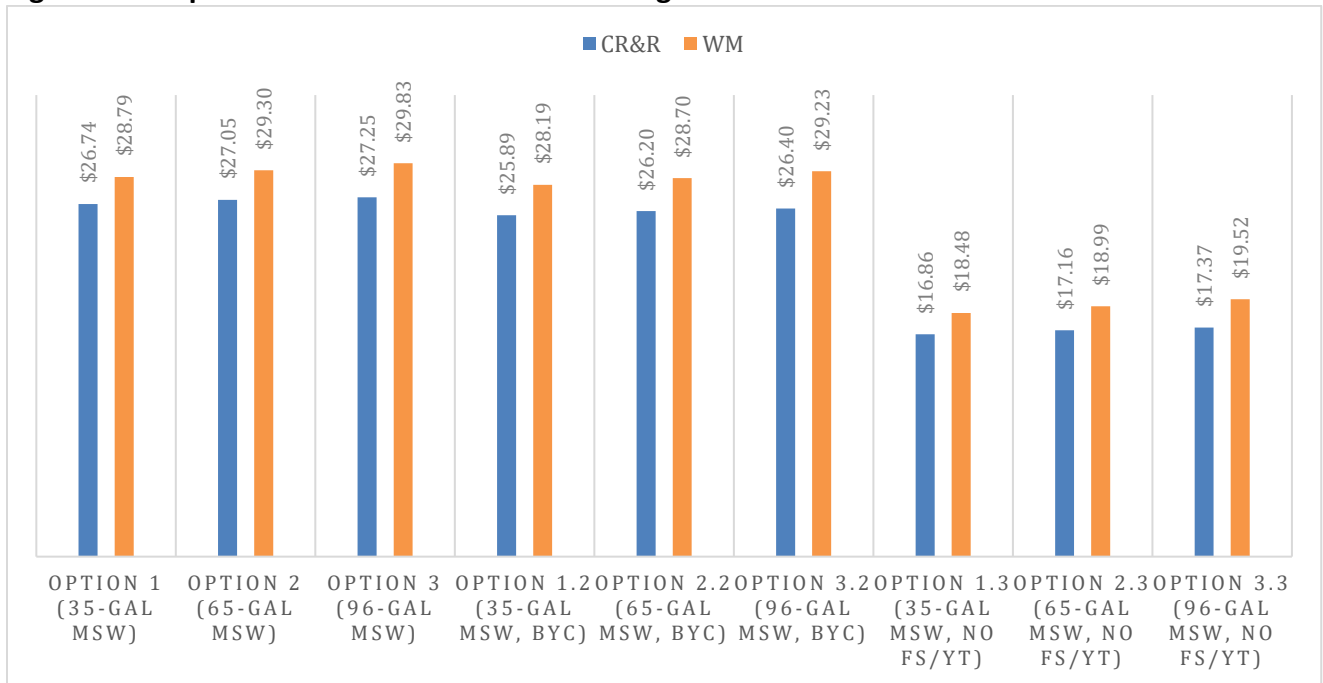
CR&R provided a \$0.85 per household per month rate reduction for residents having a City-verified backyard composting program for either food scraps *or* for yard trimmings. WM provided a \$0.60 per household per month rate reduction for residents with City-verified backyard composting for either food scraps *or* for yard trimmings. Residents who have City-verified backyard composting programs that divert 100% of all food scraps and yard trimmings that they generate, may completely 'opt-out' of the green food scraps and yard trimmings cart and therefore not have to pay for this service. By opting out of the curbside food scrap/yard trimmings cart, residents would save \$9.88 per month if CR&R were selected and \$10.31 per month if WM were selected.

Figure 5 includes a comparison of nine (9) possible residential service configurations against the current rates, the gap year rates, and the rates for CR&R and WM. In all nine (9) residential service configurations, CR&R's rates are lower than WM's. On average, CR&R's residential rates are 10% lower than those proposed by WM for the nine (9) different residential service configurations:

The residential service configurations included in Figure 5 are:

1. Option 1: 35-gal MSW cart, any size Recycling cart, any size Organics cart
2. Option 1.2: 35-gal MSW cart, any size Recycling cart, any size Organics cart; backyard composting of either food scraps or yard trimmings
3. Option 1.3: 35-gal MSW cart, any size Recycling cart, no Organics cart; backyard composting of both food scraps and yard trimmings
4. Option 2: 65-gal MSW cart, any size Recycling cart, any size Organics cart
5. Option 2.2: 65-gal MSW cart, any size Recycling cart, any size Organics cart; backyard composting of either food scraps or yard trimmings
6. Option 2.3: 65-gal MSW cart, any size Recycling cart, no Organics cart; backyard composting of both food scraps and yard trimmings
7. Option 3: 96-gal MSW cart, any size Recycling cart, any size Organics cart
8. Option 3.2: 96-gal MSW cart, any size Recycling cart, any size Organics cart; backyard composting of either food scraps or yard trimmings
9. Option 3.3: 96-gal MSW cart, any size Recycling cart, no Organics cart; backyard composting of both food scraps and yard trimmings

Figure 5. Comparison of Residential Service Configurations



3.3. Extra Cart Service:

Approximately 10% of residential customers currently have extra carts. The City requested rates for extra carts, which are shown in Figure 6 below. CR&R’s rates for extra carts are lower compared to those of WM.

Figure 6. Rates for Extra Residential Carts

	CR&R	WM
Extra MSW 35-gal Carts (2nd)	\$6.63	\$9.63
Extra MSW 65-gal Carts (2nd)	\$6.84	\$10.14
Extra MSW 95-gal Carts (2nd)	\$6.98	\$10.68
Extra Recycling Carts (2nd)	\$3.90	\$4.42
Extra Organics Carts (2nd)	\$6.65	\$7.74

Section 4. Commercial Rate Analysis

4.1. Overall Commercial Rate Comparison:

In the RFP, the City requested commercial and multi-family rates for trash, recycling, food scraps, yard trimmings, and co-collected food scraps and yard trimmings. The RFP required that the proposers provide landfill diversion collection service at half the cost of equivalent trash service for commercial and multi-family customers, including recycling, food scrap recycling, yard trimming recycling, and co-collected food-scrap and yard trimming recycling. This cost reduction provides an incentive for commercial and multi-family accounts to implement services that divert from the landfill as a means for the City to meet and exceed state diversion mandates. The aggregate annual commercial rate revenue for CR&R’s commercial rates is \$6.2 million and WM’s aggregate annual commercial rate revenue is \$7.6 million. These figures include trash service revenue, recycling service revenue, food scraps service revenue, yard trimmings service revenue and co-collected food scraps and yard trimmings service revenue, valet service revenue, and roll-off revenue. CR&R’s commercial rates were lower than those proposed by WM in the amount of \$1.4 million per year, or 22% lower.

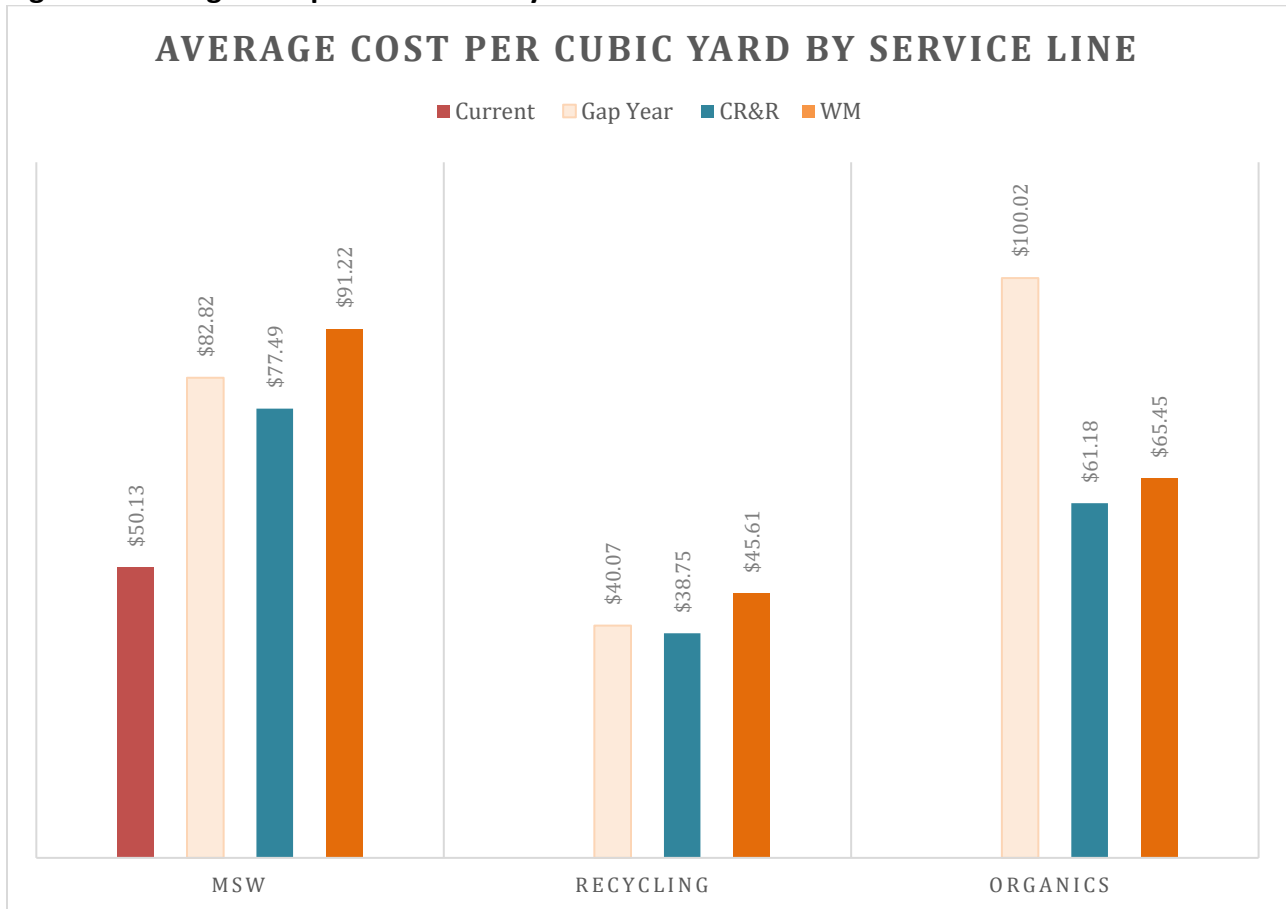
In aggregate, CR&R’s commercial rates represent an 82% increase compared to current rates effective through June 30, 2023 and a 3% decrease compared to the Gap Year rates that are effective July 1, 2023 – June 30, 2024.

In aggregate, WM’s commercial rates represent an 122% increase compared to current rates and an 18% increase compared to the Gap Year rates that are effective July 1, 2023 – June 30, 2024.

4.2. Commercial Cost per Cubic Yard Analysis:

On a per unit basis, EcoNomics compared the commercial cost per cubic yard for current rates, Gap Year rates, and the rates provided by CR&R and WM in response to the City’s RFP. This analysis found that CR&R had the lowest cost per weekly cubic yard of service for commercial MSW, recycling, and organics service when compared to WM rates. Figure 7 below shows the results of this analysis using a bar chart. Please note that WM provides recycling and organics collection service at no charge under its current contract effective through June 30, 2023.

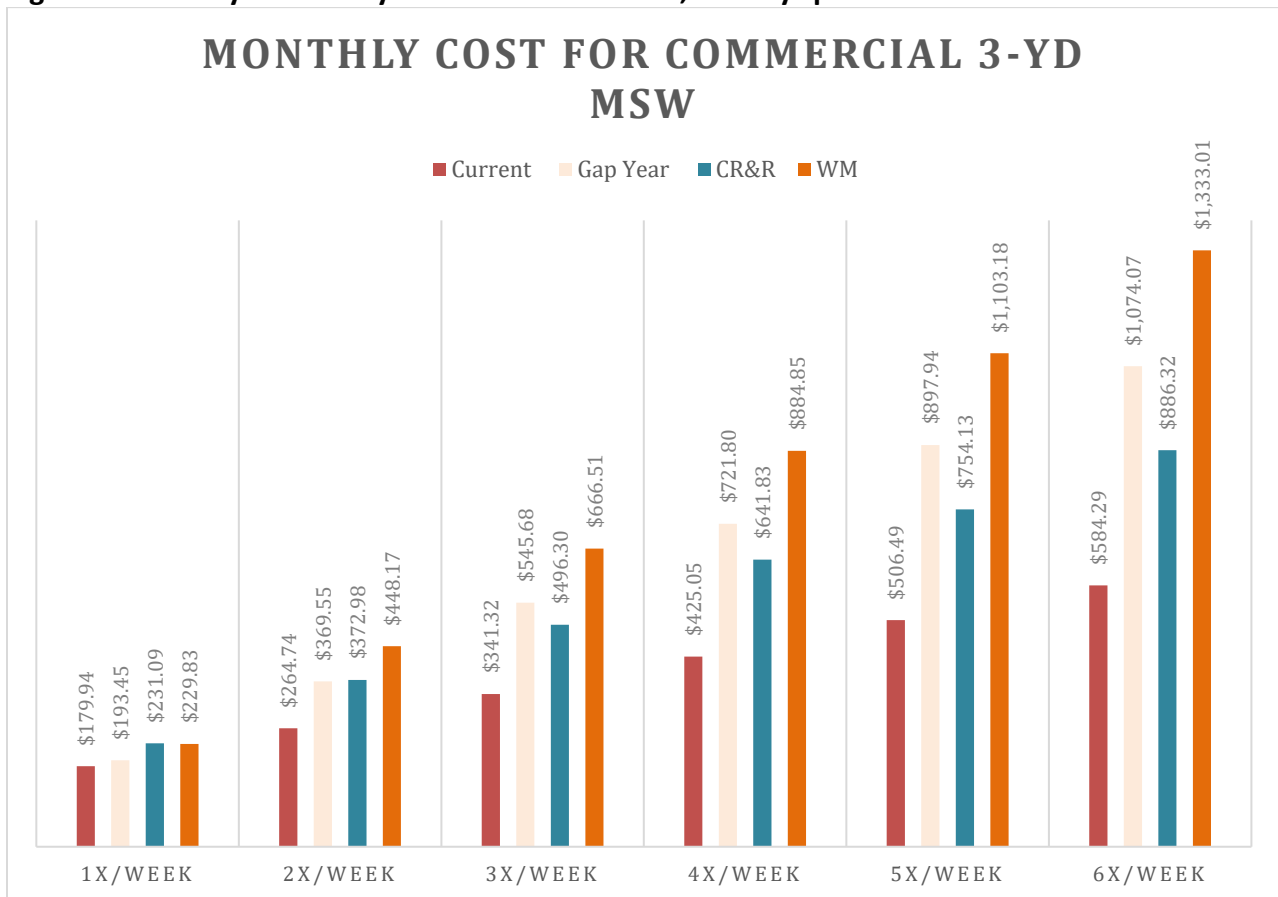
Figure 7: Average Cost per Cubic Yard by Service Line



4.3. Commercial and Multi-family 3-yard MSW Bin Rate Evaluation:

The commercial MSW rates for a 3-yard trash bin provided by both proposers compared to the current rates and 'Gap Year' rates are included as Figure 8. A 3-yard bin is the most commonly sized container to collect commercial and multi-family MSW in the City.

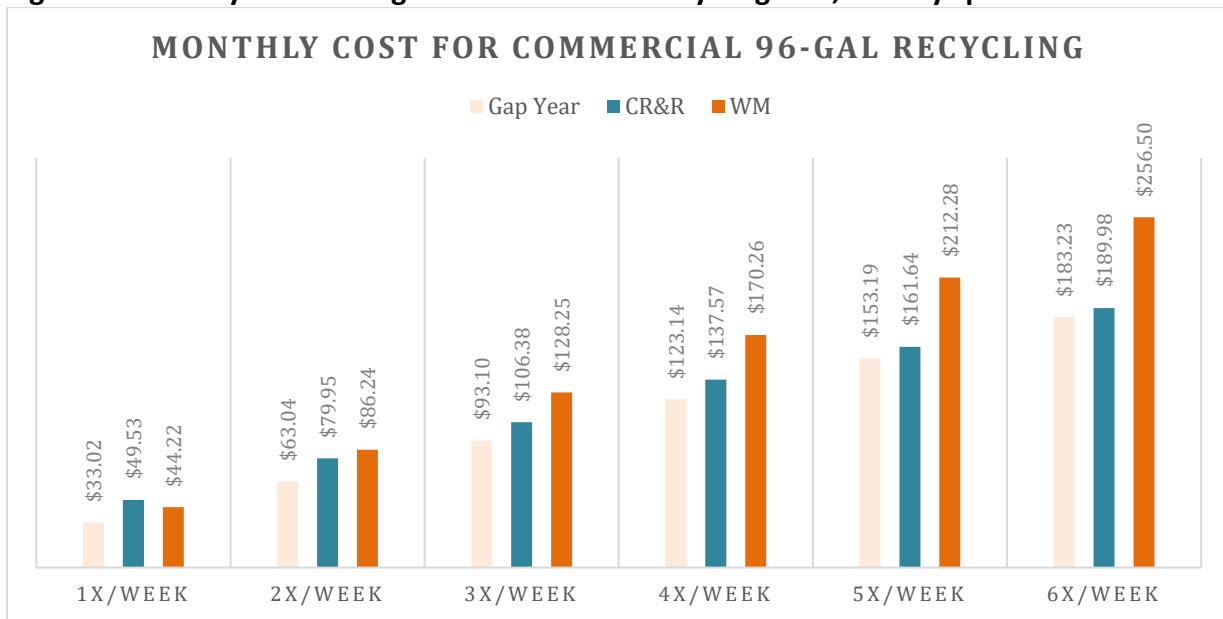
Figure 8: Monthly Cost of 3-yard Commercial MSW, 1-6 days per week



4.4. Commercial and Multi-family 96-gallon Recycling Cart Rate Evaluation:

The commercial recycling rates for a 96-gallon cart provided by both proposers compared to the current rates and 'Gap Year' rates are included as Figure 9. A 96-gallon cart is the most commonly sized container to collect commercial and multi-family recycling in the City.

Figure 9: Monthly Cost of 96-gallon Commercial Recycling Cart, 1-6 days per week



4.5. Roll-off Rate Evaluation:

The City requested pricing for various temporary and permanent roll-off box and compactor collection service. Temporary roll-off box service is used for construction projects and permanent roll-off or compactor service is usually used for large generators, such as Providence Mission Hospital Laguna Beach. Figure 10 below compares the pricing, and annualized projected revenue, for the most common roll-off and compactor service types for each proposer against the current rates and the ‘Gap Year’ rates. Both proposed rates are lower than the Gap Year rates. However, WM’s roll-off rates are lower than CR&R rates. WM’s projected annual roll-off revenue is 18% lower than the ‘Gap Year’ projected annual roll-off revenue, and CR&R’s projected annual roll-off revenue is 8% lower than the ‘Gap Year’ projected annual roll-off revenue. Overall, projected annual roll-off revenue is 10% lower for WM.

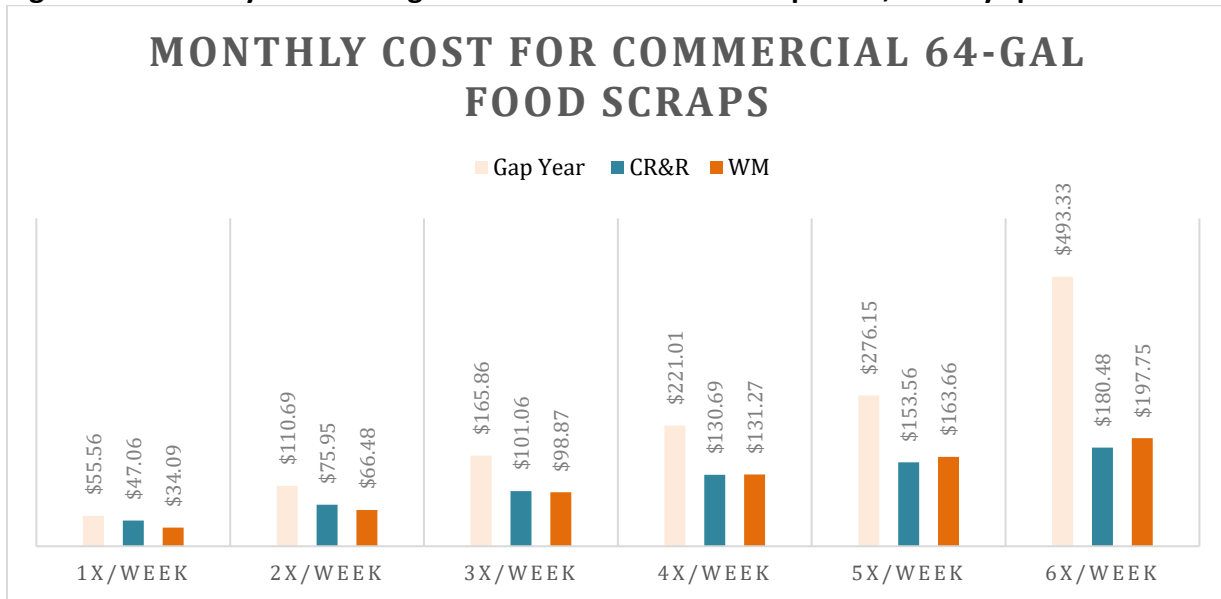
Figure 10. Comparison of Roll-off Pricing

	Item in Proposal Form 29	Current Rate	“Gap Year” rate	CR&R Rate	WM Rate
Permanent Roll-off/ Compactor	11m	\$572.88	\$792.03	\$755.96	\$691.66
C&D Roll-off	16i	\$637.50	\$1,036.67	\$843.80	\$688.40
Projected Annual Revenue		\$570,224	\$821,903	\$753,010	\$670,898
Change in Revenue from Gap Year				-8%	-18%

4.6. Commercial and Multi-family 64-gallon Food Scrap Recycling Cart Rate Evaluation:

The commercial food scraps recycling rates for a 64-gallon cart provided by both proposers compared to the current rates and 'Gap Year' rates are included as Figure 11. A 64-gallon food scraps cart is the most commonly sized container to collect commercial and multi-family food scraps in the City.

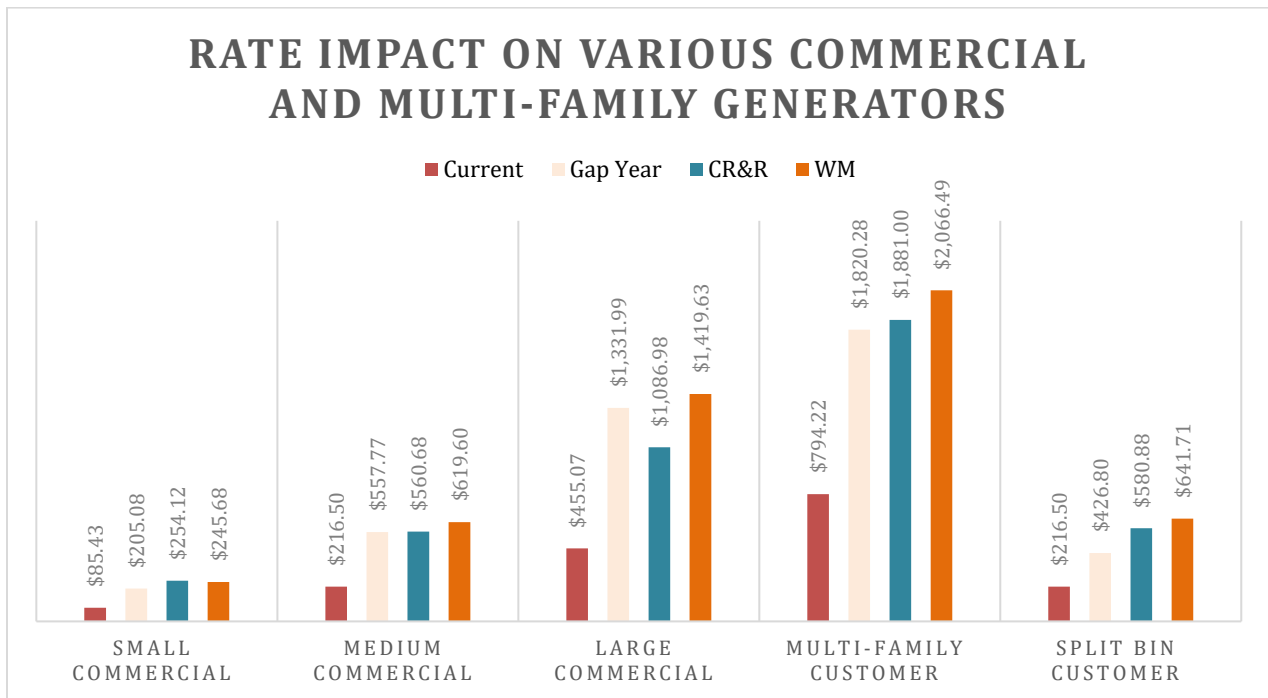
Figure 11: Monthly Cost of 64-gallon Commercial Food Scraps Cart, 1-6 days per week



4.7. Cost Incentives and Impacts - Individual Generator Impact Analyses:

An analysis was conducted of the rate impact on five common commercial and multi-family service levels (size of container and frequency of collection) in the City. The baseline scenario assumed the generators had the 3 state-mandated collection streams (MSW, recycling, and organics) and compared the Gap Year rates that will become effective on July 1, 2023 with the rates for CR&R and WM. This analysis indicates that CR&R’s rates would result in an average rate increase of 9% if no service adjustments were made to existing service levels at these 5 customer service profiles. An identical analysis that applied WM’s rates to the same five individual commercial customers indicated that WM’s rates would result in an average rate increase of 20% if no service adjustments were made. The findings from this analysis are included in Figure 12.

Figure 12: Analysis of Impact of Rates on Individual Generators



Section 5. Cost Evaluation Summary

Overall, the cost evaluation shows that CR&R's proposal will cost the City's ratepayers approximately \$1.8 million less per year than the WM proposal. This aggregate revenue analysis includes all service lines which were analyzed and shown in Figure 13 below.

Figure 13. Aggregate Revenue Analysis

CR&R Projected Annual Revenue	WM Projected Annual Revenue	Difference (WM - CR&R)
\$9,912,550	\$11,668,262	\$1,755,712