

0150-08313-0001

TRANSMITTAL

TO
The Council

DATE
3/25/15

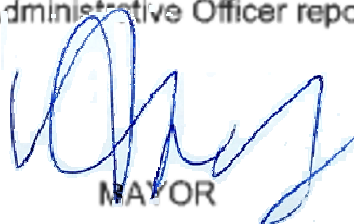
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT

**First Amendment to Contract No. 113188 with USA Waste of California, Inc.
To Provide Collection and Processing of Recyclable Materials
From Multi-Family Residences**

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



MAYOR

(Ana Guerrero)

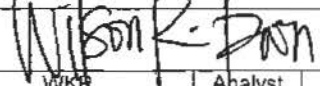
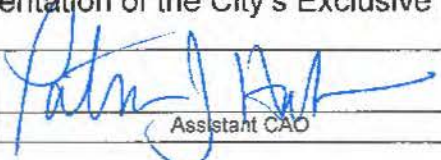
Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

To: The Mayor		Date: 03-24-15	C.D. No.	CAO File No.: 0150-08313-0001			
Contracting Department/Bureau: Public Works/Sanitation			Contact: Michelle Mikesell, (213) 485-3884				
Reference: Transmittal from the Board of Public Works dated March 4, 2015; referred for report on March 5, 2015.							
Purpose of Contract: To provide collection and processing of recyclable materials from multi-family residences.							
Type of Contract: () New contract (X) Amendment			Contract Term Dates: One-year, from March 18, 2017 through March 17, 2018, on a month-to-month basis.				
Contract/Amendment Amount: \$0							
Proposed amount \$0 + Prior award(s) \$17,000,000 = Total \$17,000,000							
Source of funds: Citywide Recycling Trust Fund No. 46D							
Name of Contractor: USA Waste of California, Inc. (Waste Management)							
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: 0.20%				*N/A = not applicable ** Contracts over \$100,000			

COMMENTS

In accordance with Executive Directive No. 3, the Board of Public Works (Board), on behalf of the Bureau of Sanitation (Bureau), is requesting authority to execute the First Amendment to Contract No. 113188 with USA Waste of California, Inc. (Waste Management) to implement the Multi-family Residential Recycling Program for the Harbor and South Los Angeles service areas. The Harbor area includes 900 properties with 13,000 units and the South Los Angeles area includes 1,300 properties with 18,000 units. The First Amendment will not adjust the cost ceiling, but will extend the term of the contract by one year, on a month-to-month basis, from March 18, 2017 through March 17, 2018. The remaining four service areas (West Valley, East Valley, North Central, West Los Angeles) are serviced by NASA Services, Inc. (NASA) and Universal Waste Systems, Inc. (UWS). The NASA and UWS contracts have earlier effective dates and on October 29, 2014, Council (C.F. 13-0673) authorized the Bureau to execute similar First Amendments to extend the term and increase the cost ceiling for these two contracts.

On March 5, 2008, Council (C.F. 08-0279) authorized the Bureau to execute Contract No. 113188 with Waste Management for a five-year term with two two-year renewal options for a total term of nine years. The five year term ended on March 17, 2013 and the Bureau executed both two-year renewal options to extend the term to March 17, 2017. On March 4, 2015, the Board approved the First Amendment to Contract No. 113188 to extend the term for an additional year, on a month-to-month basis, from March 18, 2017 through March 17, 2018. This contract provides critical services required to comply with City and State diversion goals and the one-year extension is required to maintain current service levels if the implementation of the City's Exclusive Franchise System is delayed.

 WKH Analyst	 Assistant CAO	 City Administrative Officer	06150023
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In November 2012, Council (C.F. 10-1797) approved an Exclusive Franchise System for solid waste collection for commercial and multi-family residences. This Franchise System will be implemented on January 1, 2017 and at that time, the private waste haulers will be responsible for providing recycling services to these customers and the Bureau will terminate this contract. In accordance with Los Angeles Administrative Code Section 10.5, Council approval of the proposed First Amendment is required because the cumulative term of the contract will exceed three years.

Summary of First Amendment Changes

The proposed First Amendment will not modify or add to the scope of work included in the original agreement. Waste Management will continue to provide 95-gallon or variable sized blue bins for source separated collection of recyclables, collect at least once per week, provide and maintain its own fleet of trucks, distribute approved educational materials, deliver source-separated recyclables to permitted Material Recovery Facilities (MRFs), and provide monthly, quarterly, and annual reports regarding collection activities, quantitative results, customer complaints, waste survey results, contamination rates, and diversion rate estimates. Waste Management will also continue to act as a backup contractor for any of the remaining service areas.

The First Amendment will add the South Los Angeles service area to the scope of work. This service area was originally serviced by Full Circle Recycling Company, but on December 22, 2010, the Board terminated this contract and Waste Management assumed these responsibilities. The First Amendment will also update all contractor information and contracting ordinances, update the fee schedule, add new contract termination language, modify indemnification and insurance provisions, and incorporate new contracting requirements that were adopted by Council after the original contract was approved.

Compensation for Services

An Attachment has been provided to show actual expenditures to date and projected expenditures for the remaining term of the 10 year contract. The Attachment also shows the actual monthly average number of units serviced and the projected number of units serviced. Waste Management will be compensated at a fixed rate of \$4.09 per unit for the Harbor service area and \$2.11 per unit for the South Los Angeles service area. The Harbor rate is higher than the South Los Angeles rate because complexes in the Harbor are more dispersed and require longer collection routes to service, which results in increased fuel and labor costs. These rates include Waste Management's operational and administrative costs and all applicable fees and taxes minus the revenue from the sale of recyclables. In addition, these rates are fixed for the remaining term of the contract whereas the previous rates included an annual rate increase based on Consumer Price Index (CPI) changes. As illustrated in the Attachment, the actual and projected expenditures over the potential 10 year term of this contract is approximately \$11.6 million and the existing \$17.0 million cost ceiling is sufficient.

Funding is available from the Citywide Recycling Trust Fund (CRTF) for the current year of the contract and subsequent year funding will be provided through the City's annual budget development process, which is subject to Mayor and Council approval. In previous years, the CRTF was projecting a structural deficit as annual expenditures exceeded annual revenues. The renegotiated fixed rates and the efforts of the Managed Hiring process have significantly reduced expenditures within the Fund and sufficient revenue is available to support these expenditures until the new Franchise agreements are executed in 2016-17.

Compliance with City Contracting Requirements

Waste Management is in compliance with the City's contracting requirements. The Mayor's Office waived the Good Faith Effort Outreach requirement due to a lack of available subcontracting opportunities. However, Waste Management has been encouraged to utilize Minority/Women/Other Business Enterprises when possible and has added Rehrig Pacific Company (Other Business Enterprise) to its list of subcontractors. In addition, the Personnel Department has determined that a Charter Section 1022 finding is not required as the City is prohibited from providing collection services to multi-family residences with greater than four units pursuant to a moratorium adopted by Council in 1991 (C.F. 87-0882-S12A, 97-1716). Lastly, the Bureau reports that the City Attorney has approved the proposed First Amendment as to form.

RECOMMENDATION

That the Council authorize the Board of Public Works, on behalf of the Bureau of Sanitation, to execute the First Amendment to Contract No. 113188 with USA Waste of California, Inc. (Waste Management) for the collection and processing of recyclable materials from multi-family residences within the Harbor and South Los Angeles service areas for a one-year term, on a month-to-month basis, from March 17, 2017 through March 18, 2018.

FISCAL IMPACT STATEMENT

There is no General Fund impact as funding for the contract is provided by the Citywide Recycling Trust Fund. The proposed First Amendment will only extend the term of the agreement by one year, on a month-to-month basis, and will not adjust or modify the maximum allowable compensation approved in the original contract. The recommendation in this report complies with the City's Financial Policies as sufficient revenues are available to support proposed expenditures.

MAS:WKP:06150117

**MultiFamily Residential Recycling Program
Annual Cost Projections
First Amendment to Waste Management Contract No. 113188**

ATTACHMENT

Harbor Waste Shed												
Contract Amount \$7,000,000	First Year	Growth Years (Assumed 1% growth of number of units per year)				Plateau Growth Years (No assumed growth of number of units after 2012/2014)				Transition into the New Zero Waste LA Commercial and Multifamily Franchise Hauling (Franchise) Program		
Fiscal Year	2007/2008	2008/2009	2009/2010	2010/2011 *	2011/2012	2012/2013	2013/2014**	2014/2015**	2015/2016	2016/2017	2017/2018***	Total Program Costs****
Unit Cost/Month	\$ 3.99	\$ 4.06	\$ 4.07	\$ 4.08	\$ 4.09	\$ 4.09	\$ 4.09	\$ 4.09	\$ 4.09	\$ 4.09	\$ 4.09	
Proposed Number of Units Served								15,455	15,609	15,765	15,923	
Projected Annual Cost								\$ 758,508	\$ 766,093	\$ 773,754	\$ 781,491	\$ 3,079,845
Averaged Number of Actual Units Served	2,162	15,790	15,502	15,317	15,326	15,246	13,606					
Actual Annual Cost	\$ 27,483	\$ 719,615	\$ 731,311	\$ 673,285	\$ 675,343	\$ 673,293	\$ 600,993					\$ 4,101,324

South Central Waste Shed										
Contract Amount \$10,000,000	First Year	Growth Years (No assumed growth of number of units after 2012/2014)				Transition into the New Zero Waste LA Commercial and Multifamily Franchise Hauling (Franchise) Program				Total Program Costs
Fiscal Year	2010/2011 *	2011/2012	2012/2013	2013/2014**	2014/2015**	2015/2016***	2016/2017	2017/2018		
Unit Cost/Month	\$ 2.10	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11		
Proposed Number of Units Served					23,730	23,462	23,697	23,934		
Projected Annual Cost					\$ 588,184	\$ 594,055	\$ 600,006	\$ 606,006	\$ 2,388,761	
Averaged Number of Actual Units Served	22,587	23,227	23,362	21,136						
Actual Annual Cost	\$ 284,204	\$ 588,103	\$ 591,524	\$ 535,157					\$ 1,998,988	

Total Program Costs *	
Harbor + South Central	
Total Contracted Amount	\$ 17,000,000
Actual Costs to Date	\$ (5,100,312)
Projected Remaining Costs	\$ (5,468,106)
Total Expenditures	\$ (11,568,418)
Balance	\$ 5,431,582

Harbor Waste Shed:

*In FY 2010-2011 USA Waste took a 10% reduction in rate due to shared sacrifice per the Mayor's Office

**In March 2014 Waste Management and the City began auditing the Harbor waste shed and reconciling the number of units being serviced with units being charged.

***There is an assumed 1% increase in Waste Management's enrollment of units due to planned publicity and transition into the Franchise Program

****Total includes the extra one (1) year, month-to-month extension per the contract amendment

South Central Waste Shed:

*In January 2011, South Central Waste Shed was added to the Waste Management service contract C-113188 including \$10,000,000 back up contractor funds

**In March 2014 Waste Management and the City began auditing the South Central waste shed and reconciling the number of units being serviced with units being charged.

***There is an assumed 1% increase in Waste Management's enrollment of units due to planned publicity and transition into the Franchise Program

Total Program Costs:

*Proposed Contract Amendment 1 to C-113188 is to extend the contract in FY 2017-2018 not to exceed one (1) year, month-to-month, or until the City enters into