



## CITY OF BEVERLY HILLS STAFF REPORT

**Meeting Date:** May 13, 2009

**To:** Honorable Mayor & City Council

**From:** Shana Epstein, Environmental Utilities Manager

**Subject:** Extension of the Existing Crown Disposal, Inc. Agreement for Commercial Solid Waste Collection and Residential Waste Disposal

**Attachments:** 1. HF&H Memorandum

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### INTRODUCTION

In 2003, after a request for proposal process, the City negotiated an agreement with Crown Disposal to provide collection and disposal services related to commercial solid waste. This waste stream includes regular service as subscribed by the customer and temporary service for construction or seasonal refuse removal. The contract expires in 2010 with an ability to extend for two years under the same terms of the existing agreement.

### DISCUSSION

The City requested HF&H, Solid Waste Consultant, to perform an analysis of the advantages of extending the contract versus entering a new competitive process. The advantages are the following and can be read more in depth in the attached memo:

1. Crown Disposal is a known entity
2. The extension postpones transition issues
3. The existing rates are favorable and there are limited cost effective alternatives for material recovery facility
4. The contract limits commercial processing costs to CPI adjustments
5. Extending avoids vulnerability of searching for alternatives in a limited competitive market
6. City maintains services from one contractor.

In addition, Crown Disposal has successfully developed a food waste route that has collected about six hundred (600) additional tons of waste that is now being diverted every month. The high school students have started a food waste collection program at their cafeteria with Crown's assistance. The company is in the process of changing its vehicle operation to Compressed Natural Gas to be more environmentally friendly.

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These actions continue to show Crown's commitment to the City's goals of increasing diversion of refuse from the landfills and sustainable decisions.

On February 12, 2009, the Public Works Commission reviewed the analysis by HF&H, listened to a presentation by the consultant, and heard from a Crown Disposal representative. At this time, the Public Works Commission concurred with staff's recommendation to extend the agreement for the two years the existing agreement allows and further defined the recommendation by expressly requesting to seek competitive proposals prior to the new expiration date of the agreement in 2012.

**FISCAL IMPACT**

The FY 08/09 purchase order with Crown Disposal is \$6.64 million. The Commercial portion of that purchase order is \$5.2 million. This cost is all funded through customers paying for solid waste collection service.

**RECOMMENDATION**

Staff recommends that the City extend the existing agreement with Crown Disposal for the collection and disposal of commercial solid waste and the ability to dispose residential solid waste at Crown Disposal's facilities or sister facilities until March 31, 2012, and prior to the new expiration, begin a new request for proposal process.



David Gustavson

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Approved By

## Memorandum

To: Shana Epstein, City of Beverly Hills  
From: Laith Ezzet, HF&H Consultants, LLC  
Date: October 27, 2008  
Subject: Crown Solid Waste Contract Expiration

This memorandum describes the contracting options regarding the City of Beverly Hills' commercial waste collection and residential processing agreement with Crown Disposal.

### Contracting Options

The City's commercial collection and residential processing contract expires March 31, 2010. The contract provides the City with a unilateral option to extend the agreement on a month-to-month basis up to 24-months. The City has the following options:

1. Extend the commercial contract with Crown for up to 24 months. The agreement permits the City to extend the current arrangement for up to 24 months, to March 31, 2012. Prior to the end of the extension period, the City could choose to renegotiate for a longer term agreement with Crown or seek competitive proposals.
2. Solicit proposals for the commercial collection and residential processing contracts. City may request proposals for one contractor to perform all services, or may permit companies to propose separately on commercial collection and on each of the two residential processing portions.

### Background on Current Service Arrangements

In 2003, the City negotiated with Crown Disposal, Inc. ("Crown") for the provision of commercial solid waste collection services. The contract requires that Crown process all refuse collected from the City's bin customers to remove recyclables prior to landfilling. Crown processes this tonnage at the Community Recycling processing facility in Sun Valley, which is a sister company of Crown Disposal, Inc.

### **Residential Processing**

Residential solid waste collection service is provided by municipal crews. The City provides carts for the collection of mixed refuse and recyclables, and separate carts for the collection of green waste. The mixed refuse and recyclables waste stream is processed prior to landfilling to recover recyclable materials. The City's collection vehicles transport both the mixed refuse and recyclables and the green waste directly to Community Recycling's processing facility in Sun Valley.

The Crown commercial solid waste collection agreement included an option for the City to utilize the Community Recycling facility for residential refuse and green waste processing, and the City implemented this option, which provided preferred rates and reserved processing capacity for the City.

### **Diversion**

In Fiscal Year 2008, Crown diverted 49% of the commercial waste it collected in the City, and diverted 50% of the residential waste it processed on behalf of the City (13% was from mixed waste and 37% from green waste).

### **Facility Options**

Should the City choose not to extend its agreement with Crown, the City's processing facility options in the region are listed in Table 1 and Table 2 below.

Table 1 includes regional facilities that process mixed refuse and recyclables. Many facilities throughout Los Angeles County transfer refuse to landfills, and process source-separated recyclables. However, a limited number of larger facilities provide the mixed waste processing needed in the City of Beverly Hills. We have excluded the Puente Hills MRF since it does not accept residential mixed waste for processing.

**Table 1: Major Mixed Waste Processing Facilities**

<b>Facility</b>	<b>Operator</b>	<b>Location</b>
Athens Services	Athens Services	Industry
Carson Transfer Station & MRF	Waste Management	Carson
Community Recycling / Resource Recovery , Inc. (CRRRI)	Crown Disposal	Sun Valley
CVT Regional Material Recovery & Transfer Station	Republic Services	Anaheim
Downey Area Recycling & Transfer (DART)	L.A. Sanitation Districts	Downey
Rainbow Transfer/Recycling Co. Inc.	Rainbow Disposal	Huntington Beach
Stanton Recycling and Transfer Facility (CR Transfer)	CR&R	Stanton

Table 2 includes facilities in the area that receive green waste. Most are facilities that pre-process green waste and then transfer material to composting facilities or to landfills for use as alternative daily cover.

**Table 2: Green Waste Receiving Facilities**

Facility	Type	Operator	Location
Athens Services	TS/MRF	Athens Services	Industry
Carson Transfer Station & MRF	TS/MRF	Waste Management	Carson
Chiquita Canyon Landfill	Landfill	Allied Waste	Wilmington
Community Recycling/ Resource Recovery, Inc. (CRRRI)	TS/MRF	Crown Disposal	Sun Valley
Culver City Transfer/Recycling Station	TS/MRF	City of Culver City	Culver City
CVT Regional Material Recovery and Transfer Station	TS/MRF	Republic Services	Anaheim
Downey Area Recycling & Transfer (DART)	TS/MRF	L.A. Sanitation Districts	Downey
Puente Hills Landfill	Landfill	LACSD	Whittier
Rainbow Transfer/Recycling Co. Inc.	TS/MRF	Rainbow Disposal	Huntington Beach
Stanton Recycling and Transfer Facility (CR Transfer)	TS/MRF	CR&R	Stanton
Tierra Verde Industries	Composting Facility	Tierra Verde Industries	Irvine

**Cost Analysis**

In November 2004, the City issued a Request for Proposals ("RFP") for the processing of its residential mixed refuse and green waste. Notice of the RFP was provided to 28 regional companies with processing and transfer capabilities, including the companies listed in Tables 1 and 2. The RFP requested rates to be proposed for each year of a five-year contract, through Fiscal Year 2010. The City received no responses for mixed refuse processing services and only two responses for green waste processing. Waste Management proposed a green waste processing rate at its Bradley Landfill in Sun Valley for the current year, FY 2009, of \$38.24; Bradley Landfill is in the process of closing. Culver City proposed \$41.52 for green waste for FY 2009. The City opted to exercise the residential processing option in the Crown commercial collection agreement. Crown currently charges the City of Beverly Hills \$32.54 per ton to process

commercial refuse, \$42.51 to process mixed residential refuse and \$31.95 to process green waste.

Facilities post public rates for self-hauled material, but such rates usually are for transfer and disposal only and do not include processing costs. Rates for processing are generally contracted for between the facility and the private hauler or city. Contract rates are generally lower than posted rates, but vary depending upon the contracting party's particular waste stream.

Cost comparisons must consider both the processing fee at the facility, and the transportation cost to and from the facility. Tables 3 and 4 below include estimates as to the overall cost per ton for the City to utilize these facilities, assuming that these facilities would enter into an agreement with the City.

**Table 3: Mixed Waste Processing Costs**

Facility	Rate Per ton		Round Trip Transportation Cost Per Ton*	Total Cost Per Ton - Processing plus Transportation
	Posted	Contract		
Community Recycling/Resource Recovery, Inc. (CRRRI)	n/a	Com: \$32.54 Res: \$42.51	\$18	Com: \$51 Res: \$61
Downey Area Recycling & Transfer (DART)	\$45	no contracts	\$19	\$64
Rainbow Transfer/Recycling Co. Inc.	\$57	low to mid \$40's	\$27	\$69 to \$72
CVT Regional Material Recovery and TS		\$52 to \$56	\$25	\$77 to \$81
Stanton Recycling and Transfer Facility (CR Transfer)	\$54	varies	\$25	\$79
Carson Transfer Station & MRF	\$63	varies	\$17	\$80
Athens Services	Only services Athens collection operations.			

\* Cost to transfer material from Beverly Hills to solid waste processing facilities. See Appendix A.

**Table 4: Residential Green Waste Processing Costs**

Facility	Rate Per ton		Roundtrip Transportation Cost Per Ton (1)	Per Ton Cost - Processing plus Transportation
	Posted	Contract		
Puente Hills Landfill	\$14.30 (2)	no contracts	\$21	\$35
Stanton Recycling and Transfer Facility (CR Transfer)		\$20 to \$30	\$25	\$45 to \$55
Chiquita Canyon Landfill	\$25 (2)		\$24	\$49
Community Recycling/Resource Recovery, Inc (CRRRI)		\$31.95	\$17	\$49
Downey Area Recycling & Transfer (DART)	\$30	no contracts	\$19	\$49
Culver City Transfer/Recycling Center		\$42 (4)	\$10	\$52
CVT Regional Material Recovery and TS		\$36 to \$40	\$25	\$61 to \$65
Tierra Verde Industries	\$38 (3) to \$46	\$38	\$31	\$69 to \$77
Rainbow Transfer/Recycling Co. Inc.		\$45	\$26	\$71
Carson Transfer Station & MRF	\$63	varies	\$17	\$80
Athens Services	Only services Athens collection operations.			

- (1) Cost to transfer collected greenwaste from Beverly Hills to greenwaste processing facilities. See Appendix A.
- (2) Material must be free of all contamination and would require pre-processing.
- (3) Must be free of contamination or higher rate is charged.
- (4) Based on a 2009 rate year fee proposed in 2004 to the City of Beverly Hills.

**Contracting Challenges**

Competitive pricing is only one concern. Contract rates above represent contracts currently in place. Puente Hills Landfill, the largest landfill in the region, receives 13,000 tons of solid waste per day and is scheduled to close in 2013. This will significantly change the marketplace for transfer and processing capacity and there is a great deal of uncertainty as to future availability. The Los Angeles

County Sanitation District ("LACSD") plans to initially replace 4,000 tons per day of capacity by rail hauling waste to the Mesquite Regional Landfill in Imperial County, and plans to eventually increase this number. Puente Hills will no longer need green waste for use as alternative daily cover. (It accepted 285,000 tons in 2006.) However, LACSD is looking into alternative green waste outlets. Some facilities are reluctant to offer new long term contracts at favorable rates due to significant pending changes in the marketplace. Some waste haulers that also operate transfer and recycling facilities are retaining long-term capacity for their own operations.

Examples of challenges in the marketplace are provided below:

1. Athens Services is a large regional processing facility, but is an example of a facility that currently only processes its own waste.
2. The LACSD facilities, such DART, do not contract for processing. Rates and capacity would not be guaranteed.
3. Lower cost facilities, such as the Puente Hills Landfill and Chiquita Canyon Landfill, tend to require that green waste be received free of contamination. If green waste is contaminated, either from residents placing refuse or inappropriate green waste such as palm fronds or tree stumps in the green waste cart, the City may be charged a higher rate or the material will be sent to the landfill. In order to eliminate contamination, the green waste generally must be pre-processed at a transfer station.

The advantages of extending the Crown agreement versus seeking competitive proposals at this time are summarized in Table 5.

**Table 5: Extending Versus Competitive Proposals**

<b>Advantages of Extending Crown Agreement</b>	<b>Advantages of Competitive Proposals</b>
<ol style="list-style-type: none"> <li>1. Contractor is a known entity.</li> <li>2. Postpones transition issues associated with a possible change in service provider.</li> <li>3. There are limited cost effective options for mixed waste processing, and existing rates are favorable.</li> <li>4. Commercial processing cost increases are limited to the change in CPI.</li> <li>5. Avoids the risk that the marketplace is not competitive at this time.</li> <li>6. City continues to obtain all services from one contractor.</li> <li>7. Minimal effort to extend existing agreement.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provides opportunity to “test the market” and ensures that services are competitively priced</li> <li>2. Provides opportunity to update the current service requirements and agreement.</li> <li>3. Allows opportunity to find a new contractor if City desires a new service provider.</li> </ol>

**Recommendation**

We recommend extending the agreement with Crown through March 31, 2012, as permitted under the current contract. Key reasons for extending the arrangement with Crown include the following:

1. Decreased Competitiveness in Recent Procurements – There is no guarantee of receiving multiple competitive proposals. The City of Rancho Palos Verdes recently conducted a Request for Proposal process to procure a new collection agreement. Only the incumbent hauler responded. The City of Beverly Hills’ prior Request for Proposals for residential processing received no mixed waste processing proposals, and limited green waste processing offers.

2. Commercial and Residential Mixed Waste Processing - There are limited cost effective alternatives to the City's current processing arrangements with Crown's sister company Community Recycling and Resource Recovery for the processing of mixed waste.
3. Disposal/Processing Cost Savings - Disposal costs in the region are largely driven by the rate at the Puente Hills Landfill. This rate is set to increase by approximately \$4.00 per year for the next two years, with similar increases anticipated to follow. Crown's contract limits increases in its commercial waste processing and disposal to the change in CPI.
4. Favorable Rates - Disposal rate increases have been capped at the annual change in CPI since the start of the agreement. Because disposal is a significant part of collection rates, existing commercial solid waste rates should be favorable compared to rates available under a new contract today.
5. Avoid Transition Difficulties - Changing contractors always results in missed pickups and other service difficulties for a period of time. Extending the Crown agreement avoids these difficulties for the duration of the agreement.

Attachment: Appendix A - Material Processing Options

City of Beverly Hills  
Material Processing Options

Appendix A

Calculation of Transportation Costs Per Ton from Beverly Hills to Solid Waste Facilities

Facility	Operator	Facility Location	Google Miles from City Hall to Facility	Google Time in Minutes from City Hall to Facility	Adj for Collection Truck	One Way Route Truck Haul Time		Round Trip (Hours)	Wait/Unload Time at Facility (Hours)	Total Round Trip Transport Time (Hours)	Truck Operating Cost Per Hour	Mixed Waste		Green Waste		
						Minutes	Hours					Tons Per Load	Transport. Cost Per Ton	Tons Per Load	Transport. Cost Per Ton	
1 Puente Hills Materials Recovery Facility	L.A. Sanitation Districts	Whittier	26.7	34	20%	40.8	0.68	1.36	0.50	1.86	\$80.00	\$148.80	7.1	\$21	7.2	\$21
2 Stanton Recycling and Transfer Facility	CR&R	Stanton	42.5	50	20%	60.0	1.00	2.00	0.25	2.25	\$80.00	\$180.00	7.1	\$25	7.2	\$25
3 Chiquita Canyon Landfill	Republic Services	Santa Clarita	37.1	42	20%	50.4	0.84	1.68	0.50	2.18	\$80.00	\$174.40	7.1	\$25	7.2	\$24
4 Downey Area Recycling & Transfer (DART)	L.A. Sanitation Districts	Downey	25.4	37	20%	44.4	0.74	1.48	0.25	1.73	\$80.00	\$138.40	7.1	\$19	7.2	\$19
5 Community Recycling / Res Recovery, Inc	Crown Disposal	Sun Valley	17.2	33	20%	39.6	0.66	1.32	0.25	1.57	\$80.00	\$125.60	7.1	\$18	7.2	\$17
6 CVT Regional Material Recovery and TS	Republic Services	Anaheim	39.3	50	20%	60.0	1.00	2.00	0.25	2.25	\$80.00	\$180.00	7.1	\$25	7.2	\$25
7 Tierra Verde Industries	Tierra Verde Industries	Irvine	54.3	63	20%	75.6	1.26	2.52	0.25	2.77	\$80.00	\$221.60	7.1	\$31	7.2	\$31
8 Rainbow Transfer/Recycling Co. Inc.	Rainbow Disposal	Huntington Beach	44.4	53	20%	63.6	1.06	2.12	0.25	2.37	\$80.00	\$189.60	7.1	\$27	7.2	\$26
9 Culver City Transfer/Recycling Station	City of Culver City	Culver City	5.4	16	20%	19.2	0.32	0.64	0.25	0.89	\$80.00	\$71.20	7.1	\$10	7.2	\$10
10 Carson Transfer Station & MRF	Waste Management	Carson	25.8	32	20%	38.4	0.64	1.28	0.25	1.53	\$80.00	\$122.40	7.1	\$17	7.2	\$17

Refuse tons/load*	7.1
Greenwaste tons/load*	7.2
Cost/hour	\$80
Wait time at MRF (15 min) in hours	0.25
Wait time at landfill (30 min) in hours	0.50
% increase in travel time for remote trucks	20%

\*Source: E-mail from City Staff dated 10/21/08

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10/27/2008

City of Beverly Hills  
Material Processing Options

Calculation of Total Transportation and Processing (Tip Fee) Cost Per Ton

Mixed Waste Processing									
Facility	Operator	Facility Location	Transport. Cost Per Ton	Mixed Waste Processing Facility Tipping Fee Per Ton		Total Cost Per Ton for Transportation & Processing			
				Low	High	Low	High		
1 Community Recycling / Res Recovery, Inc	Crown Disposal	Sun Valley	\$18	\$33 (1)	\$43 (1)	\$51	\$61		
2 Downey Area Recycling & Transfer (DART)	L.A. Sanitation Districts	Downey	\$19	\$45	\$45	\$64	\$64		
3 Rainbow Transfer/Recycling Co. Inc.	Rainbow Disposal	Huntington Beach	\$27	\$42	\$45	\$69	\$72		
4 CVT Regional Material Recovery and TS	Republic Services	Anaheim	\$25	\$52	\$56	\$77	\$81		
5 Stanton Recycling and Transfer Facility	CR&R	Stanton	\$25	\$54	\$54	\$79	\$79		
6 Carson Transfer Station & MRF	Waste Management	Carson	\$17	\$63	\$63	\$80	\$80		

(1) Low rate is Beverly Hills contract rate for commercial; high rate is for residential

Greenwaste									
Facility	Operator	Facility Location	Transport. Cost Per Ton	Greenwaste Tipping Fee Per Ton		Total Cost Per Ton for Transportation & Greenwaste Processing			
				Low	High	Low	High		
1 Puente Hills Materials Recovery Facility	L.A. Sanitation Districts	Whittier	\$21	\$14	\$14	\$35	\$35		
2 Stanton Recycling and Transfer Facility	CR&R	Stanton	\$25	\$20	\$30	\$45	\$55		
3 Chiquia Canyon Landfill	Republic Services	Santa Clarita	\$24	\$25	\$25	\$49	\$49		
4 Community Recycling / Res Recovery, Inc	Crown Disposal	Sun Valley	\$17	\$32	\$32	\$49	\$49		
5 Downey Area Recycling & Transfer (DART)	L.A. Sanitation Districts	Downey	\$19	\$30	\$30	\$49	\$49		
6 Culver City Transfer/Recycling Center	City	Culver City	\$10	\$42 (1)	\$42 (1)	\$52	\$52		
7 CVT Regional Material Recovery and TS	Republic Services	Anaheim	\$25	\$36	\$40	\$61	\$65		
8 Tierra Verde Industries	Tierra Verde Industries	Irvine	\$31	\$38	\$46	\$69	\$77		
9 Rainbow Transfer/Recycling Co. Inc.	Rainbow Disposal	Huntington Beach	\$26	\$45	\$45	\$71	\$71		
10 Carson Transfer Station & MRF	Waste Management	Carson	\$17	\$63	\$63	\$80	\$80		

(1) Based on a 2009 rate year fee proposed in 2004 to the City of Beverly Hills.