

Privatization of Sanitation

Presented
December 6, 2011

Background of Request for Proposal

- Two separate bids were made in same RFP.
 - 2x/week garbage collection and 1x/week recycling (curbside only)
 - Only curbside recycling (currently what is privatized)
- Contract calls for 3 years with options to extend for a 4th and 5th year:
 - Right to terminate contract with 30 days notice, with or without cause
 - Township has ability to perform checks on employees hired by private contractor
 - Scope of services equivalent to what is provided by Township today

Operation Improvement Objectives

- ⦿ Maintain or improve upon service levels
- ⦿ Reduce costs – both short term and long term savings
- ⦿ Take care of our employees where possible

Assessment of Objectives

Maintain or improve upon service levels	No change in service – garbage will be collected 2x per week and recycling 1x per week.
Reduce costs – both short term and long term savings	<ul style="list-style-type: none">•One year savings are upwards of \$800,000.00•Potential additional savings from fleet reduction and long-term legacy costs of benefits
Take care of our employees where possible	Vacant positions in roads department will be filled by current sanitation employees

BUDGET	PROJECTED 5 YEAR COST OF IN HOUSE					
	2011	2012	2013	2014	2015	2016
TOTAL EMPLOYEES	9	9	9	9	9	9
VACANT SPOTS	2	0	0	0	0	0
TOTAL EXPENSES						
BUDGET SPOTS	9	9	9	9	9	9
AMOUNT - SALARY	\$ 749,643.00	\$ 764,635.86	\$ 779,928.58	\$ 795,527.15	\$ 811,437.69	\$ 811,437.69
HEALTH BENEFITS	\$ 158,107.83	\$ 170,756.46	\$ 184,416.97	\$ 199,170.33	\$ 215,103.96	\$ 215,103.96
PENSION PER EMPLOYEE	\$ 60,727.73	\$ 66,800.50	\$ 73,480.55	\$ 80,828.60	\$ 88,911.46	\$ 88,911.46
FICA	\$ 118,075.41	\$ 120,436.92	\$ 122,845.66	\$ 125,302.57	\$ 127,808.63	\$ 127,808.63
TOTAL S&W PLUS BENEFITS	\$ 1,086,553.97	\$ 1,122,629.74	\$ 1,160,671.76	\$ 1,200,828.66	\$ 1,243,261.74	\$ 1,243,261.74
FUEL COSTS (EST)	\$ 25,000.00	\$ 25,500.00	\$ 26,010.00	\$ 26,530.20	\$ 27,060.80	\$ 27,060.80
CAPITAL EQUIPMENT MAINT	\$ 14,000.00	\$ 14,280.00	\$ 14,565.60	\$ 14,856.91	\$ 15,154.05	\$ 15,154.05
ANNUALIZED TRUCK COST	\$ 80,000.00	\$ 81,600.00	\$ 83,232.00	\$ 84,896.64	\$ 86,594.57	\$ 86,594.57
RECYCLING CONTRACT (TYPE 13)	\$ 229,380.00	\$ 184,735.20	\$ 184,735.20	\$ 184,735.20	\$ 217,335.53	\$ 217,335.53
RECYCLING CONTRACT PER BID (ALT 2)	\$ 191,450.00	\$ 251,685.00	\$ 252,685.00	\$ 252,685.00	\$ 253,685.00	\$ 253,685.00
TOTAL COST	\$ 1,626,384	\$ 1,680,430	\$ 1,721,900	\$ 1,764,533	\$ 1,843,092	\$ 1,843,092

PRIVATIZING	PROJECTED 5 YEAR COST OF IN HOUSE					
	2011	2012	2013	2014	2015	2016
TOTAL EMPLOYEES	9	N/A	N/A	N/A	N/A	N/A
VACANT SPOTS	2	N/A	N/A	N/A	N/A	N/A
TOTAL EXPENSES						
TOTAL S&W PLUS BENEFITS (ABOVE)	\$ 1,086,553.97	\$ -	\$ -	\$ -	\$ -	\$ -
TOATL OTHER ITEMS (SEE ABOVE)	\$ 119,000.00	N/A	N/A	N/A	N/A	N/A
RECYCLING CONTRACT (TYPE 13)	\$ 229,380.00	\$ 184,735.20	\$ 184,735.20	\$ 184,735.20	\$ 184,735.20	\$ 184,735.20
GARBAGE AND RECYCLING PER BID	\$ -	\$ 655,200.00	\$ 674,700.00	\$ 690,400.00	\$ 690,400.00	\$ 690,400.00
RECYCLING CONTRACT PER BID (ALT 2)	\$ 191,450.00					
TOTAL COST	\$ 1,626,384	\$ 839,935	\$ 859,435	\$ 875,135	\$ 875,135	\$ 875,135

SAVINGS(LOSS)	\$ -	\$ 840,495	\$ 862,464	\$ 889,397	\$ 967,956	\$ 967,956
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TOTAL 5 YEAR SAVINGS	\$ 4,528,270
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Risks and Management

<p>Quality and experience of vendor:</p>	<ul style="list-style-type: none">• Low bidder meets extensive requirements of RFP process• Has prior experience in Millburn from past recycling contract• Public Works department is comfortable with vendor
<p>Transition/operational changes:</p>	<ul style="list-style-type: none">• Processes required for monitoring tipping fees and collection in parks• Transition plan started; risk mitigated since transition has been done with recycling in past• Can call Public Works or vendor for missed pick-ups and complaints

Risks and Management

Impact on residents:

- Services are the same: 2x/wk trash and 1x/wk recycling curbside
- Company's employees will be vetted
- Beyond the "call of duty" services likely will diminish – residents will have to follow pre-established guidelines

Ability to take back service if necessary:

- We will monitor future costs of contracts in other towns
- Township will keep some trucks for leaf collection
- Can terminate contract with 30 days notice