

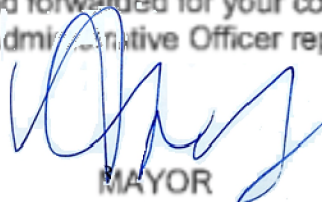
0150-10688-0000

**TRANSMITTAL**

TO The Council	DATE 07/05/16	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

**Authority for the Board of Public Works to award and execute a Personal Services Contract with Rainbow Environmental Services 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

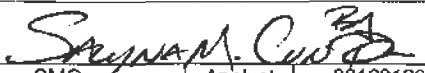
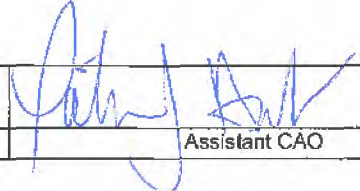

MAS:SMC:06160183f

**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: 07-01-16	C.D. No. Citywide	CAO File No.: 0150-10688-0000				
Contracting Department/Bureau: Bureau of Sanitation		Contact: Rowena Romano (213) 485-3626					
Reference: Board of Public Works' transmittal dated May 13, 2016; referred for report on May 17, 2016							
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 \$ 4,472,007 + Prior award(s) \$ 0 = Total \$ 4,472,007 Source of funds: Solid Waste Resource Revenue Fund							
Name of Contractor: Rainbow Disposal Co., Inc. dba Rainbow Environmental Services  Address: 9081 Tujunga Avenue, Sun Valley CA 91352							
	Yes	No	N/A*	8. Contractor has complied with:	Yes	No	N/A*
1. Council has approved the purpose	X			a. Equal Employmt. Oppty./Affirm. Action	X		
2. Appropriated funds are available	X			b. Good Faith Effort Outreach**	X		
3. Charter Section 1022 findings completed	X			c. Equal Benefits Ordinance	X		
4. Proposals have been requested	X			d. Contractor Responsibility Ordinance	X		
5. Risk Management review completed	X			e. Slavery Disclosure Ordinance	X		
6. Standard Provisions for City Contracts included	X			f. Bidder Certification CEC Form 50	X		
7. Workforce that resides in the City: 12.5%							
*N/A = not applicable				** Contracts over \$100,000			

**COMMENTS**

In accordance with Executive Directive 3, the Board of Public Works (Board), on behalf of the Bureau of Sanitation (Bureau), requests authority to execute a personal services contract with Rainbow Disposal Co., Inc. dba Rainbow Environmental Services (Rainbow) 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 \$4,472,007. 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.

 SMC Analyst 06160183	 Assistant CAO	 City Administrative Officer
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## **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, recyclable materials and refuse materials respectively. On a daily average, the Bureau collects approximately 1,800 tons of yard trimming material, 800 tons of recyclable material, and 3,300 tons of refuse material. 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. The Harbor Mulching Facility and contracted facilities process the remaining 80 percent of the green waste.

### **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). 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
- USA Waste of California, Inc. dba Waste Management (Waste Management)

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. Both proposers appealed 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

Since Waste Management and Rainbow received the two highest scores, the Bureau proposes to execute contracts with these two firms for the receipt, processing and reuse of the green waste. In addition, the Bureau proposes to execute a contract with CR&R due to its ability to process the green waste via anaerobic digestion. The contract with the primary contractor, Waste Management, was executed on May 18, 2016 and the proposed contract with CR&R will be forthcoming. The Bureau is currently requesting to execute the proposed contract with Rainbow, which was approved by the Board on May 13, 2016.

Rainbow 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 10.24 percent Minority Business Enterprise and 17.42 percent Other Business Enterprise.

### Scope of Work

The Bureau will be responsible for collecting and transporting the green material from the Curbside Collection Program to either the City's Transfer Stations, Rainbow's processing facilities, or to the contractor's transfer station, which will be used on an as needed basis. The City may also provide finished and cleaned materials, such as chipped and ground green material, compost or mulch, to the contractor for further processing, marketing, distribution, or transporting to end users. At the City's request, the contractor will be responsible for delivering the green material from the transfer station to its processing facilities. Rainbow shall assume full title and responsibilities of the material upon receipt at the transfer stations or at the processing facility.

Rainbow shall receive a minimum of 60 tpd of green material, including palm fronds on an as needed-basis, for mechanical processing including, but not be limited to chipping, cleaning, grinding, sizing, mulching and biological processes. During days of adverse weather condition, the contractor shall accept up to 500 tpd of green material for processing, subject to the available capacity of the facility at that time. Should the contractor's facility be unable to accept and process the green waste, the contractor shall notify the City within two hours of occurrence. In such cases, the City will not be required to provide a minimum tonnage of green material. The contractor will also be responsible for transporting the processed materials to reuse facilities within 24 hours of receipt, marketing the beneficial products derived from processing the green waste, and delivering the beneficial products to end users.

Rainbow will ensure that these facilities are operated and maintained in compliance with all federal, state and local permits and applicable laws. Rainbow will ensure that City vehicles are given priority access and that the turnaround time for entering the facility, weighing the load, and unloading the material at 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.

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 Rainbow is provided solely on a cost-per-ton basis in accordance with the negotiated green material processing rates provided in the below table:

Processing Rate	100 tpd or less	101 to 250 tpd	251 to 500 tpd	501 tpd or more
Green Waste	\$ 46.60	\$ 44.50	\$ 42.40	\$ 40.30
Unit Cost for Contaminants	\$ 53.00	\$ 53.00	\$ 53.00	\$ 53.00

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 1<sup>st</sup> and shall not exceed six percent per year. Should the contractor transport the green material from the transfer stations to its processing facilities or process the palm fronds, the contractor shall be compensated based on the rates provided under Section 10.6 and 10.7 of the agreement.

Green waste processing is budgeted annually from the Solid Waste Resource Revenue Fund. As provided in the table blow, the maximum allowable compensation over a five year period is \$4,472,000, which is based on the following assumptions: a CPI rate increase of three percent, two days of adverse condition, and a 10 percent contingency.

	Processing Rate for 60 tpd	Processing Rate for over 250 tpd	Annual Base Amount	Adverse Condition	Total Amount	10% Contingency	Total Maximum Amount
Year 1	\$ 46.60	\$ 42.40	\$ 729,756	\$ 37,312	\$ 767,068	\$ 76,707	\$ 843,775
Year 2	\$ 48.00	\$ 43.67	\$ 751,649	\$ 38,431	\$ 790,080	\$ 79,008	\$ 869,088
Year 3	\$ 49.40	\$ 44.94	\$ 773,541	\$ 39,551	\$ 813,092	\$ 81,309	\$ 894,401
Year 4	\$ 50.79	\$ 46.22	\$ 795,434	\$ 40,670	\$ 836,104	\$ 83,610	\$ 919,715
Year 5	\$ 52.19	\$ 47.49	\$ 817,327	\$ 41,789	\$ 859,116	\$ 85,912	\$ 945,028
TOTAL:					\$4,065,460		\$4,472,007

Rainbow shall provide the most favorable term to the City than those provided to other customers, which the City may verify through review of Rainbow's prices and terms. Should Rainbow experience 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. The contract contains a Financial Liability Clause, which limits the City's financial obligation to the extent of appropriations for this purpose.

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, Rainbow 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.

Rainbow 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 falsified contamination reports and incomplete, disputed or late invoices and can terminate the contract upon repeated occurrences. The contractor shall be liable for any false claim for payment. The contractor must retain all records for a period of four years, which are subject to an audit by the City.

## 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 Rainbow Environmental Services 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 \$4,472,007, subject to the approval of the City Attorney as to form.

## FISCAL IMPACT STATEMENT

There is no General Fund impact. Funding will be subject to the availability of funds within the Solid Waste Resource Revenue Fund. 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.