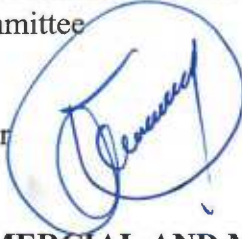


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: October 16, 2014

TO: The Honorable Felipe Fuentes, Chair
The Honorable Bob Blumenfield Vice Chair
The Honorable Tom LaBonge, Committee Member
The Honorable José Huizar, Committee Member
The Honorable Paul Koretz, Committee Member
Energy & Environment Committee
Los Angeles City Council

FROM: Enrique C. Zaldivar, Director
LA Sanitation



SUBJECT: ZERO WASTE LA COMMERCIAL AND MULTIFAMILY FRANCHISE SYSTEM: STAFF RESOURCES PLAN

Recommendations:

1. Approve the Zero Waste LA Resource Staffing Plan request for LA Sanitation (LA SAN) as outlined in this letter.
2. Authorize and direct the immediate creation of 16 new resolution authority positions for further development of the Zero Waste LA Commercial and Multifamily Franchise System, with funding to be provided by the Citywide Recycling Trust Fund No. 46D. There is no impact to the General Fund.

Background

In November, 2012, the Mayor and City Council adopted a report from the Energy & Environment Committee, establishing the Zero Waste LA Commercial and Multifamily Franchise System. At that time, LA SAN was directed, among other actions, to return with a timeline and staffing requirements for the new exclusive franchise system. Development of a plan that included staffing requirements was difficult at that time, due to the many factors that still had to be decided regarding the overall program.

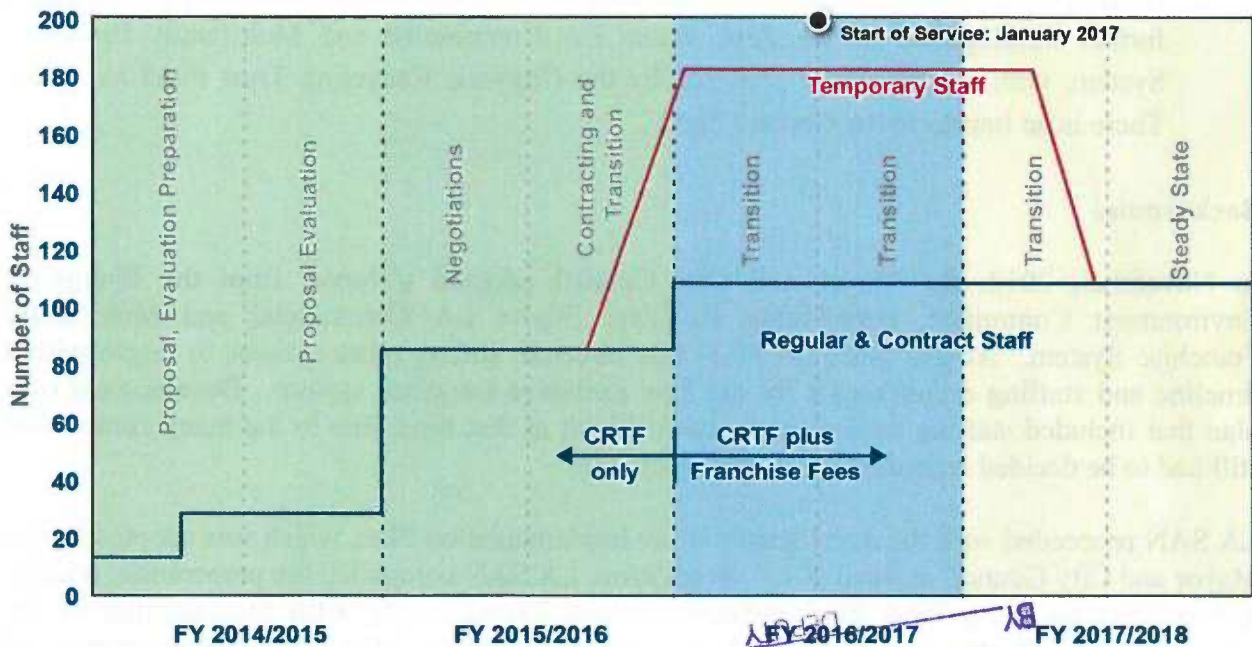
LA SAN proceeded with the development of an Implementation Plan, which was adopted by the Mayor and City Council in April 2013. In addition, LA SAN completed the preparation, release, and certification of a Final Environmental Impact Report, along with the adoption of the accompanying ordinance, in May, 2014. Finally, on June 11, 2014, LA SAN requested and received permission from the Board of Public Works to release a Request For Proposals (RFP) for the new system. Proposals from potential franchisees are due on October 29, 2014.

The development of the staffing requirements and resources needed to implement a new program of this magnitude required a significant effort to obtain benchmark information and calculate workloads to accomplish the many goals of the new system. LA SAN hired CH2M Hill to prepare a Staff Resources Plan, which was completed in August 2014.

Among their findings were that inadequate staffing and training would create consequences that would be unacceptable. These consequences include poor customer service with long wait times and inadequate staff coverage for 24/7 operation; inadequate contractor oversight leading to excessive collection issues and unsafe working conditions at facilities; under reporting of fees due to the City and the failure of contractors to meet waste diversion requirements.

Staffing resources in the new Zero Waste LA system will be deployed regionally as well as centrally. It is more cost effective to have field resources, such as inspectors, deployed in three 'regions'. Management of the contracts will also be regional. This allows the Regional Manager to learn each contract they will manage, as well as become familiar with customer sites and major employers in each region. The land area and size of the City of Los Angeles creates the need to subdivide areas to make sure that excellent service is provided.

In preparation for the notification of customers, the interaction with the franchise holders upon the execution of the contracts, and the transition of the customers into the new Zero Waste LA system, it is critical to achieve staffing levels and prepare program elements as soon as possible. In the Plan, timing is shown through the following chart, illustrating that while the staffing needs are phased, the need for the first phase is immediate:



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LA SAN carefully considered the findings of the attached report, balancing the needs of the customers and our imperative to provide a well-functioning, extensive new system. Our conclusions are that we can, and have, made that balance between public and private functions, between budget considerations and resource needs, to provide the City with the most unique and comprehensive Zero Waste system in the nation.

Customer Service

Customer Service is a keystone of the Zero Waste LA system. This aspect varies widely in the current open market system. Customers described poor interactions, problems being ignored, with the only recourse being to go through a new procurement process to acquire service, multiple times if necessary. The intent of the Zero Waste LA system for the commercial and multifamily sector is to have a simple, comprehensive system. At its core is LA SAN. We will answer to customers, track compliance by contractors, and levy liquidated damages if strict customer service metrics are not delivered. Contractors will interact with customers for service level changes and billing, but the LA SAN customer service staff will be the 'front line' when there is an issue. The CH2M Hill report estimates that, during the transition period, over 1,900 calls per day will be generated, with 760 calls per day during 'steady state'. These calculations result in a need for 17 additional Customer Service staff on an ongoing basis, with an additional 41 temporary staff for transition.

Contract Management/Finance

The staffing plan assumes that eight contracts will be awarded under the system, including two 'bundles'. LA SAN's ability to manage the contractors is directly related to staffing of this function. The Zero Waste LA system is unique in many aspects, primarily in the oversight of contractor performance and monitoring of the many metrics of the new system, for example reporting on Vehicles Miles Traveled (VMT). This category in the CH2M Hill report also includes staff to collect fees, assess liquidated damages, and audit contractors for both performance and financial reporting. A total of 12 staff are recommended for these functions.

Zero Waste/Communications

These functions require the monitoring of contractor compliance with diversion objectives, the development of ongoing uniform outreach and education materials, waste assessment minimum standards, and contractor delivery and implementation of blue bin and organics recycling per each unique contract, which will involve some field duties and direct customer interaction for surveys or diversion compliance. The CH2M Hill report recommends the addition of 6 full time staff to provide support for this function.

Facility Certification and Inspection

This new function would include the development of a Certification program, approved by the Board of Public Works, and implementation of a program to provide inspection and annual certification of the estimated 50-70 facilities in the Zero Waste system. This process is required under the City's code before material can be delivered to facilities under the new system. The

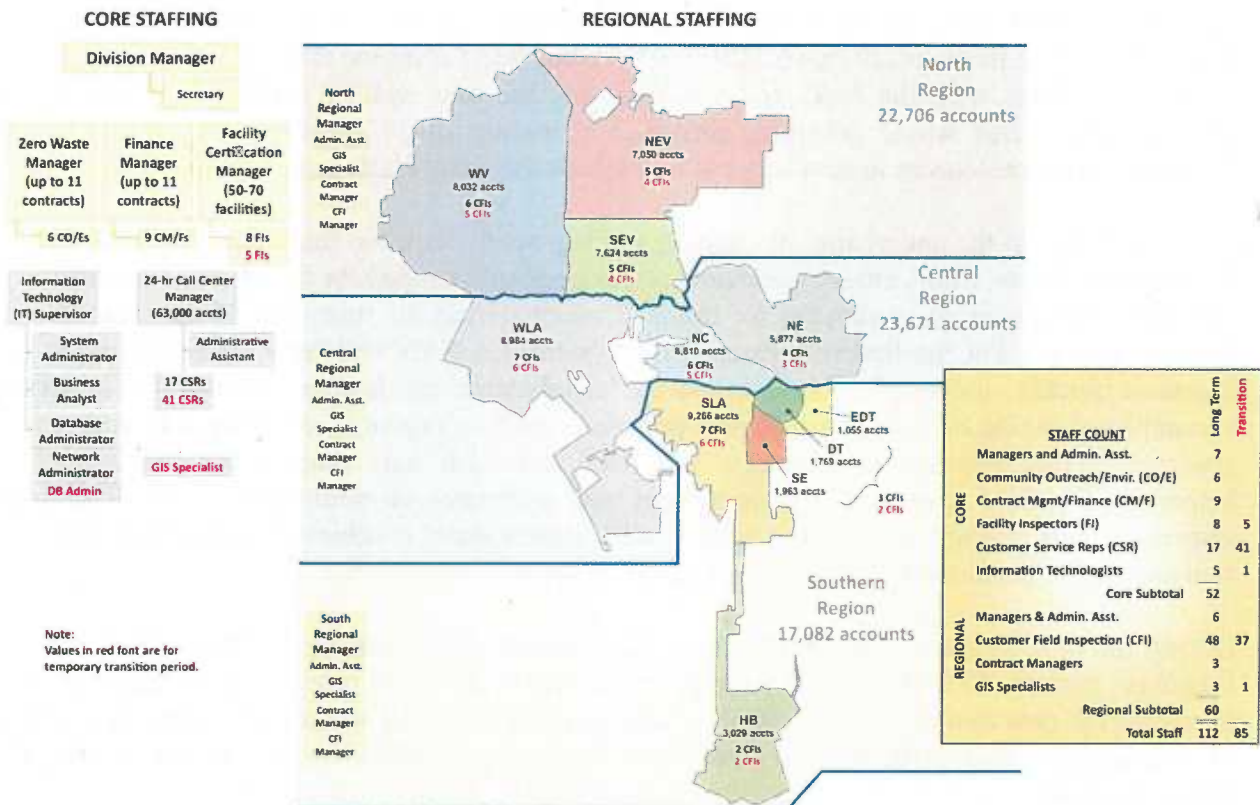
requirements will include minimum standards for operation, compliance with all current regulations, as well as nuisance abatement measures. Staff will provide scheduled and unscheduled inspections, and facilities will have quarterly and annual reporting requirements to maintain certification. A total of 8 full time staff are recommended for this function on an ongoing basis, with an additional 5 staff for initial certification during contract award.

Field Inspection

Related to customer care and the delivery of service is the ability to respond quickly to any issues in the field. In addition, customer sites must be inspected and compared to contractor billing to ensure that the appropriate level of service is provided in contracts. While the contract will require that the franchise hauler have field supervisors in place to respond to customer complaints, it is expected that the City, as first point of contact, will have to monitor contract terms, mediate disputes, and respond to incidents and accidents that occur during collection activities. The inability for the City to be on hand to provide the customer care needed for excellent service, or to regularly inspect customer sites, will lead to more repeat customer complaints and billing/service related issues with franchise holders. This can only be done on site. With the assumption of inspecting each customer site twice each year, CH2M Hill recommends a total of 48 field inspection staff, with an additional 37 to handle the transition from multiple haulers to a single hauler in each zone.

Information Technology

Intensive, ongoing development and support of the staff providing customer services, diversion monitoring, field inspection, contract management, and financial tracking will require a number of staff dedicated to the information technology (IT) processes. Launch of the Zero Waste LA system cannot be jeopardized by inadequate systems to manage and monitor the significant level of data generated by both internal and contractor processes. Contractors must be able to interface with the City's systems, and extensive reporting and analysis tools which do not currently exist must be developed for the success of the transition phase. In addition, routing for inspections and VMT monitoring require the assistance of GIS specialists. The addition of this staff to develop and manage innovative technologies will more than offset the staff that would be needed if a more manual approach were to be taken. CH2M Hill assumes a total of 8 full time staff for these functions.



Final recommendations from the CH2M Hill report are as follows:

- A total of 112 full time staff would be needed for ‘steady state’, or ongoing support;
- An additional 85 staff would be needed for the 18 month Transition period, when customer interaction with the new system is established;
- The scope of responsibility would require the development of a new Division in Sanitation.

Staff are needed for the following major functions: customer service (Call Center), contract management, waste diversion monitoring and analysis, field operations (inspection), finance, and information technology.

LA SAN’s Analysis of CH2M Hill Staff Resources Plan

The analysis of current staffing and additional staff needs was conducted over the last year to prepare for the needs of the new Zero Waste LA system. LA SAN agrees with both the scope and intensity of the tasks outlined in the CH2M Hill report, but has made the following modifications, which reduce the number of new City staff required for the system.

First, SRCRD performed a staff workload analysis that included examination of each staff member and their daily tasks. In addition, there was a realistic assessment of what programs

could be assumed under the new Zero Waste LA system, and what staff could be moved to the new system. The findings are that SRCRD will reallocate or combine tasks and functions for our existing programs with the tasks and functions for the new system using the synergies and creating efficiencies where possible. In all, a reduction of 11 positions was calculated by utilizing existing resources in new ways to implement the Zero Waste LA Franchise system.

In addition, due to the uncertainty of ongoing staffing needs for these functions, LA SAN intends to outsource for the Call Center customer services operators needed for the system, in addition to hiring part time exempt employees for the 24/7 needs during the transition of the customers to the new system. For the first two years of the system, LA SAN will have the flexibility to add operators quickly, and will be able to assess the 'steady state' needs after the transition of service is completed, while recognizing that new programs such as organics recycling will continue to generate service requests and issues. LA SAN will also only request the addition of 24 Inspectors for field operations of the system, and outsource an additional 15 to 30 or more inspection staff during the transition period, until 'steady state' is achieved, and a final workload analysis can be performed to determine optimal ongoing staffing needs.

During the development of the Information Technology (IT) processes for the Zero Waste LA Franchise system, CH2M Hill has sought streamlined technology products to manage the data needs for the new system. These changes have resulted in a total request of 5 staff dedicated to IT management and maintenance, a reduction from the 8 staff identified in the CH2M Hill Resource plan.

In conclusion, LA SAN, over the course of a 3-Phase process, is requesting to add a total of 70 staff for the operation of the Zero Waste LA Franchise system, and to add a Solid Resources Commercial Franchise Division to implement this complex, new system. Restricting resources during the development and implementation of the new system come with timeline risks, short and long term customer dissatisfaction, and ongoing contract monitoring and fee collection issues. Providing the necessary resources will ensure a smooth transition during a system change of this magnitude.

The following section outlines LA SAN's plan to deliver the Zero Waste system for the City of Los Angeles.

LA SAN's 3-Phase Plan

The resources for this program must be in place to develop and launch the system by early 2017. LA SAN has developed a 3-Phase Plan for acquiring the critical staffing infrastructure. Each phase is dependent upon previous actions; if Phase I is delayed, for example, the project schedule must be modified to accommodate those changes. The following timeline shows the three phases.



Phase I (October 2014)

Phase I continues the development of the program. While current staffing has been adequate in developing the policy documents and LA SAN has shifted resources temporarily to evaluation and negotiation of proposals, the ongoing needs and demanding timeframe for the implementation program do not allow LA SAN to hire all staff at one time, or after assessment of actual workload indicators. Initially, LA SAN is requesting the immediate creation of 16 resolution authorities to further the development of the Zero Waste LA system. This is also when the Solid Resources Commercial Franchise Division will be established in LA SAN. The first phase consists of the following new staff, including classifications and their duties:

1. Solid Resources Manager II - Division Manager for the new Solid Resources Commercial Franchise Division. Will hire Assistant Division Managers, assist in all phases of program development, and act as Hearing Officer for Facility Certification revocations or liquidated damages appeals.
2. Solid Resources Manager I – Assistant Division Manager will develop procedures and IT requirements for VMT tracking and Air Quality compliance, hire Facility Certification lead and staff, move to Valley Regional Manager during transition, managing three Zones with 22,700 commercial accounts.
3. Environmental Specialist III - Will lead the development and distribution of Citywide outreach and educational materials, which will be distributed during notification period beginning January 2016. With assistance from existing Zero Waste staff, will conduct workshop and meetings with Neighborhood Councils, Community Groups, and Business Groups to educate about the upcoming Zero Waste LA system.
4. Senior Management Analyst I – is required for the Customer Care Center unit to oversee and supervise staff handling increase in call volume.
5. Senior Management Analyst I – will lead the Administrative and Financial unit in the new Division. Lead on division budget, personnel, training, liquidated damages and other process payments in coordination with SRCRD.
6. Management Analyst II - will assist Facility Certification lead in development of metrics and provide administrative support when certification of facilities begins in 2015.
7. Management Analyst II - will provide additional support to Franchise Team in preparing and execution of multiple Franchise contracts. Will transition to new Division in Phase II to provide support for budget, purchasing, timekeeping, contract management, and liquidated damages.
8. Management Analyst II – will provide additional support to Franchise Team in preparation of contract management tools. Will transition to new Division in Phase II to provide support for budget, purchasing, timekeeping, contract management, and liquidated damages.
9. Management Analyst II – will provide support to the Franchise team in managing the project timeline, creating tools and assisting in development of outreach materials. During Phase II, this staff person will provide support to the Chief Inspector.
10. Senior Clerk typist – This position will provide ongoing clerical support to the Franchise team, including phones, scheduling including training and interviews, and preparation of packages for evaluation and negotiation.
11. Chief Environmental Compliance Inspector – This position will be managing all field inspection staff. Initially this position will design the protocols for issue response and regular inspections, procure necessary equipment, and development a training program. This manager will then hire the team leads and field inspection staff so that they are in place by January 2016.
12. GIS Specialist – Will create maps of all customer locations and attributes, create initial

inspection routes for Facility Certification and Inspection staff, and provide data support to Franchise Team.
13. Industrial Hygienist – A member of the Franchise Certification team, this position specializes in health and safety aspects of inspection and will review and approve health and safety plans submitted by facilities as well as partner on routine inspections.
14. Programmer Analyst V – Will act as lead and supervise project team to assist in Franchise IT development and implementation of systems. This includes internal systems, contractor interface and customer service.
15. Programmer Analyst IV – This position will lead the development of in-house systems for financial tracking, facility certification, and contract compliance.
16. Database Architect – Will lead the development and maintenance of in-house systems for diversion tracking, permit compliance, and other related City systems.

Phase II (Fiscal Year 2015-16)

The second phase of the staffing plan provides resources to begin customer service operations beginning in January 2016, when outreach and communication with all commercial and large multifamily complexes begin. It is critical to note that this staffing must be on board and trained prior to customer notification, which is the initial phase of the transition to the Zero Waste LA system. LA SAN will be requesting the addition of 36 staff in fiscal year 15-16, along with the continuation of resolution authorities from Phase I.

Phase III (Fiscal Year 2016-2017)

In this fiscal year, the program will be implemented, and customer transition to the new system begins. The remainder of the inspection, support staff, as well as financial staff will allow, upon execution of the franchise contracts for the system, the collection of Franchise Fees and other process payments from the contractors. LA SAN will request 18 additional staff during this phase to complete the program staff needed for the implementation of this major system.

Funding for New LA SAN staff

To the extent possible, all additional City Staff requested for the administration, outreach and education, contract management, administrative and technical support of this system will be funded through the existing and ongoing revenue from the AB939 permit fees that are currently deposited into the Citywide Recycling Trust Fund (CRTF). LA SAN's careful and prudent management of the CRTF, over the last 12 years has allowed for a sufficient cash flow to fund new City staff through the implementation of the Zero Waste Franchise System, as well as continue support of ongoing AB939 compliance, Green Business, and other sustainability initiatives. The movement of the current Commercial Multifamily Recycling program over to the franchise haulers will free up funds which will help pay for additional staff. The CRTF is well positioned to remain fiscally healthy through implementation of the Zero Waste LA program.

Phase II and Phase III positions will be requested as part of the Mayor's fiscal year 15-16 and 16-17 proposed budget process. There is sufficient existing space for use within LA SAN's control, with minor build out required to accommodate the new staff, the new Division manager's office on the 5th floor of the Public Works Building, and for any build outs required for Phase II and III of the Plan.

However, Phase I staffing needs for (16) sixteen positions are immediate and critical to further the development of the Zero Waste LA system. Therefore, LA SAN is requesting that the Council, subject to the approval of the Mayor, authorize and direct the immediate creation of (16) sixteen resolution authority positions depicted in this report to be added to LA SAN. LA SAN anticipates that there will be a sufficient salary surplus in the current year's CRTF salary appropriation to cover the salary costs associated with these positions. LA SAN's current CRTF salary budget appropriation is \$6,397,208. Based on current employee level salary expenditures, it is anticipated that there will be an end of year surplus of nearly \$1M. This anticipated surplus can absorb the salary costs associated with (6) six months funding for the (16) sixteen new resolution authority positions totaling \$812,979, and as such, LA SAN is not requesting an additional CRTF appropriation. LA SAN will monitor the CRTF salary expenditures throughout the remainder of this fiscal year, and if salary surplus projections do not materialize as anticipated, LA SAN will address the need for CRTF funded appropriations as part of the Year End report.

Conclusion

As directed by the Mayor and City Council, LA SAN is developing the largest and most ambitious Commercial and Multifamily Franchise system in the country. The Zero Waste LA system will bring environmental benefits to its customers and businesses, simplify the process of receiving waste services, require excellent customer service, and provide for the infrastructure development needed to reach Zero Waste. Given sufficient staff resources, LA SAN will strive to meet the ambitious goals and timeline of the new system, with implementation by 2017.

KC/ECZ:kc

Attachments

1. Final Staff Resources Plan – August 2014
2. Project Timeline and phases (11x17)

c: Greg Good, Mayor's Office
Board of Public Works
John Carvalho, City Attorney's Office
Alex Helou, LA SAN
Lisa Mowery, LA SAN
Dan Meyers, LA SAN