



Blue Cart Recycling Program Managed Competition Issue Paper

Managed Competition Generally

Managed competitions have been used by a number of governmental agencies to improve service delivery to taxpayers and lower costs. In a managed competition, government agencies that provide direct services to residents compete with private companies that provide the same services. Governmental agencies can sometimes be at a disadvantage when responding to managed competition requests for proposals (RFPs) if they don't have the expertise or time on top of their regular work to prepare appropriate responses.

Additionally, despite great efforts to ensure private bidders provide the same services the governmental agencies do, this proves to be difficult because government workers are often deployed to provide services in emergency situations that go beyond the scope of the bid services, or when service demands unexpectedly increase, whereas private companies are only available to provide the services as outlined in their contracts which often are drafted for static conditions.

It is important to carefully craft managed competitions before bidding out services to make sure that government agencies and private bidders can be evaluated on the same criteria and taxpayers receive the benefit of the best opportunities.

Once services are awarded, it is important to include clear service level requirements in the contracts and that compliance is carefully monitored throughout the entire contract period to ensure services are provided at the requisite levels and that taxpayers are paying the lowest cost for those services. This is especially important because, according to a study done by the Civic Federation, the use of private contractors for services previously provided by the government is typically more costly over the long-term.

Chicago's Blue Cart Recycling Program Managed Competition

- In 2011, Mayor Emanuel announced that Waste Management and Metal Management Midwest, Inc. (MMMI) were hired to take over recycling services for certain service areas of the City's Blue Cart Recycling program. Waste Management was awarded a contract for service areas one, three and six. MMMI was awarded a contract for service area five.
- Waste Management has a contract with the City of Chicago to provide waste transfer stations and landfills payable on a "price per ton basis". The current value of that contract is over \$56 million annually.
- In Mayor Emanuel's words the purpose of the recycling managed competition was to "deliver the best (recycling) services in the

most cost-effective way possible" and to make "recycling collection available citywide".

- Only a few months after the beginning of the recycling managed competition, Mayor Emanuel declared it a success, touting savings of \$1 million in the first three months.
- There has not been any information publicly available to determine savings from the 6+ years of the recycling managed competition.
- The only information that the City has provided on this managed competition has been the "Blue Cart Results" reports which show only amount of recycling collected per service area.
- Chicago's recycling rates, already among the lowest for similarly-sized cities in the U.S., decreased from 2014 through 2016. Results for 2017 have only been published through April, though this information shows a continued decline in rates.
- Waste Management's and MMMI's recycling contracts will expire July 17, 2018. The City has the option to renew these contracts for another 7 years. Notice of renewal must be given by April 18, 2018.

Recommendations

Chicago Recycling Coalition (CRC) recommends that between now and April 18, 2018, an independent audit of the managed competition be done. The City of Chicago now has over six



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Resources

Managed Competition, A Civic Federation Issue Brief, available at civiced.org

Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors, Project on Government Oversight, available at pogo.org

Mayor Emanuel Announces Plans to Make Recycling in Chicago More Cost Effective with Long Term Goal of Providing to Chicagoans Across the City, July 18, 2011, available at cityofchicago.org

City of Chicago Awarded Contracts, available at cityofchicago.org: Waste Management of Illinois Contract No. 12202 (for Transfer Stations and Disposal Sites), Contract No. 24288 (for Blue Cart Materials); Midwest Metal Management, Inc. Contract No. 24994

City of Chicago Reported Landfill Diversion Rates by Blue Cart Areas, 2007 – April 2017, available at <https://www.cityofchicago.org/city/en/depts/streets.html>

"Recycling Policies in Chicago and Beyond: Failures in Information Collection and Provision", available at chicagorecyclingcoalition.org

years' of data for the managed competition, which is ample to determine its actual results. The scope of this audit should include a full accounting of all services provided by the Department of Streets and Sanitation with respect to the Blue Cart Recycling program, which presumably includes overseeing the performance of Waste Management and MMMI. We request that the following data and information be made publicly available:

- Actual savings gained from the managed competition
- Recycling rates, residual rates, revenue from sales of recyclable materials and residual materials disposal costs by competitor
- Transfer stations and disposal sites used by competitors for residual materials
- MBE/WBE Usage Reports by competitor
- Customer satisfaction rates
- Educational materials and campaigns of each competitor, including costs and results
- Waste studies done by competitors either with the City or independently

About Chicago Recycling Coalition

Chicago Recycling Coalition's mission is to champion environmentally and fiscally sound management of solid waste through research, education and advocacy.

CRC is a nonprofit organization that started in the 1980s to establish a moratorium on landfills in Chicago. This goal was successfully achieved in 1984 and that moratorium continues today.

CRC educates Chicago residents on its six-prong approach to waste management:

- Refuse: Don't get stuff in the first place.
- Reduce: If you get stuff, get less of it.
- Reuse: Use it until you can't use it anymore.
- Repurpose: Use it for a new purpose—up-cycle or down-cycle.
- Rot: Compost it!
- Recycle: Only if you must and then do so correctly!

CRC conducts research in furtherance of improving Chicago's recycling programs, including "Recycling Policies in Chicago and Beyond: Failures in Information Collection and Provision".

CRC works with Chicago residents, community groups, legislators and other stakeholders to make waste management and recycling more effective in Chicago and beyond.

