

**CITY OF NEWARK
DELAWARE
COUNCIL WORKSHOP MINUTES
September 21, 2015**

Those present at 6:00 p.m.:

Presiding: Mayor Polly Sierer
District 1, Mark Morehead
District 2, Todd Ruckle
District 3, Rob Gifford
District 4, Margrit Hadden
District 5, Luke Chapman

Absent: District 6, A. Stuart Markham

Staff Members: City Manager Carol Houck
City Secretary Renee Bensley
Community Affairs Officer Ricky Nietubicz
Deputy City Manager Andrew Haines
Finance Director Lou Vitola
IT Manager Joshua Brechbuehl
Parks & Recreation Director Charlie Emerson
Public Works & Water Resources Director Tom Coleman
Public Works & Water Resources Deputy Director Tim Filasky
Public Works & Water Resources Supervisor Jason Winterling

Republic Services representatives Dominic Fulginiti, Al Hemma and Robert Ziegler

1. The Council workshop began at 6:00 p.m. in the Family Life Building at the Church of the Nazarene.
2. Ms. Houck gave a brief overview of the Recommendation on Contract No. 15-07 – Solid Waste, Recycling and Yard Waste Collection. Items to be discussed include:
 - Savings (\$4.9 million dollars over 7 years)
 - Impact on employees
 - Service level reductions (none)
 - Proposed provider (Republic Services)

Ms. Houck reported the City of Newark had many responsibilities with proposed changes including, but not limited to stormwater challenges, infrastructure needs, pension and healthcare and the merging of departments. The need to focus on a wide range of responsibilities and the need to address others required the City to propose ways to implement cost and efficiency measures. One of these ways to consider the outsourcing the refuse collection to potentially provide a significant operational savings.

Mr. Coleman stated the City of Newark has great refuse service which was ranked well by residents. This was not an easy decision to move forward with the RFP. The focus was to streamline, improve efficiency and reduce costs. Operations for improvements have been looked at over the last three years for a cost savings of over \$3 million dollars. In addition to streamlining pension and healthcare, the City eliminated use of the transfer station, merged Public Works and Water and Wastewater into one department and modified leaf collection to eliminate 600 hours of overtime per year. Staff researched 27 towns in the state, 24 of which contract all or part of their collections to outside sources. Under this proposal, the following items would stay the same:

- Well qualified local union workers;
- Customer service stays in house;
- No trash bill;
- Residents would not have to hire their own company (City has the contract);
- Bulk collection stays the same;

- Collection days stay the same;
- Containers stay the same;
- Trash, recycling and yard waste will continue;
- Leaf collection remains the same; and
- Level of service stays the same.

Under this proposal, the items that would change:

- The City's budget – it currently costs \$100 per year per household to provide this service in-house; and
- The color of the truck.

Mr. Coleman reported Republic held over 2,800 municipal contracts with 25,000 customers in New Castle County.

Mr. Coleman reviewed the impact on employees. The refuse division currently had 7 employees, 4 of which were eligible to retire or retire within 6 months. An early retirement incentive was negotiated with AFSCME for those who may not be eligible currently. The Public Works & Water Resources Department had two vacancies in the Sewer division and three open positions available total. The City recommended Republic utilize the unionized workforce and they expressed interest in hiring the current drivers that are not eligible for retirement or who chose not to take early retirement or leave.

Mr. Coleman noted there were many efficiency initiatives put in place in the Refuse Division. Refuse moved to automatic side loading refuse trucks with improved performance. Commercial collection was eliminated as was the City's transfer station. As a result, the personnel count went from 17 to 10 in the Refuse Division. Despite this, costs increased 12%. He reported that without an outside contract in place, costs are expected to increase significantly in the years to come. Four refuse trucks need to be purchased in the near future. Total anticipated price for those four vehicles is over \$1 million.

Steps were taken before a final recommendation was made. The review of operations was detailed with the discussion with the union regarding existing employees following. The next step was to solicit proposals. Included in that were 3, 5 and 7 year proposals with two separate components to the proposal: residential curbside collection, parks and Main Street and the second included residential dumpster collection, City non-park facilities and fire companies. They were bid and could both be awarded separately. The bids returned were reviewed by a review committee. Fifty percent of the analysis was based on price and other fifty percent was based on qualifications. Review of references, customer service and a financial statement that was reviewed by the Finance Department making sure they could actually execute the contract were conducted.

Four proposals were received and their rankings were as follows:

- Republic Services – 569.4
- Waste Management of DE – 533.0
- Waste Industries – 510.7
- FCC – 423.0

The two highest scoring companies were invited to make a presentation to the review committee. They also participated in an extensive question and answer session. They provided references that were thoroughly vetted. The review committee reviewed and unanimously decided to proceed with Republic Services.

Republic was the second largest provider of non-hazardous waste collection company in the nation. They had over 30,000 employees and over \$8.8 billion in revenue. They had 14 million customers.

Newark would be served by their Wilmington branch, which had 25,000 residential customers in New Castle County, with local management, local customer service and localized union workforce. A good indicator of customer service was before they even bid, their project manager was all over Newark reviewing the routes, checking for difficult

areas so he was aware of what he was bidding on. Republic's customer service spent an amazing amount of efforts to minimize missed pickups while maximizing the customer service experience.

Refuse collection was a very competitive industry. Republic was consistently good. The City was trying to maintain services to as close as possible to what was provided now. Currently residents' calls come to the Public Works & Water Resources Department customer service. From there they are relayed to the field supervisor who then directs the driver to pick up different areas and address customer concerns. Additionally, City mechanics do mechanical work and Street Division employees deliver carts and fill in during unexpected vacancies.

Under the proposed contract calls would still come into the City's Public Works & Water Resources Department and then be passed along to the contractor's field supervisor who would direct the drivers to pick up and address customer concerns. The City's field supervisor would still review and audit their performance.

Mr. Vitola stated he served on the RFP review committee and was part of the recommendation process. Additional items would result in real savings that were not originally covered under the \$4.7 million in savings. The recommendation only included typical budget items and figures that could be calculated with confidence. The items that were excluded were seven vacant bays once the refuse vehicles were sold that could be used for non-refuse vehicles that were originally parked outside. Equipment stored outside deteriorates faster and this would extend the life of vehicles currently being stored outside. There was a big ticket budget item involving major changes in the maintenance yard. The salt shed and the equipment shed was deficient and without the refuse fleet, costs would be cut. Without the refuse division, mechanics would be able to do more work on non-refuse vehicles and equipment. Refuse vehicles took top priority in the garage. Therefore, other vehicles were serviced by outside vendors at retail rates. Shifting of personnel from other departments to cover shortages would no longer occur. All of these savings were not factored into the proposal but could add significant savings.

The cost to provide refuse services was driven by four things:

- Cost per ton for landfill fees, recycling fees, yard waste processing and disposal costs;
- Weight of the refuse collected;
- Investment and maintenance of the fleet employed by the refuse division; and
- Cost of the people doing the work.

The review committee determined the seven year proposal was the best for Newark. The proposed savings were as follows:

- \$890,000 savings – year 1 (includes \$422,000 in one-time fleet disposal revenue);
- \$670,000 average annual savings after year 1; and
- Total savings of \$4.9 million

The City of Newark could not match Republic. The company served 25,000 households around NCC making 54,000 stops per week all around Newark. Republic could easily absorb the City's 6,600 households into its existing operations. The cost to do this was not nearly as high for Republic as it was for the City of Newark to do it.

Middletown was used as a comparison as they have been outsourcing for the last two decades. They have used multiple three year contracts and three year extensions and the prices have remained very low. This was the result of periodic competitive bidding. It was Mr. Vitola's opinion that the incoming firm would not risk the loss of such a large contract, while other firms would compete aggressively to bid on it. Even if the City chose to reinstitute its collection on year 8, a new fleet of trucks could be purchased and the City would still save over \$3.5 million over the life of the contract.

Mr. Coleman detailed the critical issues that could be addressed with the savings gained from outsourcing refuse collection. Infrastructure replacement was necessary as shown by issues uncovered during the last serious storms in 2013. At that time, a

stormwater maintenance fee to raise \$7 million dollars was proposed. It was decided not to proceed with the stormwater maintenance fee at that time. However, it was determined that if the contract to outsource the refuse proceeded, approximately 2/3 of the project costs for the infrastructure replacement would be covered by the savings. Additionally, the money from the savings could be used to purchase the Rodney/Dickinson dormitories to house a regional stormwater facility.

There were more traditional infrastructure issues that needed to be addressed, such as replacing water and sewer mains, electrical upgrades, road paving and other capital items that are at or beyond their expected life as of that day. Real life examples included replacing 5 miles of water mains, rehabilitating 10 miles of sewer mains, paving 10 miles of streets, replacing 4 miles of storm sewer, paying for the City of Newark's Electric Department automatic restoration project that will improve the liability and time residents are out of power during a storm, covering half the cost of a second redundant electric feed to the City to reduce vulnerability to long term outages and making the City more financially stable and more resilient to unforeseen financial problems.

Mr. Coleman detailed five projects that fall under the Public Works & Water Resources Department that were significantly underfunded due to lack of funds. They were water mains, sanitary mains, City streets, concrete storm pipe and metal storm pipe. The total recommended maintenance cost for those projects totaled \$5.2 million annually. Currently, only \$2.3 million was available resulting in a significant shortfall in the maintenance of these important projects.

Mr. Coleman noted two major maintenance projects that needed constant attention were the water mains and pavement projects. Money spent on pavement projects included \$750,000 in 2008, \$900,000 in 2009, \$1.2 million in 2010, \$1.5 million in 2011, \$2.5 million in 2012, and \$1 million in 2013, 2014 and 2015. The amount decreased over the last three years due to the money not being available for the project.

Mr. Coleman stated there were other ways to complete the necessary projects besides eliminating the refuse department. Taxes could be raised, utility fees could be raised, but it was the opinion of the City that this approach was easier and less painful to the residents by looking for efficiencies within the department to address these issues.

Ms. Houck reported all the information on the recommendation was found on the City's website.

3. Mr. Haines stated all questions would be answered and opened the floor to public comment.

Representative John Kowalko, 25th district, felt it was disingenuous that projected savings included \$442,000 of fleet disposal revenue as it was not a sustainable revenue source. He was concerned the City was disregarding good paying pension benefitted jobs that will be forfeited forever. In addition, prior to being a City resident he wanted to become one to benefit from the high level of service the City offers. His questions were as follows:

- How many municipalities in Delaware did Republic serve? Mr. Vitola responded that Republic served 10 municipalities in the State of Delaware. He did not know their wages, but they are union employees.
- How much did they pay their union employees and what was the pension provided to their union employees? It was his opinion that everyone that works hard deserved a pension to depend on.
- What was the cost to enhance the vehicles' protections in the yard (i.e. the covers)? Mr. Vitola stated they did not have the total cost of the maintenance yard rehabilitation project. That would be covered in the 2016-2020 CIP (Capital Improvement Plan) which was due out soon.

Mr. Kowalko believed a direct comparison needed to be done on all the items listed, especially to address the ten jobs that would no longer exist. Government provided services not a product. Newark always provided good services. It was also his opinion

that budget shortfalls should not be addressed by plans such as this and were unacceptable to the working person.

Mr. Vitola wished to address the comment about the year one savings that includes the \$442,000 fleet disposal revenue. He noted staff did not include the anticipated purchase of four new refuse trucks that will equate to \$1,065,000. He stated this was a long term solution to some of the infrastructure challenges currently faced by the City.

Mr. Jerry Clifton, District 2, stated he had heard a lot of “cost savings.” However, in his opinion, he did not see any information (i.e. what website, what auction sales house) on what the numbers were based upon. With regard to maintenance costs on the vehicles, it was his personal experience that the \$500,000 maintenance cost on the City refuse vehicles was extremely high. In comparison, the ground transportation company he worked for had many more vehicles and their maintenance costs were not \$500,000 and their vehicles were stored outside as well. He was also concerned about increasing the “top end” of the City. In addition, two of the refuse drivers assist in snow removal in the City and he wanted to know how that would be covered. He asked if the Republic drivers would be subject to a background check. He stated the numbers were impressive initially, but he did not believe they were broken down line by line.

Mr. Coleman replied a local retailer was contacted to obtain the costs for the sale of the vehicles. The vehicle maintenance costs included fuel costs of over \$100,000 per year. To compensate for snow removal, two new positions were being added to the Public Works & Water Resources Department. Mr. Coleman stated Republic did background checks and drug screens on all their drivers. Additionally, the City staff member that was originally hired to do engineering projects has taken on a more supervisory role in the field and engineering projects have had to be outsourced. These projects could be handled in-house if the engineer was no longer in a supervisory role.

Doortje Shover, District 4, stated she had been a City resident for ten years and was very impressed with the efficiency and accuracy of the refuse drivers with one individual doing all the driving and picking up. She would be absolutely furious if this person was let go. She would like to see a referendum on this issue. She also suggested letting the University pay their own fair share.

Len Schwartz, District 3, stated he was surprised the presentation seemed like a sales pitch. He stated not all the infrastructure projects the City hoped to fund could be funded with the savings from outsourcing the refuse. He felt if the refuse was outsourced and it did not work out, the City would be stuck. The trucks would be sold and the City would forever have privatized refuse collection. In addition, he did some research on Republic and found not all their workforce is unionized.

Carolyn Zsoldos, District 1, stated she previously lived outside City limits, was a Republic customer and found their service to be poor. In addition, she had issues with the trucks damaging trees and her property and not compensating her.

Larry Court, Newark resident, asked if large item removal would still be part of the services (i.e. refrigerators). Mr. Coleman stated they would be. Mr. Court also stated Republic trucks were very noisy and larger, therefore, they caused more damage to the existing roads.

John Bauscher, Madison Drive, stated he does not want any employee earning a substandard wage. He wanted to know what Republic drivers earn on average versus what the City paid. He believed the City employees in the department in question were hard working men. It was his opinion the real estate taxes in the City of Newark were way too low. He felt the City of Newark was a community not a corporation. Mr. Vitola responded the average Republic driver earns \$65,000 and the average City refuse driver makes \$52,000 plus benefits (which is a 62% load rate).

Michael Ziadat, Hunt at Louviers and a City resident for 45 years, stated his refuse service was excellent, his driver, Mr. Marshall Washington went above and beyond. He did not want the City to let go valuable employees.

Mr. Haines stated in his role with labor relations the consideration of the employees had been the most difficult and had not been lost.

Ms. Houck stated this meeting tonight was the presentation of the recommendation that was made. Mayor and Council would be the ones to make the decision. A decision was expected to be made on October 12. More information would be provided if and when it became available.

Representative Paul Baumbach, 23rd District, reiterated the process in that it was City staff's job to find ways to save money and present the ideas to Mayor and Council. Mayor and Council then made decisions on any proposal. He stated City residents were happy with their refuse service. He would be interested to know how Middletown residents viewed their refuse service with Republic. He stated the level of service with refuse that currently exists was one of the City services that was rated the highest. It was also his opinion the City's refuse service was very considerate and helpful with the City's senior residents. He asked if it was wise to alter something so successful. He appreciated the information and facts and believed they were great and in order to present to Mayor and Council for their consideration. He asked if the approximate \$6.00/month after tax worth the change in conjunction with the concerns that the residents raised. This was what needed to be considered. He would rather see the City identify areas of dissatisfaction and address those areas.

Mr. Coleman noted the proposed contract with Republic included back door service for those residents that need it so this added service would remain the same.

Silvia Zsoldos, District 1 and resident of the City for 50 years, stated the services offered 50 years ago and to this day were much better in the City of Newark than in the County. She at 85 was still in her home because City services enable her to do so.

Nancy Duffy appreciated the efforts of City staff to keep the City solvent, but concurs with Mr. Baumbach. She represented her mother and her elderly neighbors. When the weather was bad or illness affected her mother or her neighbors, the refuse driver went to the back door to get her trash. She liked the one on one personal service.

Al DiNaio, 19 year Newark resident, stated he was concerned with companies that offer "low bids" as they frequently do not offer the same quality as better companies and often costs are added on at the end due to unexpected repairs to bring the quality up to par. He stated he does not necessarily feel "confident" on the low bid companies.

Mr. Coleman reiterated that Republic was not the low bidder but rather the top choice for performance. Half the score was based upon numbers and the other half was based upon evaluations (non-financial items).

Donna Means, Fairfield Crest, stated she lived in her development for 20 years and has had the same refuse driver. She noted her daughter lives in Middletown and felt her trash collection was substandard. She thought there were other ways to save money.

Mr. Coleman stated 20 of the Republic's 70 Wilmington employees have zip codes in 19711. They also reside in the City and pay taxes. Mr. Coleman also reiterated four of the five route drivers were eligible for retirement currently or within six months.

Connie Merlet, District 4, stated she was not sure why, if Republic would be such a good company to work for, did the City state that speaking with the current refuse staff was a difficult thing to do if the switch to Republic would be so beneficial to the current employees. She further noted Republic was a for-profit company while the City is a non-profit entity. She was also concerned that in the future Republic could sell a portion of their contracts, which could include the City contract, and costs would increase while services declined. She felt Newark taxes were very low in comparison to other areas.

Ron Walker, District 4 and City resident since 1963, appreciated City staff's efforts to control costs. However, he reminded all that the City was "committed to service

excellence.” He felt he gets more than what he pays for. He liked City services including the refuse services and was willing to pay for them.

John Hundley, Timbercreek Lane, felt if the City outsourced refuse, they would lose control of one of its best services. In addition, he thought financial analyses could be structured to read positive numbers. He mentioned his review of Republic Services annual report and their 2015 proxy statement. He stated senior management leadership compensations are considerable, with no senior executives residing in Delaware. Although Republic’s gross income in 2014 was \$8.8 billion, the company had substantial indebtedness (\$7 billion in principle value of debt and outstanding capital leases). This limited their financial flexibility. In addition they had to have \$68 million in accruals for potential legal issues. In addition, it was his opinion that once the City’s contract expired, there was a high probability prices would increase. Mr. Hundley stated he would rather see his money go to City salaries and City investments.

Mr. Vitola stated when he prepared financial analyses, they were accurate. Numbers were pulled from the City’s operating budget and projected at reasonable escalation rates. In response to the high legal reserves that Republic had, he stated it was commonplace for any company that has the potential to have an environmental impact (i.e. refuse companies, chemical companies) to maintain a high reserve for potential legal issues. In addition, per Mr. Vitola, Republic could not increase the prices, even after the expiration of the first contract.

Natasha Ortega wished to thank City staff for their efforts. However, she asked City Council to please consider this carefully. She also questioned the logic behind the push for a new City logo to be instituted all over Newark. Although this change would not necessarily costs millions, she felt it looked questionable when cutting employee jobs.

Jean White, Newark resident, acknowledged all the work and effort by City staff on this proposal. She confirmed there was a representative present from Republic. She was concerned about the additional driving of the refuse trucks on local roads as they will be coming from Wilmington and returning back to Wilmington. She also wanted detail on the pay scale and benefit packages for Republic drivers, the ratio of highest to lowest on Republic’s pay scale and the name of the subsidiary (if there was one) that would be serving the City of Newark.

Mr. Bob Ziegler, Division Manager for Republic Services in Wilmington stated their legal entity name is BFI of Delaware dba Republic Services of Delaware. Every truck will say Republic Services, every uniform will say Republic Services.

Mrs. White stated that the City of Newark refuse department has the highest satisfaction rate of all City services (97-98%) and asked Council to consider the “connection” the residents have to the refuse division.

Diane Milletta asked what the current cost per household was for City residents and would the compost available on 896 remain. Mr. Coleman stated the cost was about \$28-29 per household per month and the leaf compost would remain.

Charles Scott, 66 year Newark resident, felt the people making the decisions should be the people sitting in the audience since they were the City residents not necessarily the people making the decisions.

Rodney McGee, District 2, requested the full RFP from Republic be posted and asked if any consolidation with UD had been considered. Mr. Coleman stated the whole RFP is available on the website for anyone that wanted to view it. Mr. Coleman stated the City had partnered with UD with the transfer station in the past. They have not looked into sharing refuse services with UD as they have their own unions.

Albert Porach, District 2, asked if Republic was aware of problem areas and times (i.e. student move out) as he has had issues as well. Mr. Porach asked if the same procedure would be in place when a resident had issues with trash pickup (i.e. call into

Public Works & Water Resources). Mr. Coleman replied the procedure would be the same. Mr. Porach stated he did not have a positive opinion of the current refuse service.

Anita Hunter, District 1, asked if staff members that had worked on the proposal were City residents. Some indicated they were not and Ms. Hunter noted she felt it was important to listen to the audience who lives in Newark as this issue affects them.

Frances Walsh, Cherry Hill Manor, Newark stated she was very happy with her current refuse collection and would be happy to pay the \$8.00 per month rather than lose the excellent service.

Larry Monahan, West Branch, stated most people were happy with the existing service. He would like confirmation from Republic that all services would remain the same. He would also like to know the penalties if Republic did not adhere to the contract. Mr. Vitola replied there would be performance standards written into the contract and the City would be able to hold payment until the issue is resolved. The Republic representative stated the routes will remain the same and the same driver will be assigned to trash, recycling and yard waste.

Mr. Kowalko stated the difference between Republic and the City employees was while Republic drivers got paid per pickup, City employees work a set weekly schedule. Additionally, he was concerned should there be an issue with Republic, the City would have no recourse to take back and reinstate the refuse service they once offered. Once the trucks were sold, there would be no recourse. He suggested reviewing Consumer Reports to see the reviews on Republic.

Mr. Ziadat asked Mayor and Council to reconsider any decision and suggested sending out a letter noting there would be an increase of \$10 per household.

Ms. Houck thanked all for their comments.

4. The floor was opened to comments from Council.

Ms. Hadden stated she had researched this topic thoroughly and thanked City staff for their efforts. She had received a complaint from a landlord to contact his waste removal company to ask to have the delivery time delayed (to later in the morning) from the business that is adjacent to the landlord's property. Upon contacting the refuse company, they did not offer a guarantee because the driver gets an incentive. He stated he would mention it but he could not offer a guarantee. Additionally, when looking at Republic's annual report on page 6 it references a volume growth goal could partly be motivating why there was such an attractive bid with fixed pricing for seven years. It may not be the case but it could be perceived that it was a low ball bid to incentivize the City to go with them. On page 9 of the annual report it was referred to how they operate their business to maximize exclusive contracts. On page 11, they identify municipalities as competition. On page 8, there was a chart that indicated the average age of the Republic fleet vehicles was 7 years. The average age of the City's fleet was about 8 years. Yet, in the City's recommendation they suggest that replacement of these vehicles needs to happen sooner rather than later. Ms. Hadden asked if the City considered the new vehicles proposed to be purchased by the City will use lighter compaction equipment and would save fuel and have larger pay loads because the trucks were lighter. Additionally, the key component in cost reduction was achieved by shifting to lower wage workers. The Bureau of Labor Statistics for waste collectors was different for local government workers than for waste collection employees or contracted personnel. If only considering salaries, the City could expect outsourcing to save the City between 11-35% but only because of labor cost differences. The expected tax increase to match the City's outsourcing deal was 19-26%. In addition the savings were largely associated with the personnel cost reduction accounting for 75-80% of the savings reported.

Several of Ms. Hadden's constituents have indicated that they find the notion that the City could save a small amount on taxes by cutting benefits and working conditions of hard working people offensive. The City analysis was useful but may not convey a complete or consistent picture given other City budget documents. Personnel costs and

savings are the key difference in the City's recommendation analysis on page 17 of the report. However, depending upon whether one considers a compound annualized growth rate or an average annualized growth rate personnel costs are growing at between 9-11% per year. This seems to be unusually high growth given that salaries are not growing that fast. The note indicated the blended personnel increases was expected to be 4% in out years 2017-2022. She asked why the City assumed personnel cost increases during the seven year price fixed contract period to be more than double or nearly triple the increase rate of out years and what the reason for this increase was in project costs for City refuse personnel in the short run. It was suggested to Ms. Hadden that it could be an artifact of a cost jump between years one and two which may have been mentioned prior or the assumed incentives used to reduce the workforce number. The cost projected could be compared with costs in the past budget. It was not clear why 2015 costs and the City recommendation were not aligned with the 2015 budget. The cost for refuse collection had varied in the past years in similar ways as the cost increases projected. This is visible on the data from 2008-2015 on the budget reports. The service was costing the tax payers annually between \$2.1 and \$2.6 million a year and the projections all fall within that range even if they were inflated or conservatively high. The City recommendation said non personnel costs or savings were related to annually budgeted material and supplies such as tools, safety shoes and supplies, contractual services such as refuse, disposal fees and equipment maintenance and other charges such as vehicle maintenance. Without a review of past years spending on these items, it was not clear if the City's reported budgeted expense can be deferred or managed or if these are based on trends from actual amount spent.

Ms. Hadden noted that the City operating expenses analysis showed disposal fees as a large expense. Regarding disposal fees, she asked if this was an expense that was bid out and currently under contract. She asked if it was with the Delaware Solid Waste Authority and, if so, when the contract was up.

Ms. Hadden stated that the staff report indicated the City was functioning at a rate of 7 employees through attrition but if things were getting done what was the justification for increasing to 10 employees if the City continued services internally. She asked why savings figures in the recommendations were based on 10 employees when there were only 7 in those positions currently. In the table in appendix C, of the City Manager's August 21 letter to Mayor & Council, the entire current budget of about \$2.4 million for the refuse division would be saved annually. This anticipated savings calculation included interdepartmental charges of about \$500,000 for which she found no explanation.

Ms. Hadden asked if the actual net City expenses decreased by \$650,000 annually or if revised interdepartmental charges for rates would negate most of the claimed savings. If eliminating interdepartmental charges for the refuse division was actual real savings, where cuts in other departments would be implemented in order to realize those savings. If there were no real savings elsewhere to cover interdepartmental charge savings, actual savings would actually be around only \$1.5 million. Apples to apples on page 2 of the City's executive summary, it stated bid option A was to include Main Street compactors and also bins in Parks. However on page 6, Republic's bid did not include those two bid items. She asked how they could be considered to meet the low bid if they didn't meet the basic requirement and how they could compare the partial bid costs to others who did include Main Street and parks.

Ms. Hadden stated when she researched Republic's environmental track record online, there were considerable fines related to hazardous waste leaking in their landfills and if that was a realistic expectation in this line of business. She asked if that was representative of the City's standards and philosophy. She was also concerned that releasing one of the finest and most unique services that constituents enjoyed and were proud of meant that the City would no longer be able to control response, service and quality and it would belong to someone else. She asked if that was what the City wanted to do. The proposed organization chart showed the City's Public Works and Water Resources Director on the same level as the contractual manager for the Republic. Ms. Hadden found that surprising as she was under the assumption that Republic's manager should report to the City's manager because they were performing a service for the City. She felt the chart should be adjusted unless that was truly an accurate depiction.

Ms. Hadden asked what would happen to locations where the City provided trash services in exchange for using facilities like Downes and West Park Elementary Schools. Ms. Hadden reviewed Mr. Vitola's letter to Mayor & Council on September 14 that stated taxes would increase from \$0.706 to \$0.842 per \$100.00 after the first year assuming a home with a value of \$200,000 this represents a tax increase from \$14.12 to \$16.84 or \$272.00 per year which is \$23.00 per month. She pointed out that was exactly what the top bidder was charging for residential pickup in Appendix A of the recommendation report which states \$21.70 per year up to \$23.60 for final years. It appears that the cost from the winner was exactly what it would cost for the City to pay for the service and asked what the advantage to privatize was.

Ms. Hadden asked the value was on City waste employees being the first set of eyes on an issue or a problem in the neighborhood and taking their observations back to City staff for remediation before it became a larger issue, on employees recognizing certain homes that were occupied by the elderly and going out of their way to take the cans in or knocking on the door to see how they are doing, on the sense of community that the large white trucks with blue and green lettering brought to the public in general. These were not in the contract.

Mr. Coleman stated the DSWA ("Delaware Solid Waste Authority") contract expired in 2016. Mr. Coleman stated the City was under flow control so it could not go to any non DSWA facility with City trash. He noted that tipping fees would be decreasing and that would be reflected in the City's contract with Republic. The City was not under flow control for recyclables so they could be taken anywhere. The tip fee with DSWA was a rate that consisted of paying a fee and getting a discount off that fee if the hauler took everything to them. As a municipality, the City did not have the option to take items anywhere, however contractual haulers could leave the state. With the new contract there was a flat rate and then a \$20.00 discount was offered if the customer met other requirements such as taking recyclables to a DSWA recyclable center, which was where the City currently went. The City was going to be under flow control for both trash and recyclables in the next year because there would be approximately a 25% pay cut on trash to take the recyclables there. On the current contract with DSWA, the City never got paid out but was at no risk for ever having to pay out if commodities prices went down. Commodity prices had been down for the last 18 months, however, this was difficult to predict and there were no indications this was going to change. If the City were to enter into this agreement with DSWA for recyclables, the City would take on the additional risk of paying should commodity prices decrease that it had not had to do prior. It was not a significant risk in the grand scheme of things as the most would be \$20/ton.

Mr. Coleman stated the City currently had 7 staff members. Things were getting done, however, the street sweeper was driving the rear loader today. Things were getting done because people from other divisions were filling in when needed. It took 8 people on any given day. There were many employees with significant vacation time and it took other people to cover in that circumstance. It really did take 10 people. The City would be going back to 10 people should the recommendation to contract out be declined.

Mr. Vitola stated the proposed contract was slated to start in late 2015 and a large pieces of the 2016 expenses that make up year one explained the jump. In addition, in the 2015 budget it was difficult with 10 employees, then it dropped down to 7. It was budgeted for 9 individuals in 2015. There really needed to be 10 employees to have good operations including the commercial. There should be strong consideration by Council on both recommendations, especially the commercial component of Republic's proposal (recommendation B). Addressing the comment about without a review of past years spending on these items, it was not clear whether it was budgeted items that could be controlled or actual, Mr. Vitola stated it was actual. Regarding interdepartmental charges, there were some components of interdepartmental expenses that were fixed expenses being spread from other operations and shared by all operations. These were excluded from the savings. The only things being used were items that were actually going to be saved in cash. Most of the figure in interdepartmental included tires, repairs and contractual maintenance service, fuel, oil, etc. The results of a meeting with Councilman Gifford, Mr. Coleman and Mr. Vitola were put on the City's website on September 21st. It

discussed personnel costs and the breakdown of savings. The remainder of Ms. Hadden's questions would be addressed as soon as answers were available.

Mr. Chapman thanked the public for sharing their opinions, thoughts and concerns. Additionally, he thanked the City refuse employees that were in attendance and he thanked City staff for all the work to prepare the recommendation. Mr. Chapman stated that as part of the process he would take all the questions and concerns into account and spend the next weeks considering all the options. He would consider what was said tonight and perhaps develop additional questions that have not been asked yet and he would also dig for answers not yet provided this evening.

Mr. Ruckle reiterated prior sentiments and thanked staff for preparing the recommendation. He stated broken down in simple terms, it appears, that the City will save \$100 per year per household, which Mr. Ruckle equates to \$8.33 per household per month. He felt "the pride of Newark factor" was an issue to consider. He had confidence his refuse driver would pick up at any time. If there was a crime in progress they would call the police. If there was a loose dog, they would call animal control. If the service was privatized what assurances would the City have that this service would continue. If Republic got incentives for speed, how could they take the time to have "the pride of Newark." He felt Newark was an amazing place to live. He stated he had at least 52 communications with his constituents, of which 51 were adamant that this service was not cut. He encouraged all Council members to speak with their constituents.

Mr. Morehead thanked everyone for their hard work and their participation. He stated to the residents in attendance, that the City was their town and the Mayor & Council were their government. He noted Council lived in town with each member representing a district. They were invested as well. He disagreed with staff's opinion of what transpired with the stormwater issue. He stated that Council did not disagree with the stormwater "concept" but thought funding was not being done fairly and asked staff to go back and look at funding being apportioned by lot size or some other way that would have been (in his opinion) more fair. He felt that the presentation that Council was not willing to fund stormwater was not entirely accurate. Additionally, when he noted that he felt the message of the logo, "committed to service excellence," should either be done or changed, it was never his intent to change the logo. He stated his job was to represent the residents of district 1. Approximately half of the individuals who spoke at the meeting were from district 1. He did not hear any of them say this proposal was a good idea. It was \$100 per year, with great services and they were proud of the City. It was a great deal. Newark was the most inexpensive place to live. There were certain things that could stay the same. Regarding the chart that detailed the infrastructure and what it costs per mile, Mr. Morehead stated he had asked for these figures last year during the budget because Council was required by law to fund infrastructure first. Mr. Morehead stated it was his opinion to keep things simple. He understood attrition. When people retired, address whether or not the job had to be backfilled. He stated as someone previously mentioned, there are a lot of assistant directors and senior staff and the City was starting to let go the front line of Newark's face to the community. It was his opinion the refuse drivers were committed to their jobs and the community and went above and beyond. This was a relatively small amount of money for something that the City had tremendous pride in. In the resident survey in 2009, the refuse drivers were the highest ranked in the City. The "eyes and ears" were invaluable and a price could not be attached. He thought contracting Part B and keeping Part A may make sense. He reported when he was campaigning in April he contacted almost every resident in his district and asked them about refuse and the parking garage. He stated he had less than 5 that thought this was a good idea worth pursuing. He was content to return and say the City had done the best job on the budget and infrastructure and there would be an increase to residents of some sort. Regarding the \$7 million proposed for stormwater, with only a quarter of the system analyzed, he wanted to know how the City could be sure it would only be \$7 million.

Mr. Vitola stated for quite a few years there was the fear that the first quarter of the system would cost \$7 million so it was a \$25-30 million dollar long term problem for the whole system. He stated \$4.9 million solved most of the identified \$7 million in problems identified. Mr. Morehead understood that but wanted residents there to understand the projected amount to spend would not fix the majority of the stormwater issues.

He was concerned about Republic's numbers in that all the variables were out. It was a fixed bid. The potential for more trash, etc. is mentioned. He noticed the bid went up 3% per year and asked where that money came from. Inflation was approximately 2% per year. That left an additional 1% built in for other variables. That did not make sense to him. Employee costs increased at about 3-4% per year for salaries with health costs increasing at about 10% per year. How was Republic doing it cheaper, giving the City fixed contracts while removing all the variables and doing it for only 3% more per year, when they paid the same for trucks, tipping fees and maintenance on trucks. The only place he saw costs coming from was labor costs and he found that very concerning.

Mr. Gifford stated it was very important for these types of proposals to be brought before the residents for their consideration. He stated he was interested in what everyone had to say and issues such as these were never considered a "done deal." He appreciated all the comments. He wanted to elaborate on the topic of the number of senior positions in the City. He stated there had been a number of positions Mayor & Council refused for management. He was confused about Option B on the proposal and was unsure how it would affect residents. Mr. Vitola stated Republic included everything in the bid but the cost to provide that service was all rolled into the "per household" "per month" rate. Therefore, it was one line item to simply.

Mr. Gifford stated in Option A that picking up the bins from the household in the event the resident was disabled or a senior. Mr. Gifford stated, to his understanding there were currently 37 residents that utilized that service and asked how one qualified for that service. Mr. Coleman stated if a resident called in and asked for assistance they got it. The 37 homes that needed additional service were included in the proposed contract.

Mr. Coleman stated with regard to Option B, it was basically everything that was not curbside collection, Main Street or parks. City facilities that were not parks (i.e. City Hall, etc.). It also included the fire houses, Villa Belmont, Fountainview, etc. Dumpsters not done currently were apartment residential. Bulk collection was included in Option A and that service was completed in-house with trucks that would be eliminated in Option B. If only Option B was going to be considered then discussion would have to return to Republic and discuss what it would be to add bulk collection.

Mr. Gifford asked how many City resources it would take to do Option B versus Option A since resources were shared between them and if option B had any impact on City staff and trucks. Mr. Coleman stated that approval of Option B only could decrease staff to 8. Two rear loading refuse trucks would be eliminated, however, the bulk pickup issue would have to be addressed with rear loading trucks. Mr. Gifford asked how large the percentage of the residential piece was in Option B. Mr. Coleman stated he was not certain but at least 25%.

Mr. Gifford stated he appreciated the comments around the associated costs (i.e. knocking off a mailbox, etc.).

Mayor Sierer stated she appreciated all the attending 120+ residents. She stated she had spent a lot of time inquiring regarding the refuse service for the last couple of months. She heard the majority of people say they were willing to pay more to keep it the way that it was. She stated this was a tremendous opportunity for Council. She had specifically asked Representative Kowalko when they had met, if he would be willing to pay additional money for this service and he indicated he would be willing.

She stated it was pretty loud and clear and she represented everyone all over the City. She heard from a minimum of 200 people and believed it was important to maintain the current refuse service and take the residents' wishes and desire to pay more to retain that service. She encouraged City staff to return with a plan to do so. She commended staff on their presentation and for doing their fiduciary responsibility.

7. Meeting adjourned at 9:13 p.m.

Renee Bensley
Director of Legislative Services/City Secretary

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