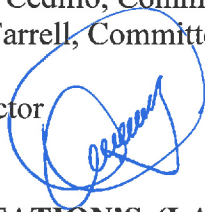


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: November 28, 2016

TO: Energy & Environment Committee
The Honorable Nury Martinez, Chair
The Honorable Bob Blumenfield, Committee Member
The Honorable Paul Koretz, Committee Member
The Honorable Gilbert A. Cedillo, Committee Member
The Honorable Mitch O'Farrell, Committee Member

FROM: Enrique C. Zaldivar, Director
LA Sanitation



SUBJECT: LOS ANGELES SANITATION'S (LASAN) REPORT IN RESPONSE TO MOTION ENTITLED WOMEN AND MINORITY BUSINESSES PARTICIPATION RATES/CITY'S RECYCLING, DIVERSION, WASTE MANAGEMENT EFFORTS/ZERO WASTE LA FRANCHISE SYSTEMS (C.F. 16-1235)

LASAN is submitting this letter in response to Councilmember Nury Martinez regarding her motion of November 1, 2016, regarding Women and Minority Business Participation Rates/City's Recycling, Diversion, Waste Management Efforts/Zero Waste LA Franchise Systems (Council File 16-1235). This motion has three directions for further action:

1. The motion directs that LASAN report back to the Energy and Environment Committee on options and strategies to promptly strengthen and increase participation rates of existing and new woman and minority businesses in the City's recycling, diversion, and waste management efforts, including the Zero Waste LA Franchise System;
2. The motion directs that LASAN report back on a strategy to support the incubation, development, and true participation of new or growing women and minority businesses in any procurement in all areas of recycling and solid waste management;
3. The motion directs LASAN to work with the solid waste industry to create real opportunities for career advancement for women, minorities and others that are underrepresented in the solid waste industry.

Background

On September 26, 2016, the Board of Public Works (BPW) approved Los Angeles Sanitation's (LASAN) report to execute personal services contracts for the Zero Waste Exclusive Franchise System (Franchise System) for commercial and multifamily solid waste collection and handling with seven firms. This report (CF#10-1797-S17) is currently undergoing Mayor and City Council consideration and approval.

The Zero Waste LA Franchise System request for proposals (RFP) and contracting process has been comprehensive, thorough, and conducted with the utmost integrity and impartiality,

including the subcontracting outreach requirement. Each of the firms abided by the City's subcontracting requirements; the cornerstone of the Business Inclusion Process in contracting is outreach, which was performed by all of the proposers. Each contract passed the City's subcontracting requirements. All recommended proposers far exceeded the minimum outreach efforts required in the BIP process. However, there has been concern regarding the participation levels of subcontractors, including underrepresented businesses in the final list of subcontractors set forth in the recommended Franchise System contracts.

Diversity in Firm Ownership and Composite Workforce

While the subcontracting participation levels appear low, it is important to note that the spirit of the Business Inclusion Program is represented in other key areas of the contract, specifically women owned companies and a diverse workforce.

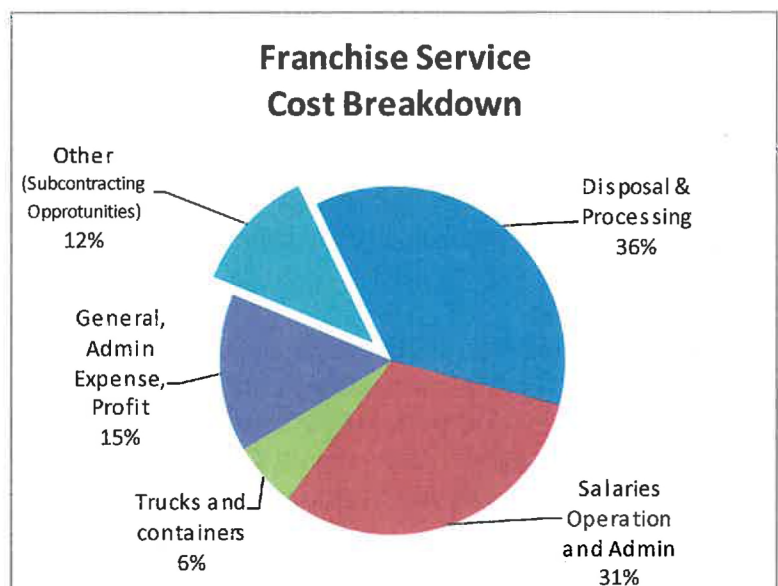
Two of the seven proposers are women owned waste hauling firms, which is not and cannot be reflected in the subcontracting levels reported. Ware Disposal is a woman owned company proposed to service the Southeast Zone and is set to yield 2.6% of the franchise revenue, and CalMet is a 50% woman owned company servicing the East Downtown Zone and is set to yield 2% of the franchise revenue.

Beyond business ownership, the current workforce and future opportunities support good green jobs for women and minorities and other subcontractor enterprises. A survey of the proposers' workforce composition shows that on average, 88% of the workforce is comprised of minority workers, and 15% of their entire workforce is comprised of women workers. There will be over 500 supervisory and management opportunities through the Franchise program. It is important to note that many of these jobs are represented by organized labor providing good pay and benefits. Moreover, the City's Living Wage applies to the direct employees of Franchise contract holders.

Uniqueness of the Zero Waste LA Personal Services Contracts and its effect on subcontracting participation levels

While the subcontracting participation level percentages are low, it is important to note the uniqueness of these Personal Services Contracts that make it difficult to achieve higher participation level percentages. Due to the nature of these Personal Services Contracts, a seemingly low 12% subcontracting participation level is actually quite ambitious, see Figure 1. This is due to the fact that the majority of the revenue derived from these Personal Service Contracts goes directly to cost of performing waste and recycling operations (drivers, trucks, containers, disposal and recycling). These operational services account for nearly 88% of the revenue going to the prime contractors for the work they directly perform.

Further complicating the subcontracting participation levels is that, at the time of the RFP, which was over two years ago,



many of the areas of work could not be determined. This made it difficult for the proposers to predict, determine and identify all of the possible work areas beyond the standard work areas associated with waste and recycling operations. However, now that the proposers have been assigned zones, the scope of the work can be fully understood. As a result, all proposed contractors have identified future work areas that can be subcontracted beyond that already identified in the contracts.

It is important to note that per City contracting policy, any new work areas for subcontracting opportunities can only be outreached after contract execution, and there is a contractual requirement that the addition of subcontractors undergo an approval process. Also, any substitutions or deletions to subcontractors listed in the contracts require BPW approval.

Non-Profit Participation in the Franchise Contracts

Many of the contracts will involve work provided by non-profits, primarily in the areas of reuse activities including donation, food rescue, and local community outreach activities. In the City's Business Inclusion Program, non-profits are categorized as OBE subcontractors. Non-profits serve a critical community benefit and will be a partner to the contractors in the Franchise System.

Response to Council motion Instructions to increase subcontracting opportunities for women, minority, and other underrepresented groups in the recycling and solid waste industry including the Franchise System.

On November 1, 2016, Councilmember Nury Martinez introduced a Motion addressing Women and Minority Businesses Participation Rates/City's Recycling, Diversion, Waste Management Efforts/Zero Waste LA Franchise Systems (Council File 16-1235). This Motion moves that LASAN reports back to the Energy and Environment Committee on options and strategies to promptly strengthen and increase participation rates and strategies to support the incubation, development, and true participation of underrepresented businesses. It also requests that LASAN work with the solid waste industry to create opportunities for career advancement for women, minorities and others that are underrepresented in the solid waste industry.

Motion instruction number one - Options and strategies to promptly strengthen and increase the participation rates of existing and new women and minority businesses in the City's recycling, diversion, and waste management efforts, including the Zero Waste LA Franchise System

On October 28, 2016, the BPW created an Ad hoc Committee that will work on generating ideas for increasing the number of small, local, minority and women owned businesses that are awarded City contracts. This Ad Hoc Business Advisory committee, chaired by Vice President Heather Repenning and president pro tem Mike Davis, will host public hearings to solicit feedback and look at ways to rework the department's contracting process. Specifically, Vice President Heather Repenning will serve as an advocate to find ways to improve the subcontracting process by working as a City to seek the input of external business associations on possible ways to increase subcontracting participation.

LASAN and Vice President Repenning conducted two meetings with the recommended proposers regarding potential subcontracting opportunities. Meetings were held on November 1, 2016 and November 10, 2016.

At these meetings, the recommended proposers were informed of the concerns brought forward pertaining to the seemingly low subcontracting levels. Proposers agreed that there are unidentified areas of work that can potentially be subcontracted in the future. Proposers were extremely receptive and agreeable to the potential to expand, increase, and/or broaden future subcontracting participation post contract execution, see Attachment 2 for a list of potential new work areas identified to date. In addition, the proposers agreed to review their existing list of subcontractors to identify and outreach to existing subcontractors that could gain certification in other business categories, and report back to LASAN a plan for identified companies to achieve certification. Preliminarily, the proposers identified a number of proposers that they believe could be certified by the City or were misclassified, see Attachment. These represent another \$44.4 million in minority, women and small business enterprises presently identified as other business enterprises who would be participating as subcontractors in the franchise system. The proposers agreed to work with the subcontractors to expedite certification via private certification consultants versus the standard Bureau of Contract Administration (BCA) process. Also, since BCA is currently experiencing a backlog in certification approvals, any subcontractors that are currently on BCA's wait list will be identified and either expedited or seek private certification.

Representatives from the BPW, LASAN, Mayor and a small number of Council Offices, in accordance with Brown Act rules, also have met to identified avenues and options to increase subcontracting participation on the Franchise System contracts. As a result of the meetings with the proposers and other City offices LASAN has developed a number of short term strategies.

Recommended Strategies and Results:

- 1. Instruct LASAN to work with the recommended proposers to identify future areas of the Franchise system for potential subcontracting opportunities.**
- 2. Instruct LASAN to work recommended proposers to maximize participation in the Business Inclusion Program (BIP) by encouraging eligible existing subcontractors to apply for all certifications applicable to them.**
- 3. Instruct LASAN to report back to City Council, annually, on the status of commitments.**
- 4. Instruct LASAN to add a local hiring requirement to the Franchise System contracts prior the 10 year renewal option.**

Motion instruction number two - Strategy to support the incubation, development, and true participation of new or growing women and minority businesses in any continuing or future procurement and contracting opportunities with the City in all fields and areas of recycling and solid waste management

As previously mentioned in this report, the BPW established an Ad Hoc Business Advisory Committee to investigate ways to increase subcontracting opportunities within the Department of Public works. The Advisory committee in conjunction with LASAN has identified numbers of approach designed to increase subcontractor participation within the City.

Workshops should be held to assist businesses in contracting or subcontracting with the City. It is apparent that there is a disconnect from the subcontractors that are seeking work and the contractors that need their assistance. Contractors typically outreach to potential subcontractors in writing. This often does not fully convey the suite of opportunities that are available. To overcome this disconnect and to foster future working relations the proposers have committed to

participating in upcoming BPW outreach efforts and sponsored workshops that will include the various business organizations. These workshops will include meet and greet opportunities to introduce potential subcontractors to the primes, and provide training to businesses on how to obtain certification. By being certified, companies can be a part of LABVN which could possibly increase their subcontracting opportunities.

A program should be developed to assist businesses in obtaining certification as a MBE, WBE, SBE, LBE, or DVBE. There remain barriers for businesses in the City to become certified. Many businesses do not understand the process to become certified and it take time and money to become certified. Due to insufficient resources, Bureau of Contract Administration has a backlog certification application waiting to be processed.

An in depth analysis of the Business Inclusion Program (BIP) is needed. The current BIP program is robust and thorough, however, there may be areas where it can be improved. An in depth review of the program will allow the City to identify the strength and weakness of the BIP.

Recommended Strategies and Results:

- 1. Instruct LASAN to coordinate with contractors to sponsor subcontracting workshops, not limited to Franchise System work. Workshops will be held in conjunction with business organizations.**
 - a. Training workshops on how to participate in City contracting. Paths to obtain certification.**
 - b. Meet and greet workshops to introduce potential subcontractors to prime contractors.**
- 2. Request the BPW to work with Bureau of Contract Administration, City Attorney's Office, and Business Organizations to review existing Business Inclusion Program.**
 - a. Identify strength and weaknesses of BIP.**
 - b. Benchmark against City Departments with Local Business Enterprise focused programs.**
 - c. Develop recommended strategies to enhance or modify the BIP process.**
- 3. Recommend BCA to conduct training workshops at the chambers of commerce/business chambers, such as on the MBE/WBE certification process and also on BAVN and the BIP process.**
- 4. Recommend BCA to research the feasibility of reciprocity agreements with other public agencies regarding certification of different subcontracting enterprises.**

Motion instruction number three - Work with the solid waste industry in the City to identify ways to develop and implement a strategy to create real opportunities for career advancement for women, minorities, and others that are underrepresented in the professional and leadership levels of the solid waste industry

To help increase the participation of women and minorities in the solid resources program, including managerial positions, LASAN has offered the Career Development program (Program). The Program is sixteen weeks in length and covers multiple topics including leadership and managerial tasks.

The program has been extremely successful and attended by hundreds of City staff. The program was instrumental in propelling many employees into supervisory and senior management positions in Sanitation as well as other City departments.

LASAN can share the curriculum with the franchise service providers to help increase the leadership number of Women and minorities in the solid waste industry, and will assist them in setting up a program for their employees.

Recommendation:

- 1. Instruct LASAN to share and promote this program to others in the solid waste industry.**
- 2. Instruct LASAN to report back on franchisees' status of incorporating this program into their workforce development work program.**

cc: Board of Public Works
Adena Hopenstand, City Attorney's Office
Alex Helou, LASAN
Lisa Mowery, LASAN

Attachment 1

Potential Certification of Existing Subcontractors

Existing Subcontractor	Existing Contract Certification	Total Subcontracting	Potential Certification
Santiago Hernandez Trucking	OBE	\$ 23,700,000	MBE
Marios Trucking	OBE	\$ 10,000,000	MBE
AIMCS Consulting	OBE	\$50,000	MBE/WBE
Finishing Studio	OBE	\$ 1,700,000	MBE/SBE
Sustain LA	OBE	\$ 20,000	WBE/SBE
Adapt Consulting Inc dba Adapt Ad Specialty	OBE	\$ 99,998	WBE/SBE
True Truck, LLC	OBE	\$ 58,200	WBE/SBE
GrandMas USA Inc	OBE	\$ 200,000	SBE/EBE/DVBE
MDM Analysis	OBE	\$200,000	SBE
Distributors Unlimited	OBE	\$ 500,000	SBE
Total		\$ 36,528,198	

Misclassified Existing Subcontractors

Existing Subcontractor	Existing Contract Certification	Total Subcontracting	Actual Existing Certification
Container Management Group	MBE	\$ 6,933,527	MBE/WBE
Isidore Recycling	SBE/EBE	\$ 946,000	WBE/SBE/EBE
Total		\$ 7,879,527	

Attachment 2
Potential New Work Area

Recommended Contractor	Potential New Work Area
CalMet Services Inc.	Motor Vehicle Gasoline Engine and Engine Parts Manufacturing
CalMet Services Inc.	Tire and Tube Merchant Wholesalers
CalMet Services Inc.	Petroleum Bulk Stations and Terminals
CalMet Services Inc.	Office Supplies and Stationery Stores
CalMet Services Inc.	Fuel Dealers
CalMet Services Inc.	Administrative Management and General Management Consulting
CalMet Services Inc.	Process, Physical Distribution, and Logistics Consulting Services
CalMet Services Inc.	Public Relations Agencies
CalMet Services Inc.	Collection Agencies
CalMet Services Inc.	Janitorial Services
CalMet Services Inc.	Landscaping Services
NASA Services Inc.	Printing and Graphic Design
NASA Services Inc.	Office Supplies
NASA Services Inc.	Tires
NASA Services Inc.	Truck Parts
NASA Services Inc.	Fuel/Gas
Athens Services	Petroleum and Petroleum Products Merchant Wholesales
Athens Services	Pipeline Transportation of Refined Petroleum Products
Athens Services	Motor Vehicle Towing
Athens Services	Automotive Truck Repair
Republic Services	Industrial and Commercial Building Construction
Republic Services	Automobile Dealers
Republic Services	Automotive Parts and Accessories
Republic Services	Local Messengers and Delivery
Republic Services	Architectural, Engineering and Other Related Services
Republic Services	Waste treatment and Disposal
Republic Services	Materials Recovery Facilities
Universal Waste Systems Inc.	Custodial Services
Universal Waste Systems Inc.	Landscape Maintenance
Universal Waste Systems Inc.	Safety Training
Universal Waste Systems Inc.	Uniform Services
Universal Waste Systems Inc.	Automobile Leasing And Sales
Universal Waste Systems Inc.	Printing And Graphic Design
Universal Waste Systems Inc.	Truck Maintenance
Universal Waste Systems Inc.	Sub Hauling And Collection Services
Universal Waste Systems Inc.	Body Manufacturers Or Repair Services
Universal Waste Systems Inc.	Re-Use And Goods Rescue Contractors
Universal Waste Systems Inc.	Promotional Giveaways
Universal Waste Systems Inc.	Accounting And Reporting Services
Universal Waste Systems Inc.	Furniture Dealers

Recommended Contractor	Potential New Work Area
Universal Waste Systems Inc.	Container Manufacturers
Universal Waste Systems Inc.	IT Services
Ware Disposal Inc.	Printing Services
Ware Disposal Inc.	Auto Parts Dealers
Ware Disposal Inc.	Office Supply Stores
Ware Disposal Inc.	Fuel Dealers
Ware Disposal Inc.	General Freight Trucking Local
Ware Disposal Inc.	CPA Services
Ware Disposal Inc.	Engineering Services
Ware Disposal Inc.	Management Consulting Services
Ware Disposal Inc.	Environmental Consulting Services
Ware Disposal Inc.	Public Relations Services
Ware Disposal Inc.	Collection Agencies
Ware Disposal Inc.	Automotive/Mechanical Repair Services
Waste Management	Oil and Gas Pipeline and Related Structures Construction
Waste Management	Recyclable Material Merchant Wholesalers
Waste Management	Temporary Help Services
Waste Management	Security Systems Services
Waste Management	Exterminating and Pest Control Services
Waste Management	Janitorial Services
Waste Management	Landscaping Services
Waste Management	Carpet and Upholstery Cleaning Services
Waste Management	All Other Miscellaneous Waste Management Services
Waste Management	Insurance Carriers and Related Activities

