

TRANSMITTAL

0150-10586-0000

TO
The Council

DATE

COUNCIL FILE NO.

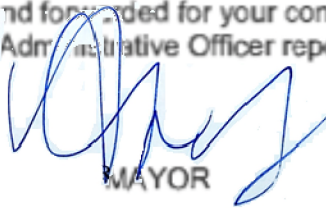
3/17/16

FROM
The Mayor

COUNCIL DISTRICT
All

Authority for the Board of Public Works to award and execute a Personal Services Contract with USA Waste of California, dba Waste Management for the receipt, processing, and reuse of green material, food material, and/or horse manure from the City of Los Angeles' Curbside Collection Program.

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



(Ana Guerrero)

MAYOR

MAS.SMC:06160090t

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

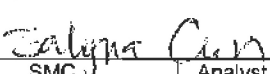
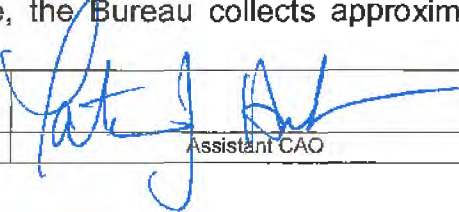

To: The Mayor	Date: 03-16-16	C.D. No. Citywide	CAO File No.: 0150-10586-0000
Contracting Department/Bureau: Bureau of Sanitation		Contact: Rowena Romano (213) 485-3626	
Reference: Board of Public Works' transmittal dated December 21, 2015; referred for report on December 22, 2015			
Purpose of Contract: For the receipt, processing, and reuse of green material, food material, and/or horse manure from the City of Los Angeles Curbside Collection Program			
Type of Contract: (X) New contract () Amendment		Contract Term Dates: Five years from the date of execution, with two five-year renewal options, for a total term of 15 years, with an option to extend on a month-to-month basis for an additional six months at the end of any five year term	
Contract/Amendment Amount: Proposed amount \$ 74,477,685 + Prior award(s) \$ 0 = Total \$ 74,477,685			
Source of funds: Solid Waste Resource Revenue Fund			
Name of Contractor: USA Waste of California, Inc. dba Waste Management			
Address: 9081 Tujunga Avenue, Sun Valley CA 91352			
	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: 0.22%	*N/A = not applicable ** Contracts over \$100,000		
			8. Contractor has complied with:
			a. Equal Employmt. Oppty./Affirm. Action
			b. Good Faith Effort Outreach**
			c. Equal Benefits Ordinance
			d. Contractor Responsibility Ordinance
			e. Slavery Disclosure Ordinance
			f. Bidder Certification CEC Form 50

COMMENTS

In accordance with Executive Directive 3, the Board of Public Works, on behalf of the Bureau of Sanitation (Bureau), requests authority to execute a personal services contract with USA Waste of California, Inc. dba Waste Management (Waste Management) for the receipt, processing, and reuse of green material, food material and/or horse manure, hereby collectively referred to as green waste, from the City of Los Angeles' Curbside Collection Program. The term of the contract is five years, with two five-year renewal options, for a total term of 15 years, with an option to extend for an additional six months on a month-to-month basis at the end of any five (5) year term, for a total cost ceiling of \$74,477,685 or approximately \$14.9 million per year.

BACKGROUND

The Bureau services over 750,000 single family residences and small apartment complexes, which are supplied with green, blue and black bins for their yard trimming materials, recyclables and waste respectively. On a daily average, the Bureau collects approximately 1,800 tons of yard trimming

 SMC	Analyst	06160090	 Assistant CAO	 City Administrative Officer
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material, 800 tons of recyclables, and 3,300 tons of waste. In addition, the Bureau provides collection of horse manure in the East Valley, West Valley and West Los Angeles districts and provides collection of food material through a pilot program in the South Los Angeles and North Central districts.

Pursuant to the Mayor's Sustainability pLAn, the City has set a goal to divert 90 percent of its solid waste from the landfills by 2025. Green waste comprises approximately 30 percent of the solid waste. The City processes approximately 20 percent of the green waste, an estimated 400 tons per day (tpd), at the Lopez Canyon Landfill and the Harbor Mulching Facility and contracted facilities process the remaining 80 percent of the green waste. Since 2004, Waste Management has processed the majority of the green waste. The existing agreement with Waste Management will expire on June 30, 2016.

Charter Section 1022

In 2009, the Bureau initiated the Charter Section 1022 for this proposed contract. The Personnel Department determined that City employees can perform the work. However, this Office determined that the proposed work to be contracted can be performed more feasibly by a contractor than by City employees for the following reasons:

- The Bureau's facilities are not sufficiently sized nor permitted to process all the collected green waste;
- The Bureau would be required to purchase or construct additional processing facilities and equipment in order to increase its tonnage; and,
- The City does not have facilities nor permits to process food waste.

Since the City Charter does not specify a time limit or expiration date for a 1022 determination, the City Attorney's Office advised this Office that another Charter Section 1022 determination is not necessary. The changes to the original Charter 1022 include the term of the contract, a reduction in the amount of green waste collected by the City, from 2100 tpd to 1800 tpd, and an increase in the amount of green waste that is processed in-house, from 300 tpd to 400 tpd. Since these changes do not affect the findings, the original Charter 1022 determination remains in effect.

Contractor Selection Process

On April 12, 2013, the Board authorized the Bureau to distribute a Request for Proposals (RFP) and advertise the RFP on the Los Angeles Business Assistance Virtual Network (LABAVN). The Bureau held a pre-proposal meeting on April 30, 2013, which was attended by 60 people. On May 7, 2013, Addendum No. 1 was posted on LABAVN which extended the proposal submittal deadline to June 18, 2013. The Bureau received proposals from the following eight firms:

- American Reclamation
- Athens Services
- Community Recycling and Resource Recovery, Inc.
- CR&R, Inc.
- INEOS Bio USA LLC
- Orgaworld International B.V. (Orgaworld)
- Rainbow Disposal Company, Inc. dba Rainbow Environmental Services (Rainbow)
- USA Waste of California, Inc. dba Waste Management

As part of the RFP's Business Inclusion Program Outreach, the proposers were required to include with their proposal a list of all potential subconsultants, the subconsultant's bid/quote, and the reason for selection or non-selection as a subconsultant. Two of the eight proposers, American Reclamation and Orgaworld, did not meet the requirements of the Business Inclusion Program (BIP) and were deemed non-responsive. On February 14, 2014, the Bureau sent notification to both proposers informing them that they were found to be non-responsive. Both proposers sent their appeals to the Bureau for further consideration and subsequently, the Bureau made a final determination that both proposers were deemed non-responsive.

A five-member Evaluation Panel, comprised of four Bureau employees and one Bureau of Contract Administration employee, evaluated the remaining six proposals and scored it based on the following criteria:

EVALUATION CRITERIA

Criteria	Points
Prior Experience	10
Workplace Safety	10
Technical Requirements	25
Financial Requirements	15
Proposed Service Fee	30
Profit Sharing	5
Proposal Responsiveness	5

Total Possible Evaluation Points: 100 Points

The Bureau proposes to execute contracts with the following three firms: Waste Management, Rainbow and CR&R. Waste Management and Rainbow were selected because both proposers were the most responsive bidders and will provide all-inclusive services for receiving, processing and beneficially reusing the green waste, provide contamination removal and disposal services, and provide contingent processing facilities for use during adverse conditions or service disruptions at the primary facility. The Bureau also selected CR&R due to its ability to process the green waste via anaerobic digestion. Of these three proposers, Waste Management was selected as the primary contractor because of the prior contracting experience with the City, lower processing rates, the location of the facilities in the Los Angeles area, and the capacity of the facilities to accept and process a large amount of green waste. The proposed contracts with Rainbow and CR&R will be forthcoming. Currently, the Bureau is requesting to execute the proposed contract with Waste Management, which was approved by the Board on December 21, 2015.

Waste Management has complied with all standard contracting provisions. As there are limited subcontracting opportunities in the waste management industry, the contractor has pledged participation levels of 13.0 percent Minority Business Enterprise, 0.04 percent Small Business Enterprise, and 13.96 percent Other Business Enterprise. In accordance with Los Angeles Administrative Code 10.5(b)2, the proposed contract requires Council approval because the term of the contract exceeds three years.

Scope of Work

The Bureau will be responsible for collecting and transporting the green material from the Curbside Collection Program to Waste Management’s processing facilities. Upon receipt, Waste Management will assume full title and responsibilities of the material. Waste Management will receive and process a minimum of 100 tpd and up to 2,000 tpd of green material and upon obtaining proper permits, will accept food waste and horse manure at the Sun Valley Recycling Park (SVRP) facility. The contractor will also be responsible for transporting the processed materials to reuse facilities within 24 hours of receipt and marketing the beneficial products derived from processing the green waste.

Waste Management will provide a second facility, Waste Transfer and Recycling (WTR), which will be available for use on an as needed basis and provide contingent facilities for use during days of adverse condition. These facilities must have sufficient queuing space in order to avoid City vehicles blocking City streets. Waste Management will ensure that these facilities are operated and maintained in compliance with all federal, state and local permits and applicable laws. Waste Management will ensure that City vehicles are given priority access and that the turnaround time for entering the processing facilities does not exceed 25 minutes. If the turnaround time exceeds 25 minutes, the City may deliver the loads to another facility and there will be no required minimum tonnage delivered.

Additionally, the contractor will provide a Weekend Residential Drop-Off Program at the SVRP facility for residents to drop-off their green waste. The contractor will contribute \$50,000 per year to support the Bureau’s Contamination Reduction Program which aims to reduce contamination through routine inspections of residential containers and dissemination of information regarding correct container usage and recycling procedures.

Compensation

The City’s compensation to Waste Management is provided solely on a cost-per-ton basis in accordance with the processing rates provided in the below table:

RATE SCHEDULE

Facility	Processing Rate	100 tpd or less	101 to 250 tpd	251 to 500 tpd	501 tpd or more
SVRP	Green Waste	\$ 120.31	\$ 75.19	\$ 46.92	\$ 36.03
	Unit Cost for Contaminants	\$ 120.31	\$ 71.68	\$ 62.53	\$ 52.68
WTR	Green Waste	\$ 120.31	\$ 75.19	\$ 64.25	\$ 54.78
	Unit Cost for Contaminants	\$ 120.31	\$ 71.68	\$ 51.07	\$ 45.09

Waste Management shall provide the most favorable term to the City than those provided to other customers, which the City may verify through review of Waste Management’s prices and terms. These rates are inclusive of all costs incurred by the contractor for the receipt, transfer, processing and reuse of green waste, including, but not limited to, salaries, overhead, capital costs, permit fees, and profits. The rates are subject to an annual adjustment based upon the change in the Consumer Price Index (CPI) every July 1st and shall not exceed six percent per year. If Waste Management

Price Index (CPI) every July 1st and shall not exceed six percent per year. If Waste Management experiences a significant cost increase that is outside of their control, the contractor can request a rate increase, subject to the City's approval of cost substantiation documents.

In instances where contaminants exceed 50 percent of the load by volume or 20 percent by weight, the load may be charged as a refuse load upon concurrence by City staff. At the City's request, Waste Management will be required to perform a contamination analysis to compare the percentage of contaminants in the incoming materials to the contaminants charged to the City in the previous three months.

The new rate is lower than the existing rate with Waste Management. Under the provision in Article 10.5 of the proposed contract, the new rates will be effective upon execution of the contract. Based on the assumptions provided in the table below, the projected savings per day is \$4,634. If the contract can be executed by the end of April 2016, the estimated total savings for Fiscal Year 2015-16 is \$203,896.

ESTIMATED DAILY SAVINGS

		Tonnage	Existing Agreement		Proposed Contract		Total Savings
			Processing Rate	Total Expenditures	Processing Rate	Total Expenditures	
SVRP	Green Waste	726	\$ 39.07	\$ 28,374	\$ 36.03	\$ 26,166	\$ 2,208
	Contaminants	128	\$ 57.13	\$ 7,322	\$ 52.68	\$ 6,751	\$ 570
WTR	Green Waste	374	\$ 69.02	\$ 25,814	\$ 64.25	\$ 24,030	\$ 1,784
	Contaminants	20	\$ 54.70	\$ 1,077	\$ 51.07	\$ 1,005	\$ 71
			\$ 62,586		\$ 57,953		\$ 4,634

Assumptions:

SVRP: Receives and processes 854 tpd (85 percent Green material, 15 percent Contaminants)

WTR: Receives and processes 394 tpd (95 percent Green material, five percent Contaminants)

Waste Management will submit invoices, as well as electronic reports, on a bimonthly basis, with all supporting documents, including weight tickets and all source documents. The City will receive a two percent discount for payments made within 30 days. The City can withhold payments and/or assess a two percent penalty for incomplete, disputed or late invoices and can terminate the contract upon repeated occurrences. The contractor must retain all records for a period of four years, which are subject to City's audit.

Green waste processing is budgeted annually from the Solid Waste Resources Revenue Fund. The cost of the program is \$74,477,685, or approximately \$14.9 million per year, as shown in the below table:

PROPOSED EXPENDITURE

		Processing Rate	Annual Tons	Annual Cost
SVRP	Green Waste	\$ 36.03	262,211	\$ 9,447,462
	Contaminants	\$ 52.68	24,829	\$ 1,307,992
WTR	Green Waste	\$ 75.19	51,480	\$ 3,870,781
	Contaminants	\$ 71.68	3,757	\$ 269,302
TOTAL ANNUAL COST:				\$ 14,895,537
COST FOR 5 YEARS:				\$ 74,477,685

Assumption: Processes 1316 tpd based on historic volume

The contract ceiling amount does not account for the CPI rate increase. However, the contract contains a Financial Liability Clause, which limits the City's financial obligation to the extent of appropriations for this purpose. Sufficient funds are budgeted for this purpose in Fiscal Year 2015-16 and funding for subsequent years will be requested through the annual budget development process.

RECOMMENDATION

That the Council authorize the Board of Public Works, or designee, on behalf of the Bureau of Sanitation, to execute the proposed personal services contract with USA Waste of California, Inc., dba Waste Management for the receipt, processing, and reuse of green material, food material and/or horse manure, for a term of five years, with two five-year renewal options and an option to extend on a month-to-month basis for an additional six months at the end of any five (5) year term, and at a cost not to exceed \$74,477,685, subject to the approval of the City Attorney as to form.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Sufficient funds are available from the Solid Waste Resource Revenue Fund 508, Account 50MX82 to support the cost of the proposed contract for Fiscal Year 2015-16. Funding for future years is provided through the City's annual budget process and is subject to the availability of funds and Mayor and Council approval. The contract includes a Financial Liability clause which limits the City's financial obligation to the extent of the City appropriation for this purpose. The recommendation in this report complies with the City's Financial Policies as ongoing special fund revenues will support ongoing expenditures.