

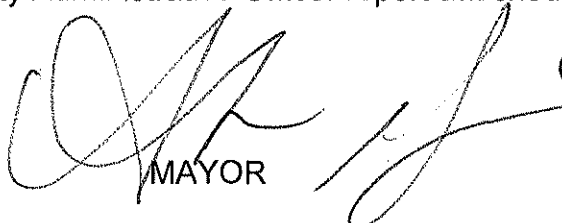
0150-08391-0004

**TRANSMITTAL**

TO The Council	DATE NOV 8 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

**Supplemental Agreements to Contract No. 112957 with CR&R, Contract No. 112958 with Bestway Recycling Company, Inc., and Contract No. 112960 with City Fibers, Inc. For Marketing and Processing of Residential Single Stream Commingled Recyclable Materials from the Harbor, North Central, and West Valley Wastesheds**

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



(Ana Guerrero)

MAYOR

MAS:WKP:06140039t

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

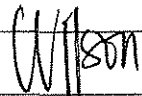
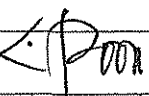
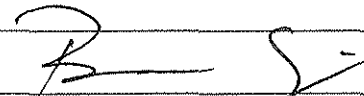
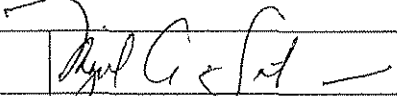
To: The Mayor	Date: 11-04-13	C.D. No.	CAO File No.: 0150-08391-0004
Contracting Department/Bureau: Public Works/Sanitation		Contact: Miguel Zermeno, (213) 485-3611	
Reference: Transmittal from the Board of Public Works dated September 27, 2013; referred for report on September 30, 2013			
Purpose of Contract: For the marketing and processing of residential single stream commingled recyclable materials from the West Valley, North Central, and Harbor Wastesheds.			
Type of Contract: ( ) New contract (X) Amendment		Contract Term Dates: Two years, from December 1, 2013 through November 30, 2015 (Bestway and City Fibers) and December 24, 2013 through December 23, 2015 (CR&R).	
Contract/Amendment Amount: \$0			
Proposed amount \$0 + Prior award(s) \$0 = Total \$0			
Source of funds: N/A			
Name of Contractor: See Report			
Address: See Report.			
	Yes	No	N/A*
1. Council has approved the purpose	X		
2. Appropriated funds are available			X
3. Charter Section 1022 findings completed	X		
4. Proposals have been requested	X		
5. Risk Management review completed	X		
6. Standard Provisions for City Contracts included	X		
7. Workforce that resides in the City: See Report			
8. Contractor has complied with:			
	Yes	No	N/A*
a. Equal Employmt. Oppty./Affirm. Action	X		
b. Good Faith Effort Outreach**			X
c. Equal Benefits Ordinance	X		
d. Contractor Responsibility Ordinance	X		
e. Slavery Disclosure Ordinance	X		
f. Bidder Certification CEC Form 50	X		
*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 Supplemental Agreements to the following contracts:

Contract No.	Contractor	Address	Workforce that resides in City	Wasteshed Serviced
112957	CR&R	11292 Western Ave. Stanton, CA 90680	1.8%	Harbor
112958	Bestway Recycling Company, Inc. (Bestway)	2268 E. Firestone Blvd. Los Angeles, CA 90002	48%	North Central
112960	City Fibers, Inc.	2500 Santa Fe Ave. Los Angeles, CA 90058	39%	West Valley

The Supplemental Agreements will extend the term for each contract for an additional two years until new contracts can be awarded. These are revenue generating contracts and the City has no financial obligations under these contracts. In accordance with Los Angeles Administrative Code Section 10.5 (a), Council approval is required as the Supplemental Agreements will extend the term of these contracts beyond the six year term the Council had initially authorized.

 WKP	 Analyst	06140039	 Assistant CAO	 City Administrative Officer
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**Background**

In 2012-13, the Bureau collected approximately 195,000 tons of recyclable materials from 750,000 households through the Bureau's residential curbside collection program or Blue Bin Program. These recyclables, which include paper, plastic, aluminum, and glass materials, are processed and marketed by contracted Material Recovery Facilities (MRF). The Bureau has executed contracts with various MRFs to service each of the City's six Wastesheds (East Valley, West Valley, North Central, South Los Angeles, Harbor, and Western) and this report will cover contracts for three of the six Wastesheds. Two of the three remaining contracts have yet to expire and the Bureau will come back in a separate request to extend those contracts if needed. The last remaining contract is with Sun Valley Paper Stock (SVPS), which services the East Valley Wasteshed. This contract will expire on November 30, 2013 and the Bureau is still negotiating with SVPS on the terms of the Supplemental Agreement. These contracts are essential to meeting State and City mandated waste diversion goals.

The City receives revenue from the sale of recyclable materials at these facilities and these funds are deposited into the Landfill Maintenance Special Trust Fund. Revenues from this fund are dedicated for post-closure maintenance activities of City-owned landfills in accordance with the California Public Resources Code and any other solid resources activities as the Mayor and Council may direct.

In August 2006, the Bureau issued a Request for Proposals (RPF), which was sent to 37 potential bidders and posted pursuant to City requirements. Bureau staff reviewed and evaluated all proposals and selected the most qualified proposals. Effective December 1, 2007, Council (C.F. 07-3947) authorized the Bureau to execute contracts with Bestway and City Fibers to service the North Central and West Valley Wastesheds, respectively. In addition, effective December 23, 2007, Council (C.F. 07-3946) authorized the Bureau to execute a contract with CR&R to service the Harbor Wasteshed. The term for each contract is three years with an option to extend for an additional three years for a total term of six years. The Bureau exercised the renewal options and these contracts will expire on November 30, 2013 and December 23, 2013. The proposed Supplemental Agreements are required to extend the term of these contracts for an additional two years until new contracts can be awarded. The Bureau anticipates the new contracts to be awarded within the next two years.

Over the last five years, the Bureau reports that 1.03 million tons of recyclables have been processed by the MRFs and \$26.8 million in revenues have been collected from the sale of recyclables. These amounts are further broken down by MRF and Wasteshed as follows:

<b>Fiscal Year</b>	<b>MRF</b>	<b>Wasteshed</b>	<b>Annual Tonnage</b>	<b>Payment Amount</b>
2012-13	CR&R	Harbor	8,458	\$ 353,697
	Bestway	North Central	32,410	957,802
	City Fibers	West Valley	53,375	1,284,457
	Sun Valley Paper Stock	East Valley	40,383	400,980
	CR&R	South Los Angeles	19,737	150,737
	CR&R	Western	40,214	1,375,950
<b>TOTAL</b>			<b>194,577</b>	<b>\$ 4,523,623</b>
2011-12	CR&R	Harbor	8,474	\$ 501,156
	Bestway	North Central	33,227	1,433,504
	City Fibers	West Valley	54,305	1,442,653
	Sun Valley Paper Stock	East Valley	41,579	576,887
	CR&R	South Los Angeles	20,306	148,939
	CR&R	Western	39,526	1,959,535
<b>TOTAL</b>			<b>197,417</b>	<b>\$ 6,062,674</b>

2010-11	CR&R	Harbor	10,050	\$ 628,777
	Bestway	North Central	35,496	1,431,552
	City Fibers	West Valley	56,541	905,370
	Sun Valley Paper Stock	East Valley	43,201	559,715
	CR&R	South Los Angeles	20,194	87,374
	CR&R	Western	41,517	1,779,548
<b>TOTAL</b>			<b>206,999</b>	<b>\$ 5,392,336</b>
2009-10	CR&R	Harbor	10,773	\$ 608,921
	Bestway	North Central	34,875	1,006,854
	City Fibers	West Valley	57,502	782,503
	Sun Valley Paper Stock	East Valley	45,341	482,206
	CR&R	South Los Angeles	21,269	225,955
	CR&R	Western	41,529	1,764,419
<b>TOTAL</b>			<b>211,289</b>	<b>\$ 4,870,858</b>
2008-09	CR&R	Harbor	12,058	\$ 846,010
	Bestway	North Central	37,165	1,434,297
	City Fibers	West Valley	61,379	1,117,319
	Sun Valley Paper Stock	East Valley	49,216	771,862
	CR&R	South Los Angeles	18,945	14,755
	CR&R	Western	45,834	1,760,003
<b>TOTAL</b>			<b>224,597</b>	<b>\$ 5,944,246</b>

### Scope of Work

The Supplemental Agreements do not change the scope of work included in the original contracts and subsequent amendments. The contractors will continue to provide the following services:

- Process and market the residential single stream commingled recyclable materials (no guaranteed minimum tonnage is applied);
- Sort recyclable materials into respective commodity streams and prepare for shipment;
- Remove and properly dispose of contaminants and residue;
- Arrange the sale of recyclable materials, including transportation to end users, processors, ports, or other points of sale;
- Collect and account for revenue from such sales;
- Make payment to the City for materials accepted at the MRFs per established profit sharing formulas;
- Provide well-maintained facilities and equipment, including those of any subcontracted operators;
- Comply with all federal, state, county, and local rules, ordinances, laws, and permit terms applicable to the facilities, services, and operations pertaining to contracted services; and
- Accept recyclable materials from other Wastesheds in emergency situations such as disaster events or other environmental conditions.

### Invoicing and Payment from Sale of Recyclables

The Supplemental Agreements will not change the method of invoicing and payment from the sale of recyclables. The contractors will continue to make monthly payments to the City using a minimum floor price and profit sharing formula based on gross tons of recyclables delivered to the MRF and the market rate of commodities, which is adjusted every two weeks. This amount is further adjusted to include the contractors' cost of processing the recyclables and contamination rates.

The amounts due to the City will be processed and validated as follows:

- The contractors will provide certified weight tickets of accepted material delivered from each City collection vehicle to the MRF (including weight tickets for contamination/non-recyclable material which is disposed at a landfill at no cost to the City).
- Weight tickets with any missing information and/or weigh scale malfunction will assume seven gross tons of accepted material for use in calculating City payment.
- The contractors will provide weight and commodity reports of all City accepted materials on a monthly basis, which is used as the basis for determining payment.
- The contractors will perform special characterization studies on a quarterly basis to track characteristics of material delivered by the City to: 1) ascertain the composition of the recycling stream (recyclables recovery rate) and to verify contractors' monthly commodity reports; 2) determine the basis of any profit and revenue sharing payments; and 3) evaluate the overall efficiency of the recycling program.
- The contractors will submit an itemized payables statement with all weight ticket and other required documentation together with payment to the City as per the scheduled established in each contract.
- The City reserves the right to inspect facilities and financial and operational records and perform audits at any time.

In 2007, the Bureau launched the Ambassador Program (Contamination Reduction Program) to reduce contaminants and non-recyclable materials within consumer blue bins. The program includes public education, community outreach, visual inspection, and evaluation of curbside container contents with the goal of reducing contamination levels at MRF deposits to less than 10 percent. The average contamination rate among all the MRFs is currently 27.6 percent. The MRFs have worked closely with the City to reduce contamination rates and CR&R has annually pledged \$1.00 per gross ton per Wasteshed and Bestway and City Fibers have annually pledged \$50,000 per Wasteshed to support the Ambassador Program. Over the last two years, CR&R has processed approximately 8,000 tons of recyclables, which results in an annual pledge of \$8,000. Therefore, a total of \$108,000 is projected to be deposited into the Solid Waste Resources Revenue Fund for these efforts.

In previous Energy and Environment Committee meetings, the Committee raised questions regarding the City's practice of shipping its recyclable materials overseas and whether the City verified if these recyclables were being processed in an environmentally responsible manner. Under the current contracts, the MRFs are not required to disclose where its recyclables are being sold or processed. However, the current RFP requires potential MRFs to disclose where its recyclables are being sold or processed. The Bureau also reports that it has plans in the near future to conduct site visit audits to verify that the City's commodities are being processed in an environmentally responsible manner.

### **Contract Compliance**

In accordance with Charter Section 1022, the Personnel Department determined that City employees have the expertise to perform the work associated with these contracts. However, this Office determined that it is more feasible to contract for this work based on the lack of existing MRF facilities to meet the needed services in a timely manner. In addition, the Mayor's Office has waived the Good Faith Effort requirement due to a lack of available subcontracting opportunities. To the best of our knowledge, the contractors have continued to comply with all City contracting requirements.

## RECOMMENDATIONS

That the Council:

1. Authorize the Board of Public Works, on behalf of the Bureau of Sanitation, to execute the proposed Supplemental Agreements to Contract No. 112960 with City Fibers, Inc., Contract No. 112958 with Bestway Recycling Company, Inc., and Contract No. 112957 with CR&R for the marketing and processing of residential single stream commingled recyclable materials from the West Valley, North Central, and Harbor Wastesheds, respectively, subject to City Attorney approval as to form.
2. Authorize the Bureau of Sanitation to accept receipts from the contractors for the sale of recyclable materials collected from the West Valley, North Central, and Harbor Wastesheds;
3. Authorize the Controller to deposit receipts from contractors for the sale of recyclable materials into the Landfill Maintenance Special Fund No. 558/50, Revenue Source Code 442201 or other established Revenue Source Codes within Fund No. 558/50 at the discretion of the Director of the Bureau of Sanitation or appointed designee;
4. Authorize the Director of the Bureau of Sanitation to accept, on behalf of the City, contributions of \$1.00 per gross ton annually from CR&R (or approximately \$8,000 annually), over the life of the contract to be used for contamination reduction activities;
5. Authorize the Director of the Bureau of Sanitation to accept, on behalf of the City, contributions of \$50,000 annually from Bestway Recycling Company and City Fibers (\$100,000 total annually), over the life of the contracts to be used for contamination reduction activities;
6. Authorize the Controller to deposit contributions from the contractors for contamination reduction activities in the Solid Waste Resources Revenue Fund No. 508/50, Revenue Source Code 510100 or other established Revenue Source Codes within Fund No. 508/50 at the discretion of the Director of the Bureau of Sanitation or appointed designee; and
7. Authorize the City Administrative Officer to make technical corrections as necessary to implement the Mayor and Council intentions.

## FISCAL IMPACT STATEMENT

There is no General Fund impact. The approval of these Supplemental Agreements will generate approximately \$2.6 million in annual revenue for the Landfill Maintenance Special Fund to support post-closure costs and \$108,000 in annual revenue for the Solid Waste Resources Revenue Fund to support the Ambassador Program. The expenditure of these revenues is restricted to the eligible uses of these special funds. The recommendations contained in this report are consistent with the City's Financial Policies in that new revenues will be applied first to support existing programs prior to funding new programs.