



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: November 4, 2010
To: Honorable Mayor & City Council
From: Shana Epstein, Environmental Utilities Manager
Subject: Progress Report on the Commercial Solid Waste Procurement Process

A handwritten signature in black ink, appearing to be "Shana Epstein", is written over the "From:" line of the report header.

Attachments: 1. Map of Material Recovery Facilities

INTRODUCTION

In 2003, the City of Beverly Hills went through an extensive request for proposal process to select Crown Disposal for commercial solid waste services and residential solid waste processing. In 2009, the City of Beverly Hills agreed to exercise the option in the original agreement to extend services with Crown Disposal until March 31, 2012. At that time, staff was considering commencing another request for proposal (RFP) process 18 months from the expiration of the contract. In preparation for the release of the request for proposal, staff has acquired commitments and information that has led staff to recommend entering into a new agreement with Crown Disposal for the services they have been providing to the City at a reduced cost to the City plus an additional street receptacle collection service at no additional charge. The request to move forward without an RFP is atypical and staff does not make this recommendation lightly. Recently, the Public Works Commission has met and agrees with continuing negotiations with Crown Disposal instead of issuing a RFP at this time.

DISCUSSION

Since 2004, the City has benefited from increased tonnage being diverted from the landfills. Overall, the City's diversion rate with the legislated baseline was 73% in 2009. This fact is mostly due to the cooperation and partnership with Crown Disposal who continued to refine its material recovery facility to increase the amount of waste that can become recycled or reused. In the last year, the food waste route has generated on average 900 tons a month extra being diverted. Crown Disposal implemented this new service without an additional charge to the City even though it required an additional route and the tonnage is significant to process. In addition, the residential solid waste that is collected by City forces now is processed at 20% diversion and then the green waste is diverted totally; which equates to the City's residential community diverting almost 52% of its waste stream without the 1990 baseline factor, which accounts for reduction in waste.

Meeting Date: November 4, 2010

When staff began preparing the criteria for the request for proposal it became clear that many of the advantages the City has received from Crown Disposal would be difficult to replicate. In fact, there were only a few other companies who would be able to meet the criteria of having a material recovery facility for mixed waste and had the ability to run a food waste route, and those companies' facilities are located farther from the City than Crown Disposal, which would mean greater expenses for the Company to perform the duties and greater expenses for the City to deliver its residential waste for processing. Attached is a map of material recovery facilities. Only two of these have composting capabilities to accept food waste, one is Crown Disposal.

In addition, when the City completed the original request for proposal process in 2003, Crown Disposal was 15% less than its competitors for a mixed waste approach. Crown Disposal has offered to freeze the already low commercial pricing, drop residential mixed waste processing by 10% and collect the sidewalk street receptacles daily for no additional charge. The latter allows the City to restructure a crew of employees who provide those stormwater services. The future of local landfills is uncertain; continuing a long term relationship with Crown Disposal stabilizes the City's disposal needs when Puente Hills Landfill is scheduled to close in 2013. Finally, a procurement process costs direct and indirect resources to the City that are estimated to be just under \$100,000. Also, a transition from one company to another has costs as well publicizing new rates and coordinating a switch out of receptacles. The City has some non-standard size bins that require customization.

Therefore, staff began negotiating with Crown Disposal while preparing for a request for proposal process at the same time; meanwhile, Crown Disposal offered the City concessions that staff felt were economically beneficial enough to consider a new franchise agreement with them.

Crown Disposal Offered	City Program Affected	Estimated First Year Savings
Hold Pricing for Commercial Solid Waste from July 1, 2010 until July 1, 2012.	Commercial Solid Waste	\$85,785 - \$171,570 ¹
Reduce Residential Solid Mixed Waste Processing Rate per Ton by 10% effective July 1, 2011	Residential Solid Waste	\$100,000 ²
Collect Street Receptacles for no charge	Stormwater Maintenance	\$140.448 ³

The only provisions staff negotiated with Crown Disposal were to allow:

- Extra fee for construction and demolition customers requiring 95% diversion to meet Green Building standards at \$20 a load since additional record keeping is required. In the past agreement, this fee was not addressed since the City had not adopted green building standards.
- Some commercial customers with compactors would be more efficiently and safely served if Crown could use scout service. Scout service is when an

¹ Prior to July 1, 2010, most annual increases were around 3%; but current inflationary environment is probably more like 1.5%; therefore, the range of savings reflects both percentages of budgeted commercial solid waste costs for FY 10/11.

² This estimate is based upon the reduction of the current rate (\$49.66 per ton) expecting anywhere between 18,000 and 20,000 tons.

³ Savings estimated from two employees required to perform the work and tipping fees to dispose of the waste.

Meeting Date: November 4, 2010

additional vehicle moves the receptacle or compactor out to the public right of way for ease of collection. The current terms only allow scout service if the bin is greater than 50 feet away from public right of way. Therefore, upon City approval the City may permit scout service to be used for these commercial customers whose compactors are less than the 50 feet away. Compactors carry more weight than regular bins.

In addition to the benefits listed, Crown Disposal is increasing its contractually guaranteed commercial diversion rate to 60% from 50%. The residential solid waste processing excluding greenwaste will guarantee a diversion rate of 35% from 20%.

On October 27, 2010, the Public Works Commission met to review the current deal points being offered to the City and requested that staff continue negotiations to seek more cost savings to the City. The Public Works Commission has selected an ad hoc committee as the negotiations continue. The next meeting of the Public Works Commission is November 9, 2010. When negotiations are complete, staff will come back to the City Council with a final agreement for consideration.

FISCAL IMPACT

A combined estimated annual savings of ranging from \$326,233 to \$412,018 is expected to be realized by accepting this agreement with Crown Disposal. The estimated minimum savings over the lifetime of the six year agreement is \$1.4 million.

The annual purchase order to Crown Disposal ranges from \$5.5 to \$7.2 million; the purchase order amount is not always expended since the City only pays for the services provided. This purchase order includes the commercial solid waste services (frontloader and roll-off services), residential solid waste processing, alley refuse processing, street sweeping processing and sidewalk receptacle processing.

Below is a chart that illustrates annual expenditures with Crown Disposal for the two largest components of the purchase order.

FY 2009/2010	Expenditure	% of Purchase Order Used
Commercial Solid Waste	\$4,217,554	78%
Residential Solid Waste (includes Alley Refuse)	\$1,147,663	84%

RECOMMENDATION

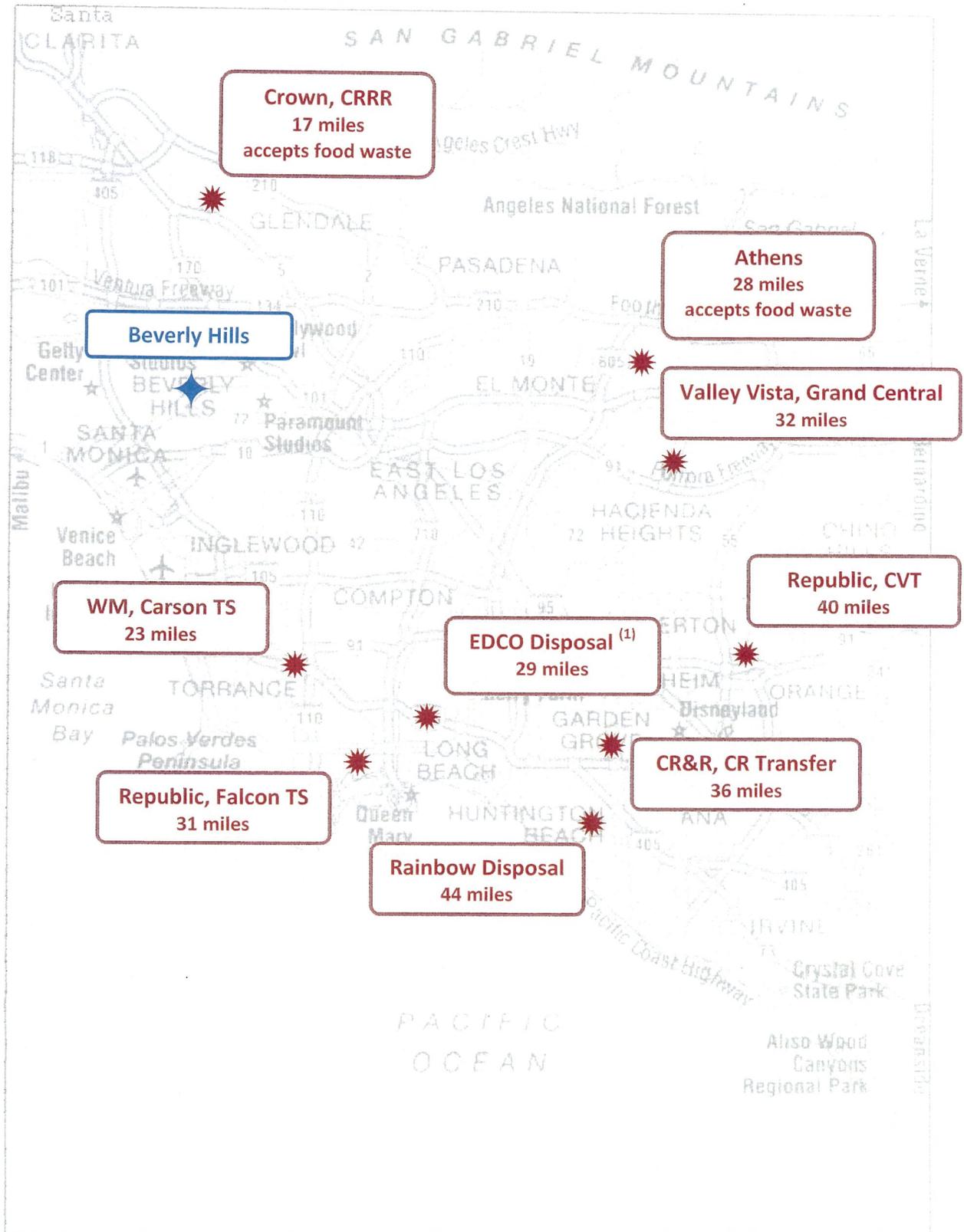
Staff recommends that the City continue negotiations with Crown Disposal to provide low commercial solid waste costs to the customer and enhanced solid waste diversion.

Staff seeks City Council direction regarding a negotiated extension vs. a RFP for a new contract.

 _____
 David Gustavson
 Approved By

Estimated One-Way Distance to

Regional Mixed Waste Processing Facilities from the City of Beverly Hills



One-way mileage shown.

(1) Under construction.