

# CITY OF LOS ANGELES

CALIFORNIA

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When making inquiries relative to  
this matter, please refer to the  
Council File No.

June 18, 2014

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 14-0575,  
at its meeting held June 17, 2014.

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ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to proposed Amendment No. 3 to Contract No. C-106805 with R&G Fanucchi Farms (Fanucchi) for farm management and custom farming services at the Green Acres Farm (Green Acres) in Kern County, California.

Recommendation for Council action:

AUTHORIZE the Board of Public Works to execute Amendment No. 3 to Contract No. C-106805 with Fanucchi by five years with one three-year renewal option for a total of eight years and increase the cost ceiling by \$28,887,000 for a total contract ceiling of \$55,187,000 for farm management and custom farming services at Green Acres in Kern County, California.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no fiscal impact to the General Fund. Sufficient funds are available in the Sewer Construction and Maintenance Fund to support the 2013-14 costs of the proposed Amendment No. 3. Funding for future years will be provided through the City's annual budget, which is subject to Mayor and Council approval. The recommendation in the May 1, 2014 CAO report, attached to the Council file, complies with the City's Financial Policies as ongoing revenue will support ongoing expenditures.

Community Impact Statement: None submitted.

**TIME LIMIT FILE - JULY 4, 2014**

**(LAST DAY FOR COUNCIL ACTION - JULY 2, 2014)**

Summary:

On June 4, 2014, your Committee considered a May 1, 2014 CAO report relative to proposed Amendment No. 3 to Contract No. C-106805 with Fanucchi for farm management and custom farming services at Green Acres in Kern County, California. Amendment No. 3 will extend the term of the contract for five years with one three-year extension option for a total of eight years, and increase the cost ceiling to \$55,187,000. According to the CAO, in August 2000, the City purchased Green Acres for land application of biosolids from City wastewater treatment plants. Approximately 500 tons per day (tpd) of biosolids are transported to Green Acres for use as a soil conditioner to produce crops. These crops are sold on the market and generate revenue for the City.

In June 2006, Kern County voters passed Measure E which banned the land application of biosolids and bulk biosolids compost in Kern County. The City is currently pursuing legal action to nullify this ban on the grounds that Measure E is preempted by the California Integrated Waste Management Act, which requires local agencies to recycle biosolids. A preliminary injunction was granted by the Superior Court of Tulare County and the injunction was upheld in a decision by the Fifth Appellate District Court. This case is ongoing and the preliminary injunction allows the City and Fanucchi to continue farming operations until the case has been finalized.

The initial contract with Fanucchi and subsequent extensions were approved as a temporary sole source contract when the original contractor notified the City that they would no longer be able to provide farming services for Green Acres. On June 27, 2003, Council authorized a sole source contract with Fanucchi for a period of three months with a twelve-month extension option and a cost ceiling of \$900,000. Subsequently, a three-month extension of the contract was approved on

September 25, 2003, and another three-month extension and cost ceiling increase of \$675,000 on November 24, 2003.

A final three-month extension was approved which increased the cost ceiling by an additional \$675,000 and would expire on June 24, 2004. During this time the City prepared a Request for Proposals (RFP) for farm management and custom farming services at Green Acres. Fanucchi was selected as the most qualified and responsive bidder in the RFP process and the Board of Public Works executed Contract No. C-106805 with Fanucchi Farms on June 23, 2004 for a period of three years and a \$6.7 million contract ceiling. On June 22, 2007, Amendment No. 1 was approved by the City Council which extended the term by three years and increased the cost ceiling by \$6.7 million (Council File No. 07-1853).

On June 22, 2010, Amendment No. 2 was approved by the City Council which extended the term for an additional four years and increased the cost ceiling by \$12.9 million for a current contract ceiling of \$26.3 million (Council File No. 10-1011). The extension provided in Amendment No. 2 will expire on July 25, 2014 and Amendment No. 3 will extend the contract for an additional five years with one three-year extension option for a total of eight years. Amendment No.3 increases the cost ceiling by \$28,887,000 for a total ceiling of \$55,187,000. The BOS estimates an annual cost of \$3.6 million. Fanucchi sells crop yields for the City at prevailing market prices which generates revenue to the Sewer Construction and Maintenance Fund. For the past six years, crop revenues have exceeded actual expenditures paid to Fanucchi. The crops sold are subject to market price fluctuations and include alfalfa, sudan grass, milo, corn, and wheat. During the term of the proposed Amendment, the BOS is anticipating \$4 million in annual revenue from Green Acres. This extension includes a provision for termination should the ban on biosolids application in Kern County prevail. Termination of the contract under these circumstances gives the City the option to terminate the agreement or convert Amendment No. 3 to a farm lease agreement.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of Amendment No. 3. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	ABSENT
LABONGE:	YES
HUIZAR:	YES
KORETZ:	YES

**ADOPTED**

JUN 17 2014

**LOS ANGELES CITY COUNCIL**

**FORTHWITH**

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6/4/14