

0150-09083-0002

TRANSMITTAL

TO
The Council

DATE
SEP 26 2014

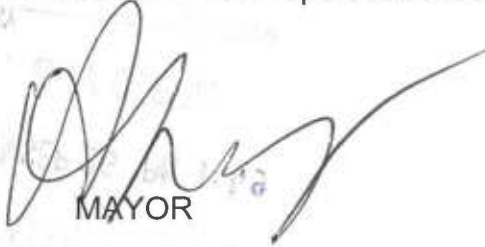
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
All

**Proposed Amendment No. 4 to Personal Services Contract
With Responsible Biosolids Management for Loading, Transport and
Beneficial Use of Biosolids**

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



MAYOR

MAS:EMM:06150004t

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


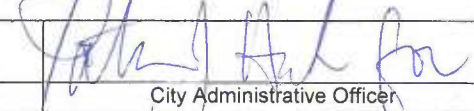
To: The Mayor	Date: 09-09-14	C.D. No. All	CAO File No.: 0150-09083-0002
Contracting Department/Bureau: Public Works/Bureau of Sanitation		Contact: Mark Starr, (310) 648-5801	
Reference: Transmittal from the Board of Public Works dated June 9, 2014; referred for report on June 10, 2014.			
Purpose of Contract: To beneficially use, transport, and haul biosolids to the City of Los Angeles' Green Acres Farm.			
Type of Contract: () New contract (X) Amendment		Contract Term Dates: Five years effective November 15, 2014 with one three-year renewal option for a total of eight years	
Contract/Amendment Amount: \$70,870,000			
Proposed amount \$ 70,870,000 + Prior award(s) \$ 108,700,000 = Total \$ 179,570,000			
Source of funds: Sewer Operations and Maintenance Fund No. 760			
Name of Contractor: Responsible Biosolids Management, Incorporated			
Address: P.O. Box 40109, Santa Barbara, CA 93140			
	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: 0 %			
			*N/A = not applicable ** Contracts over \$100,000

COMMENTS

The Board of Public Works (Board), on behalf of the Bureau of Sanitation (Bureau), is requesting authority to execute Amendment No. 4 to contract C-94375 with Responsible Biosolids Management, Incorporated (RBM) for the loading, transporting, and beneficial use of biosolids at the City-owned Green Acres Farm (Green Acres) in Kern County, California. The proposed Amendment No. 4 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 \$179.57 million. In accordance with Los Angeles Administrative Code Section 10.5(b), Council approval is required to execute the proposed Amendment No. 4 as the term of the contract exceeds three years.

Background

The City produces approximately 665 wet tons per day (wtpd) of Class A biosolids at the Hyperion Treatment Plant (HTP) and the Terminal Island Water Reclamation Plant (TIWRP). The majority of these biosolids are hauled to Green Acres for land application and the remaining amounts are composted at different locations or processed through the Terminal Island Renewable Energy Project (TIRE), which involves deep well injection of the biosolids.

 EMM	Analyst	06140081	Assistant CAO	 City Administrative Officer
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In August 2000, the City purchased Green Acres for land application of biosolids from City wastewater treatment plants. Approximately 500 wtpd 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 to 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 the contractors operating Green Acres to continue farming operations until the case has been finalized.

The initial contract with RBM was executed on October 28, 1996 for a period of three years and a \$6.84 million contract ceiling (C.F. 10-1636). On October 29, 1999, Amendment No. 1 extended the contract for an additional three years and increased the cost ceiling to \$20 million (C.F. 99-1728). On February 21, 2000, the City Council approved the purchase of Green Acres, which named RBM as a party in the joint venture. On September 19, 2000, the City executed Amendment No. 2 to extend the contract with RBM for a period of ten years and to increase the contract ceiling to \$74.6 million (C.F. 99-2107). On September 17, 2010, the Board of Public Works authorized the continuation of the contract on a month-to-month basis and increased the ceiling to \$81.1 million for a period not to exceed six months until Amendment No. 3 could be completed. The Board of Public Works authorized a second month-to-month extension on March 16, 2011 for a period not to exceed six months and increased the ceiling to \$84.1 million. Amendment No. 3 was adopted on September 27, 2011, which extended the contract for three years with a one-year renewal option for a maximum of four years and increased the cost ceiling to \$108.7 million (C.F. 10-1636-S1). The extension provided in Amendment No. 3 will expire on November 14, 2014 and Amendment No. 4 will extend the contract for an additional five years with one three-year extension option for a total of eight years.

Compensation for Services

Amendment No. 4 increases the cost ceiling by \$70.87 million for a total ceiling of \$179.57 million. The Bureau estimates the first year cost to be \$7.9 million. The City Attorney recommended that the Bureau continue the existing contract as RBM is a party to the Measure E lawsuit. Additionally, RBM has provided competent and competitive transportation and management services at Green Acres since 1996. The Bureau has performed benchmarking to compare other contractors costs to ensure that the City is receiving competitive pricing.

The City compensates RBM based on billing rates included in the agreement. The rates incorporate hauling and tip fees for transporting biosolids from HTP to Green Acres and range from \$31.47 for 625 wtpd or above to \$42.81 per wet ton at the minimum tonnage level of 300 wtpd, as shown in Table A. Costs below this threshold are \$51.25 per wet ton. The costs for transporting biosolids from TIWRP to Green Acres include an additional \$5.13 per wet ton in addition to the costs included in Table A:

Table A: Hauling and Tipping Fee from HTP to Green Acres:

WTPD	\$/wet ton	WTPD	\$/wet ton
300	\$42.81	475	\$36.70
325	\$41.94	500	\$35.82
350	\$41.06	525	\$34.96
375	\$40.19	550	\$34.09
400	\$39.33	575	\$33.21
425	\$38.45	600	\$32.34
450	\$37.58	625	\$31.47

Table C in Article 8.2.2 of the contract lists the pricing and locations of alternative sites to which RBM may haul the City's biosolids. These range from \$49.95 to \$71.28 per wet ton.

Summary of Amendment No. 4 Changes

The execution of the proposed Amendment No. 4 will not change the scope of work in the original contract. Under the terms of the original agreement, RBM will continue to load, transport and spread biosolids from HTP and TIWRP to Green Acres and other permitted locations for beneficial reuse. The following provides a summary of the changes proposed in Amendment No. 4:

- Article 6 was amended to add a termination clause by cause of the acceptance of Measure E by the Courts or other regulations that prohibit biosolids application at Green Acres. This clause removes any City financial liability should the City wish to terminate the Agreement on these grounds.
- Article 8 was amended to adjust the hauling rates and fees and mileage costs on an annual basis, based on the Consumer Price Index (CPI-U) with a cap of five percent each year, and to increase the cost ceiling of the contract to \$179.57 million.
- Article 18 was amended to extend the term of agreement for one five-year term with one three-year renewal option to be exercised at the City's sole discretion, effective November 15, 2014.
- Article 46 was amended to update contact information for the City Project Manager and Fanucchi representatives.
- Article 46 was added to include compliance requirements pursuant to Charter Section 470(c)(12), prohibiting Contractor campaign contributions to elected City officials or candidates for elected City office.
- Article 47 was added to include compliance requirements pursuant to the Iran Contracting Act of 2010, California Public Contract Code Sections 2200-2208.

Contracting Compliance Requirements

On June 11, 2013, pursuant to Charter Section 1022, the Personnel Department determined that City employees do not have the expertise to perform the work required at Green Acres. RBM has

complied with all applicable City procedures, laws and policies. The City Attorney has reviewed and approved this amendment as to form.

RECOMMENDATION

That the Council authorize the Board of Public Works to execute the proposed Amendment No. 4 to extend the term of the contract with Responsible Biosolids Management, Incorporated by five years with one three-year renewal option for a total of eight years, and increase the cost ceiling by \$70.87 million for a total contract ceiling of \$179.57 million.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the General Fund. Sufficient funds are available in the Sewer Construction and Maintenance Fund to support the 2014-15 costs of the proposed Amendment No. 4. Funding for future years will be provided through the City's annual budget, which is subject to Mayor and Council approval. The recommendation in this report complies with the City's Financial Policies as ongoing revenue will support ongoing expenditures.

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