



# West Cook County **SOLID WASTE AGENCY**

## MEMBER COMMUNITIES

Bellwood  
Berkeley  
Berwyn  
Broadview  
Brookfield  
Cicero  
Elmwood Park  
Forest Park  
Forest View  
Franklin Park  
Harwood Heights  
Hillside  
LaGrange  
LaGrange Park  
Leyden Township  
Lyons  
Maywood  
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North Riverside  
Oak Park  
River Forest  
River Grove  
Riverside  
Rosemont  
Schiller Park  
Stickney  
Stone Park  
Westchester  
Western Springs  
Willow Springs

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## TREASURER

Jerry Strazzante  
Willow Springs

## EXECUTIVE DIRECTOR

Neil James

## MEMORANDUM

**TO:** Participating Member Communities  
Regional Disposal Project (RDP)

**FROM:** Neil James, Executive Director  
West Cook County Solid Waste Agency

**DATE:** January 29, 2018

**SUBJECT:** Renewal of Project Use Agreements and Continued Support of RDP

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### Introduction

More than 20 years ago, the West Cook County Solid Waste Agency initiated its Regional Disposal Project ("RDP"), as recommended by the Agency's Solid Waste Management Plan. The RDP is a cooperative, regional effort in which Participating Member Communities jointly contract for long-term solid waste transfer and disposal capacity. The primary goals of the RDP are to provide Participating Member Communities with:

1. Reduced costs for solid waste disposal
2. Price stability
3. Environmental safeguards

The program is flexible in that Participating Member Communities may choose whichever hauler they prefer to collect waste in their community. The waste is subsequently delivered by the hauler to an Agency-designated transfer station prior to being disposed at an Agency designated landfill facility. The RDP is compatible with recycling programs, and because fees under the RDP are charged on a per-ton basis for each ton of waste disposed, there is an incentive to further increase recycling.

The RDP is implemented through two contracts. The first is a contract between the Agency and a private waste company to provide the solid waste transfer and disposal services (the "RDP Contract").

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The second is a contract between the Agency and each Participating Member Community under which the Member elects to participate in the RDP and commits to deliver its waste to the project (the "Project Use Agreement" or "PUA"). The PUAs enable the Agency to "bundle" the waste from the individual Members and secure favorable pricing and contract terms from private waste companies under the RDP Contract. All Participating Member Communities executed PUAs with the Agency in 1995, which were renewed (via resolution) in 2007 and which you are now requested to renew (again, via resolution) to acknowledge your continued support of, and participation in, the RDP.

Additional information on each of these contracts is provided below.

### **The RDP Contract**

Transfer and disposal services are currently provided under a contract with a subsidiary of Republic Services, Inc. The current contract will expire on December 31, 2018.

In recognition of this impending expiration date, the Agency formed an RDP Negotiating Committee in the fall of 2016 to review future options for the RDP Contract. The Negotiating Committee included representatives from the Village of Franklin Park, Village of Hillside and Village of Oak Park.

Over the next 16 months, the Agency, with the assistance of the Negotiating Committee, performed the following activities:

- Requested a proposal from Republic to potentially extend the current contract (proposed terms did not offer improvements from the current contract).
- Met with other vendors to ascertain market interest in the RDP Contract (all vendors expressed interest).
- Issued an RFP to secure vendor proposals (four proposals were received from the following vendors or vendor teams: Groot Industries, Republic, Strom/Waste Management, and Advanced Disposal/Lakeshore. Significantly, these companies own and operate all of the transfer stations that are located nearest to the Agency, assuring that all potential transfer stations options were evaluated during the procurement process).

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- Interviewed each of the four vendors.
- Negotiated a final contract with the lowest-priced vendor (Groot).

At a workshop meeting held on January 24, 2018, the Participating Member Communities voted unanimously to award the RDP Contract to Groot. The Agency's Executive Committee also unanimously voted on that date to award the RDP Contract to Groot. Services under the new RDP Contract will commence on or about January 2, 2019.

Groot has provided solid waste services to Illinois communities since 1914 and is an experienced local company. In January, 2017, Groot Industries was acquired by Waste Connections, Inc., the third-largest solid waste company in the U.S.

I am pleased to note the following features and benefits of the RDP Contract awarded to Groot, consistent with the overall goals of the RDP:

### Reduced Costs

- Under the new RDP Contract, the Member rate will be \$43.99/ton, inclusive of the Agency's \$1.49/ton administrative fee. This represents a savings of \$7.62/ton versus the 2018 Member rate of \$51.61/ton, or a 15% reduction.
- The \$43.99/ton Member rate for 2019 represents a roll-back in pricing to rates from 10 years ago.
- The 2019 Member rate is substantially lower than the market rate for other public contracts for solid waste transfer and disposal services, even including the Agency's administrative fee. The City of Chicago, for instance, paid \$46.13/ton to \$47.96/ton in 2016 to dispose of its trash, excluding any City administrative costs -- these rates are anticipated to increase by 2019. As another example, the Solid Waste Agency of Northern Cook County, a regional consortium of municipalities located in northern Cook County, had a 2017 member rate of \$46.35/ton, including administrative costs - - this rate is also expected to increase by 2019. Assuming 1.5% annual escalation in the fees for these other contracts, it is

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estimated that the 2019 Member rate will offer savings of approximately \$3.76/ton to \$6.16/ton versus other public contracts. Notably, all of these other contracts handle larger tonnages of waste and therefore presumably benefit from volume-based discounts.

- Based on the above, the Agency believes it now has the lowest pricing for solid waste transfer and disposal services in the Chicago-area market.
- Participating Member Communities will also continue to have access to two transfer stations under the new RDP Contract. The Groot transfer stations are located in McCook and near O'Hare Airport, providing a north and south facility, and allowing Member Communities to control their local hauling costs.
- Groot's McCook transfer station is located approximately 1 mile away from Republic's Liberty transfer station, which is also located in McCook. This is significant because under the current contract with Republic, about 70% of RDP waste is processed through the Liberty transfer station.
- Because there is a north and south transfer station, there is generally little impact to local hauling distances and time under the new RDP Contract. On average, the impact is a small increase of 1.6 miles or 3.5 minutes per load (although the change in hauling distances and time will vary from town to town).
- Net of transportation-related impacts, all Members are estimated to have significant savings versus the current contract expiring on December 31, 2018.

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### Price Stability

- Under the new RDP Contract, the base service fee paid to Groot will escalate based on general inflation (as measured by the Consumer Price Index), with a cap of 4% and a floor of 1.5%.
- The escalation clause includes several enhancements versus the current contract with Republic:
  - The escalation clause in the Republic contract includes 3 components: general inflation (weighted at 67%), fuel (weighted at 6%), and labor (weighted at 27%).
  - The fuel component (which is highly variable) and the labor component (which generally increases at a faster rate than CPI) have been removed in the new RDP Contract with Groot.
  - Although there is a minimum increase of 1.5% in the new RDP Contract, the cap has been reduced from 5% under the Republic contract to 4% in the Groot contract. Moreover, there is no longer a one-year carryover in any unused escalation if the escalation exceeds the cap (under the Republic contract, for instance, if escalation was 6% in a given year, Republic would be allowed to carryover the 1% above the 5% cap to the following year).
  - Further, the State of Illinois' solid waste surcharge, amounting to \$2.22/ton, has been removed from the base service fee and will only change if the State proposes legislation to modify the surcharge. Under the Republic agreement, this surcharge was included in the base service fee and therefore escalated annually. The State has not modified the surcharge since 2003. By removing this surcharge from the base service fee, Members will benefit from lower overall annual escalations under the new RDP Contract.
- Like the existing Republic contract, there is no per-load minimum on trucks delivering waste to the RDP. Most transfer stations charge a 4-ton minimum on vehicles delivering waste. RDP Members are charged only for the weight of waste actually delivered (i.e., if a truck is only carrying 3 tons of waste, the Member

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is charged for only 3 tons, not 4 tons). This provision can benefit public works departments, which may have smaller loads of waste.

- Groot has also proposed a financial incentive under which \$1.50/ton would be rebated to the Agency for each ton of RDP waste delivered. This rebate, which will escalate annually, provides a source of funding to the Agency and allows the Agency to keep its administrative fee as low as possible.
- The initial term of the new RDP Contract will be for 10 years (2019 - 2028). The Agency would have the discretion (based on market conditions in 2028) to extend the contract for up to two additional 5-year terms.

### Environmental Safeguards

Throughout the history of the RDP, the Agency has always strived to provide Members with multi-tiered protection from potential environmental liability. The high level of protection historically afforded members is continued under the new RDP Contract, which incorporates the following safeguards.

- Corporate guarantee from Waste Connections US, Inc.
- Comprehensive indemnification.
- Comprehensive insurance:
  - Environmental (transfer stations = \$5,000,000, landfills = \$20,000,000)
  - Auto = \$5,000,000
  - General = \$5,000,000
  - Umbrella = \$10,000,000
- Environmental reviews of contracted disposal facilities.

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- Guaranteed capacity at transfer stations and landfills. As noted previously, Groot will provide two transfer stations as well as a primary landfill (Winnebago Landfill) and backup landfill (Rochelle Landfill). Notably, Groot has indicated that RDP waste will likely be disposed in a new disposal unit being constructed at the Winnebago Landfill (essentially, a new landfill).

### New Services

For the first time, the RDP will also be able to handle residential recyclables from Members. This will be an optional program for Members -- unlike trash, you will not be required to deliver recyclables to the RDP. However, Members (or their haulers) will be able to use this optional service at their discretion if they find it advantageous. The key features of this optional service are as follows:

- A processing fee of \$95.00/ton of recyclables would be charged at either of the Groot transfer stations (both of which have recycling capabilities).
- A revenue share would be provided if the value of the recyclables exceeds the processing fee of \$95.00/ton. The excess revenue would be split 50/50 between Groot and the Member or its hauler. For instance, if the average material revenue was \$105.00/ton, the revenue share to the Member (or its hauler) would be \$5.00/ton.

### Summary

The Agency believes that the new RDP Contract (with Groot) will provide Members with compelling benefits:

- A significant reduction in transfer and disposal costs from the current contract with Republic (amounting to \$7.62/ton).
- A roll-back in pricing to rates from 10 years ago.
- Below market pricing versus other public contracts for transfer and disposal services. The Agency believes it has the lowest pricing available in the Chicago metro-area market.

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- Access to two local transfer stations (a north facility and a south facility) to minimize hauling distances.
- Guaranteed, long-term disposal capacity at a primary landfill and a backup landfill.
- Substantial environmental safeguards.
- New services (ability to accommodate recyclables).

Notably, all of the above benefits are backed by a contract, in writing, providing a high level of assurance to the Participating Member Communities. Further, the contract with Groot was negotiated following an RFP process that included proposals from all of the companies that have transfer stations within or near to the Member communities. The Agency believes that it has secured the most-favorable pricing and contract terms available in the market.

Additional information on the new RDP Contract is provided in the attached slide presentation.

### The Project Use Agreement (PUA)

As noted in the Introduction to this memorandum, all Participating Member Communities joined the RDP project by executing a Project Use Agreement in 1995. The PUAs were subsequently renewed by the Members (via resolution) in 2007, shortly before Republic commenced operations under the current RDP Contract.

It is now time to again renew the PUAs and acknowledge Member support of the RDP in anticipation of services starting in 2019 under the new RDP Contract with Groot. To facilitate this process, the Agency has prepared the attached resolution. In order to allow us to continue to serve our Members and provide the protection from environmental liability and cost savings afforded by the RDP, I ask that you adopt the attached resolution at your Board meeting in February, 2018. Agency staff are available during this time to answer any questions you may have.

### Attachments:

Draft Resolution, Renewal of PUA and Continued Support of RDP  
Slide Presentation - Benefits of RDP Contract

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