

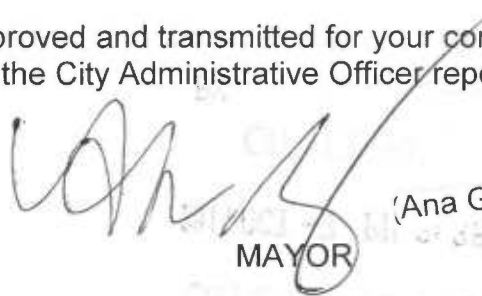
0150-08227-0002  
0150-08227-0003

**TRANSMITTAL**

TO The Council	DATE OCT 06 2014	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

**First Amendments to Contract No. 111835 with NASA Services, Inc. and Contract No. 111836 with Universal Waste Systems, Inc. to Provide Collection and Processing of Recyclable Materials from Multi-Family Residences**

Approved and transmitted for your consideration.  
See the City Administrative Officer report attached.

  
(Ana Guerrero)  
MAYOR

MAS:WKP:06150023t

**Report From**  
**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**  
**Analysis of Proposed Contract**  
(\$25,000 or Greater and Longer than Three Months)



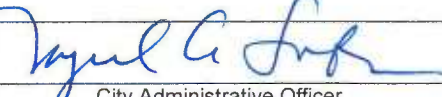
To: The Mayor	Date: 09-29-14	C.D. No.	CAO File No.: 0150-08227-0002 and 0150-08227-0003				
Contracting Department/Bureau: Public Works/Sanitation		Contact: Michelle Mikesell, (213) 485-3884					
Reference: Two transmittals from the Board of Public Works dated August 6, 2014; referred for report on August 28, 2014.							
Purpose of Contract: To provide collection and processing of recyclable materials from multi-family residences.							
Type of Contract: ( ) New contract (X) Amendment		Contract Term Dates: Execution of second two-year renewal option, from July 3, 2014 through July 2, 2016. Also, adding a third two-year term on a month-to-month basis, from July 3, 2016 through July 2, 2018.					
Contract/Amendment Amount: See Report.							
Proposed amount + Prior award(s) = Total – See Report.							
Source of funds: Citywide Recycling Trust Fund No. 46D							
Name of Contractor: See Report.							
Address: See Report.							
	Yes	No	N/A*	8. Contractor has complied with:	Yes	No	N/A*
1. Council has approved the purpose	X			a. Equal Employmt. Oppty./Affirm. Action	X		
2. Appropriated funds are available	X			b. Good Faith Effort Outreach**			X
3. Charter Section 1022 findings completed			X	c. Equal Benefits Ordinance	X		
4. Proposals have been requested			X	d. Contractor Responsibility Ordinance	X		
5. Risk Management review completed	X			e. Slavery Disclosure Ordinance	X		
6. Standard Provisions for City Contracts included	X			f. Bidder Certification CEC Form 50	X		
7. Workforce that resides in the City: See Report				*N/A = not applicable ** Contracts over \$100,000			

**COMMENTS**

In accordance with Executive Directive No. 3, the Board of Public Works (Board), on behalf of the Bureau of Sanitation (Bureau), is requesting authority to execute the First Amendment to the following contracts:

Contract No.	Contractor	Contractor Address	First Amendment Amount (A)	Prior Award Amount (B)	Total Contract Amount (C)=(A)+(B)	Percent Workforce resides in City
111835	NASA Services, Inc. (NASA)	1100 S. Maple Ave., Montebello, CA 90640	\$19,000,000	\$31,000,000	\$50,000,000	18%
111836	Universal Waste Systems, Inc. (UWS)	9016 Norwalk Blvd., Santa Fe Springs, CA 90670	\$16,000,000	\$31,000,000	\$47,000,000	20%

These contractors collect recyclable materials from multi-family residences and deliver such materials to permitted Material Recovery Facilities (MRFs) for processing. These two contractors service four of the City's six Wastesheds and the remaining two Wastesheds (Harbor and South Los Angeles) are serviced by a third contractor. The First Amendment will authorize the second two-year renewal option, increase the cost ceiling for both contracts by \$19 and \$16 million, and add a third two-year renewal option, which would increase the total contract term from nine to 11 years. These contracts provide critical services required to comply with City and State diversion goals.

 WKF	Analyst	06150023	 Assistant CAO	 City Administrative Officer
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## **Background**

On June 22, 2007, Council (C.F. 07-1876) authorized the Bureau to execute five-year agreements with two two-year renewal options (for a total term of nine years), with Full Circle Recycling Company (Full Circle), NASA, and UWS to collect and process recyclable materials from multi-family residences at a cost not to exceed \$4.2 million, \$20 million, and \$20 million, respectively. These three contractors serviced five of the City's six Wastesheds. On March 5, 2008, Council (C.F. 08-0279) authorized the Bureau to execute a similar nine-year agreement with USA Waste of California, Inc. (USA Waste) to service the sixth Wasteshed (Harbor) and act as a backup contractor for any of the remaining Wastesheds at a cost not to exceed \$17 million. On December 22, 2010, the Board terminated the agreement with Full Circle for a material breach of the contract and USA Waste assumed the services of this contract.

The five-year term for the NASA and UWS contracts expired on July 2, 2012 and on August 1, 2013, Supplemental Agreements (C.F. 13-0673) to both contracts were approved to authorize the first two-year renewal option and to increase the cost ceiling for each contract by \$11 million, from \$20 million to \$31 million. These Supplemental Agreements expired on July 3, 2014 and the proposed First Amendment is required to authorize the second two-year renewal option and increase the cost ceiling by \$19 million for NASA and \$16 million for USW. In November 2012, Council (C.F. 10-1797) approved an Exclusive Franchise System for solid waste collection for commercial and multi-family residences. This Franchise System will be implemented in 2016-17 and at that time, the private waste haulers will be responsible for providing recycling services and the Bureau will terminate these contracts. For this reason, the First Amendments add a third two-year term that will extend the contracts from July 3, 2016 through July 2, 2018 on a month-to-month basis or until the new Franchise agreements are in place.

At this time, the Bureau is only requesting authority to extend the term and increase the cost ceilings for the NASA and UWS contracts. The contract with USA Waste was executed at a later date and has yet to expire. In addition, the Bureau reports that there is sufficient capacity under this contract's existing cost ceiling. In accordance with Los Angeles Administrative Code Section 10.5, Council approval of the proposed First Amendments is required because the cumulative term of each contract exceeds three years and the annual payments under the proposed amendments exceed \$100,000.

## **Summary of First Amendment Changes**

The proposed First Amendments will not modify or add to the scope of work included in the original agreements. The contractors will continue to provide 95-gallon or variable sized blue bins for source separated collection of recyclables, collect at least once per week, distribute approved educational materials, deliver source-separated recyclables to permitted MRFs, and provide monthly, quarterly, and annual reports regarding collection activities, quantitative results, customer complaints, waste survey results, contamination rates, and diversion rate estimates.

The First Amendments will authorize the second two-year renewal option, increase the cost ceilings by \$19 and \$16 million, and add a third two-year renewal option on a month-to-month basis. In addition, the First Amendments will update all contractor information and contracting ordinances and incorporate new contracting requirements that were adopted by Council after the initial contracts and Supplemental Agreements were approved.

## **Compensation for Services**

An Attachment has been provided to compare actual and projected expenditures and illustrate the projected number of units serviced over the potential 11-year term of the contracts. As illustrated in the Attachment, NASA and UWS will be compensated at a fixed monthly rate of \$1.60 and \$2.03 per unit, respectively, for the remaining term of the contracts. The Bureau renegotiated these new rates, which are significantly lower than the previous rates of \$2.03 for NASA and \$2.69 for UWS. These rates include the contractor's operational and administrative costs and all applicable fees and taxes minus the revenue from the sale of recyclables. In addition, the new rates are fixed whereas the previous rates included an annual rate increase based on Consumer Price Index (CPI) changes. These rates also include two five percent discounts that went into effect in 2010-11 and 2012-13 as a result of the Mayor's instruction to City departments to renegotiate discounts in existing City contracts.

The UWS rate is markedly higher than the NASA rate because of the territory that it services. UWS services the entire Valley Wasteshed where complexes are very dispersed in comparison to the other Wastesheds. This requires longer collection routes and increased fuel and labor costs, resulting in a higher unit cost. Funding is available from the Citywide Recycling Trust Fund (CRTF) for the first year of the First Amendment and subsequent year funding will be provided through the City's annual budget development process, which is subject to Mayor and Council approval. In previous years, the CRTF was projecting a structural deficit as annual expenditures exceeded annual revenues. The renegotiated lower rates in the First Amendment and the efforts of the Managed Hiring process have significantly reduced expenditures within the Fund and sufficient revenue is available to support these expenditures until the new Franchise agreements are executed in 2016-17.

## **Sale of Recyclables**

As stated earlier in this report, the recyclable materials collected from multi-family residences are delivered and processed at various permitted MRFs. These MRFs sort, bale, shred, or compact the recyclable materials for sale and shipment to end-user markets. In previous Energy and Environment Committee meetings, the Committee raised questions regarding the shipment of recyclable materials overseas and whether the City verified if these recyclables were being processed in an environmentally responsible manner. At the time of this report, the Bureau reports that a team of Sanitation staff is currently in China conducting site visits at processing facilities to verify that the City's commodities are being processed in an environmentally responsible manner.

## **Compliance with City Contracting Requirements**

Both contractors are in compliance with the City's contracting requirements. The Mayor's Office waived the Good Faith Effort Outreach requirement due to a lack of available subcontracting opportunities. However, both contractors have been encouraged to utilize Minority/Women/Other Business Enterprises when possible. In addition, the Personnel Department has determined that a Charter Section 1022 finding is not required as the City is prohibited from providing collection services to multi-family residences with greater than four units pursuant to a moratorium adopted by Council in 1991 (C.F. 87-0882-S12A, 97-1716). Lastly, the Bureau reports that the City Attorney has approved the proposed First Amendments as to form.

## **RECOMMENDATION**

That the Council authorize the Board of Public Works, on behalf of the Bureau of Sanitation, to execute the First Amendment to Contract No. 111835 with NASA Services, Inc. and Contract No. 111836 with Universal Waste Systems, Inc. to authorize the second two-year renewal option, increase the cost ceiling by \$19 million and \$16 million, respectively, and add a third two-year renewal option on a month-to-month basis for the collection and processing of recyclable materials from multi-family residences within the City of Los Angeles.

## **FISCAL IMPACT STATEMENT**

There is no General Fund impact as funding for the proposed First Amendments is included in the 2014-15 Adopted Budget for the Citywide Recycling Trust Fund. Future year funds will be provided from the same funding source and appropriated through the City's budget development process, which is subject to Mayor and Council approval. The recommendation in this report complies with the City's Financial Policies as sufficient revenues are available to support proposed expenditures.

*MAS:WKP:06150023*



**MultiFamily Residential Recycling Program  
Annual Cost Projections  
Amendments to NASA and Universal Contracts**

Attachment

NASA SERVICES, INC.												
	First Year	Accelerated Growth Years (Estimated increase of 30,000 units per year)			Plateau Growth Years (No assumed growth after 2012/2014)			Transition into the New Zero Waste LA Commercial and Multifamily Franchise Hauling (Franchise) Program***				
Fiscal Year	2007/2008	2008/2009	2009/2010	2010/2011 *	2011/2012 *	2012/2013 **	2013/2014 **	2014/2015**	2015/2016**	2016/2017**	2017/2018**	Total Program Costs
Unit Costs/Month	\$ 1.81	\$ 1.86	\$ 1.93	\$ 1.96	\$ 1.97	\$2.03 / \$1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60	
Estimated Number of Units Served	75,000	160,000	190,000	220,000	230,000	230,000	230,000	241,000	253,000	265,000	278,000	
Projected Annual Cost	\$ 1,629,000.00	\$ 3,579,456.00	\$ 4,391,508.00	\$ 4,908,156.00	\$ 5,158,260.60	\$ 5,108,300.00	\$ 4,416,000.00	\$ 4,627,200.00	\$ 4,857,600.00	\$ 5,088,000.00	\$ 5,337,600.00	\$ 49,101,080.60
Actual Annual Cost	\$ 1,462,038.36	\$ 3,105,069.85	\$ 4,278,526.74	\$ 4,790,245.53	\$ 4,715,462.98	\$ 4,637,205.68	\$ 4,266,948.80					\$ 27,255,497.94

Universal Waste Systems, Inc.												
	First Year	Accelerated Growth Years (Estimated increase of 25,000 units per year)			Plateau Growth Years (No assumed growth after 2012/2014)			Transition into the New Zero Waste LA Commercial and Multifamily Franchise Hauling (Franchise) Program*****				
Fiscal Year	2007/2008	2008/2009	2009/2010	2010/2011 *	2011/2012 *	2012/2013 *****	2013/2014 *****	2014/2015*****	2015/2016*****	2016/2017*****	2017/2018*****	Total Program Costs
Unit Cost/Month	\$ 2.40	\$ 2.47	\$ 2.55	\$ 2.60	\$ 2.61	\$2.69 / \$2.03	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.03	\$ 2.03	
Estimated Number of Units Served	50,000	120,000	145,000	165,000	175,000	175,000	175,000	180,000	185,000	190,000	195,000	
Projected Annual Cost	\$ 1,440,000.00	\$ 3,559,680.00	\$ 4,444,656.00	\$ 4,882,323.60	\$ 5,198,770.50	\$ 5,071,500.00	\$ 4,263,000.00	\$ 4,384,800.00	\$ 4,506,600.00	\$ 4,628,400.00	\$ 4,750,200.00	\$ 47,129,930.10
Actual Annual Cost	\$ 1,298,644.50	\$ 3,229,737.88	\$ 4,647,553.59	\$ 4,683,649.23	\$ 4,794,185.92	\$ 4,334,558.70	\$ 3,853,382.54					\$ 26,841,712.36

\* 5% reduction in rate due to shared sacrifice per the Mayor's Office

\*\*NASA and LA SAN renegotiated a new rate of \$1.60 beginning February 1, 2013 with no CPI increase

\*\*\*There is an assumed .05% increase in NASA's enrollment of units due to planned publicity and transition into the Franchise Program

\*\*\*\*Universal and LA SAN renegotiated a new rate of \$2.03 beginning February 1, 2013 with no CPI increase

\*\*\*\*\*There is an assumed .03% increase in Universal's enrollment of units due to planned publicity and transition into the Franchise Program