



Agenda
Rancho Palos Verdes Solid Waste Subcommittee
May 27, 2015
City Hall, 30940 Hawthorne Boulevard
Community Room, 7:15 p.m.

CALL TO ORDER:

ROLL CALL:

FLAG SALUTE:

APPROVAL OF AGENDA:

INTRODUCTIONS:

PUBLIC COMMENTS:

This section of the agenda is for audience comments for items **not** on the agenda.

NEW BUSINESS:

1. Approval of Minutes
Recommendation: Approve the Minutes of the July 21, 2014 Solid Waste Subcommittee Meeting.

2. Contract Extension Discussions with EDCO Disposal Corporation for Residential Solid Waste Services (Supports 2014 City Council Goal of Government Efficiency, Fiscal Control and Transparency)
Recommendations:
 - a. Review and consider the proposed terms for a residential solid waste contract extension with EDCO Disposal Corporation.
 - b. Recommend to the full City Council the terms for a residential solid waste contract extension with EDCO Disposal Corporation.

ADJOURNMENT

American with Disabilities Act: In compliance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk's Office at 310 544-5208 at least 48 hours prior to the meeting.



Note: Staff reports are available for inspection at City Hall, 30940 Hawthorne Boulevard during regular business hours 7:30 A.M. to 5:30 P.M. Monday- Thursday and 7:30 A.M. to 4:30 P.M. on Friday.

Materials related to an item on this agenda submitted to the Solid Waste Subcommittee after distribution of the agenda packet are available for public inspection at the front counter of the lobby on the City Hall Administration Building/Public Works at 30940 Hawthorne Boulevard, Rancho Palos Verdes during normal business hours.

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Minutes
Rancho Palos Verdes Solid Waste Subcommittee
July 21, 2014

The meeting was called to order at 6:35 p.m., by Mayor Duhovic at City Hall, 30940 Hawthorne Boulevard, Community Room.

The Solid Waste Subcommittee roll call was answered as follows:

PRESENT: Mayor Duhovic and Councilman Campbell.

Also present were: Michael Throne, Director of Public Works, and Lauren Ramezani, Senior Administrative Analyst, Public Works.

FLAG SALUTE:

The Flag Salute was led by Senior Analyst Ramezani.

APPROVAL OF AGENDA:

Councilman Campbell moved, seconded by Mayor Duhovic to approve the agenda.

INTRODUCTIONS:

Senior Analyst Ramezani introduced Dave Davis, MSW Consultants, Michelle Leonard, SCS Engineers, Matt Blackburn, V.P. of UWS, and EDCO representatives: Steve South, CEO/President, Alan Walsh, CFO, and Efrain Ramirez, V.P.

PUBLIC COMMENTS: (Audience Comments regarding Items not on the agenda)

None.

NEW BUSINESS:

1) Approval of Minutes

Approved the Minutes of the May 8, 2013 Solid Waste Subcommittee Meeting.

2) Results of Residential Solid Waste Services Performance Audit of EDCO Disposal Corporation (Supports 2014 City Council Goal of Government Efficiency, Fiscal Control and Transparency)

Reviewed and approved the recommendation to file the results of performance audit of the City's exclusive residential solid waste hauler for Service Area 1, EDCO Disposal Corporation (EDCO).

Dave Davis from MSW Consultants began the presentation with the audits' objectives and then went over the combined findings for both EDCO and UWS.

He explained that both haulers met their contractual obligations in terms of the three categories of operations, customer service and financial. The minor findings were reported. Overall both haulers had satisfactory audits.

Mayor Duhovic and Councilman Campbell asked questions regarding the weight of trucks allowed on the streets, the difference in the weight of diesel versus alternative fuel trucks, whether the biennial inspection of terminal was a pass/fail grade, what factors brought down the City's diversion figures, what were the total number of customer complaints for EDCO and UWS, how and when did the billing errors get discovered, whether EDCO performs quality control on their billing, and who pays for the hazardous waste roundups.

Councilman Campbell mentioned his observation that the City's financial audit costs are less than the solid waste performance audit costs. Mr. Davis and Ms. Leonard answered that the solid waste audits are performed for two companies, it required time in the field to observe the operations of the two haulers, the technical work could not be delegated to junior staff, and that it required a significant amount of data collection from the haulers and the waste and recycling facilities, and the analysis of the gathered data. Senior Analyst Ramezani added that the audit costs were included in the 2009 haulers' proposals. Councilman Campbell said that he liked this audit process and his goal is to see the process used throughout the City, and have the auditors make presentations at the Council meetings to allow for questions and answers.

3) Results of Residential Solid Waste Services Performance Audit of Universal Waste Systems, Inc. (UWS) (Supports 2014 City Council Goal of Government Efficiency, Fiscal Control and Transparency)

- a) Reviewed and approved the recommendation to file the results of performance audit of the City's exclusive residential solid waste hauler for Service Area 2, Universal Waste Systems, Inc. (UWS).

Mayor Duhovic and Councilman Campbell discussed the amounts of the UWS' performance bond and letter of credit. Mayor Duhovic made a motion for staff to evaluate the bond and letter of credit amounts for UWS and bring back a recommendation to the City Council as a contract amendment in the near future. Councilman Campbell second that. Senior Analyst Ramezani stated that the audits are scheduled for the September 16, 2014 City Council meeting.

- b) Directed staff to evaluate the performance bond and letter of credit limit amounts for UWS and bring to Council a draft contract amendment for UWS in the near future.

ADJOURNMENT

Mayor Duhovic adjourned the meeting at 7:30 pm.

MEMORANDUM

TO: SOLID WASTE SUBCOMMITTEE MEMBERS

FROM: MICHAEL THRONE, P.E., DIRECTOR OF PUBLIC WORKS 

BY: LAUREN RAMEZANI, SR. ADMINISTRATIVE ANALYST 

DATE: MAY 27, 2015

SUBJECT: CONTRACT EXTENSION DISCUSSIONS WITH EDCO DISPOSAL CORPORATION FOR RESIDENTIAL SOLID WASTE SERVICES (Supports 2014 City Council Goal of Government Efficiency, Fiscal Control and Transparency)

RECOMMENDATIONS

1. Review and consider the proposed terms for a residential solid waste contract extension with EDCO Disposal Corporation.
2. Recommend to the full City Council the terms for a residential solid waste contract extension with EDCO Disposal Corporation.

BACKGROUND

The City has exclusive single-family and multi-family residential solid waste and recycling agreements with EDCO Disposal Corporation (EDCO) for 95% of the City, Service Area 1, and Universal Waste Systems, Inc. (UWS) for the remaining 5% of the City, Service Area 2. UWS' service area is concentrated in the City's coastal and landslide areas. Both agreements commenced on July 1, 2010 and will terminate on June 30, 2017.

The agreements include a "City's Option to Extend Term", Section 2.5, where both haulers agreed that the City has the sole option to extend the term upon expiration of the initial term for a period of up to 36 month. (See attached)

In late 2013, EDCO contacted the City regarding the possibility of extending their agreement. However, formal discussion were delayed due to the recruitment of a new Director of Public Works followed by the recruitment of a new City Manager. To-date UWS has not contacted the City for an extension of their residential contract.

DISCUSSION

In March 2015, staff, comprised of City Manager Willmore, Director of Public Works Throne, and Senior Analyst Ramezani, began formal contract negotiation discussions with EDCO senior management. After several negotiation meetings, tentative understanding is reached on several items. This staff report outlines the proposed items and recommends that the Solid Waste Subcommittee (Subcommittee) review and consider them, and make recommendations to the full City Council at a meeting in mid/late June 2015.

SUMMARY OF NEGOTIATED ITEMS:

1. **Freeze Rates:** Freeze the current FY 14-15 residential rates through June 30, 2016. EDCO has agreed to not seek its eligible 4.2% rate adjustment which would have been effective July 1, 2015 for FY 15-16.
 - a. The one-year saving to rate payers is estimated at \$156,000. Similarly, the one-year impact (loss of revenue) to EDCO is the same \$156,000.

Staff Comment: This item is a direct benefit to residents. In FY 15-16, a regular single-family customer would save between \$10 and \$14.50. Multi-family customers would save significantly more depending on their service levels. This concession was made by EDCO during the negotiation process.

2. **Extend Agreement:** Extend the contract until June 30, 2020, provided that commencing January 1, 2019 and every year thereafter, for a maximum of seven (7) renewals, automatic one-year extensions would be applied to the agreement (i.e. the new maximum term end date to be June 30, 2027). Additionally, should either party desire to terminate the automatic one-year renewals, written notice would be required within 30 days prior to January 1 of each year of the agreement.
 - a. The five-year (FY 15/16 to FY 19/20) compound savings to rate payers resulting from the rate freeze (Item #1 above), including estimated accumulated annual interest of 2.7% is estimated at ~\$850,000. This was a concession made by EDCO during the negotiation process.
 - b. The various safeguards included in the existing contract including insurances, liquidation damages, performance bond, letter of credit, rights to termination, assignment and transfer of contract will remain unchanged.

Staff Comment: This item is a benefit to resident and EDCO. Rate payers would save money. The City would benefit by retaining a hauler that has provided residents with a high level of service and competitive pricing. EDCO would benefit by securing a longer term contract and would be able to continue utilizing the trucks and equipment purchased to service RPV. Additionally, this proposed extension would not obligate either party to a long-term contract as both parties could terminate the contract any year after 2019, provided proper notification is given. The current agreement requires a 90 day written notice to the contractor (EDCO) prior to the expiration of the term. The City Attorney's office was consulted on notification length and suggests a 60 day written notice.

The City would have adequate time to complete a competitive solid waste procurement process, including time for public outreach and hauler transition.

3. **Limit Rate Adjustment Factors:** Reduce the possibility of future rate hikes and restrict the eligible disposal (landfill) and service components of the rate adjustment formula.
 - a. The disposal (landfill) component would be lowered and capped at 8%. EDCO's current cap is set at 10%.
 - b. The service component (inclusive of fuel, CPI, labor and equipment costs) would be lowered and capped at 4%. EDCO's current cap is set at 6%.

Staff Comment: This item is a benefit to residents. It safeguards rates by avoiding or minimizing the possibility of significant price hikes by various factors such as fuel and labor costs, consumer price index, and landfill gate fees that could result from the proposed longer term contract. This concession was made by EDCO during the negotiation process.

4. **Plan for Organics Waste Recycling:** To further improve diversion, on or before June 30, 2019, EDCO would provide the City a plan for residential (single and multi-family) organics waste recycling implementation for the City's evaluation and consideration. At that point, the City could decide to pursue, modify, or consider implementation at a later date.
 - a. The State approved AB 1826, "Mandatory Commercial Organics Recycling", commences on April 1, 2016. The phased implantation initially focuses on businesses that generate large quantities of organics waste. The City has non-exclusive commercial hauling agreements with eight (8) haulers. On or before, 2016, staff will work closely with appropriate commercial haulers to reach out to and monitor the eligible businesses.
 - b. AB 1826 also includes larger multi-family complexes. However, it does not include every multi-family complexes or any single-family units. Starting or prior to 2016, staff will work closely with EDCO to educate and monitor the eligible multi-family complexes. However, California is pursuing the statewide goal of 75 percent recycling, composting and source reduction by 2020. Therefore, smaller residential generators could become eligible. The City is a member of the Los Angeles Regional Agency (LARA). As a combined group, LARA's reported 2013 diversion rate was 68%. This item would assist the City in planning ahead and being prepared for the possibility of a larger scale mandatory residential organics recycling.

Staff Comment: This allows adequate time to methodically work toward a feasible and economical plan for compliance with other possible future residential organics waste recycling mandates.

5. **Administer Street Sweeping Contract:** EDCO would assume the administration of the City's street sweeping contract. However, street sweeping would be a completely separate and stand-alone contract. There will be no connections to the EDCO's solid waste contract. There would be no pass-through of street sweeping costs on to the trash bills, or vice versa. The residential solid waste rates would not be impacted.
- a. The City would prepare a scope of work for street sweeping and go out for competitive bids or proposals. The City would review and approve the proposed sweeping schedules. However, after the award of the sweeping contract, the City would assign the contract to EDCO for administration and EDCO would be responsible for managing the day-to-day street sweeping operations. The sweeping contract is inclusive of weekly servicing of the trash and recycling bins at all bus stop and bus shelters.
 - b. EDCO would receive invoices from the contractor, then the City would directly reimburse EDCO for the street sweeping expenses. There would be no mark-ups by EDCO.
 - c. Street sweeping frequency may increase in the future pending clarification of requirements by the Los Angeles Regional Water Quality Board. EDCO would handle the anticipated increase in customer service inquiries.

Staff Comment: EDCO has effectively administered street sweeping contracts for some other client cities, including La Mirada, Buena Park, La Palma and Imperial Beach. This will free up staff's available time to administer other maintenance contracts more effectively.

Universal Waste Systems: Finally, EDCO's contract extension negotiations do not include any consolidation of service areas with Universal Waste Systems, Inc. (UWS). However, Public Works is aware that EDCO has had in-depth discussions with UWS on the assignment of the UWS contract to EDCO, and the City's interest in there being a seamless transition of the same level of service, rates, manual unlimited backyard collection, smaller trucks, etc. as UWS currently provides. It is anticipated that EDCO will be prepared to discuss with the Subcommittee on Wednesday the status of those discussions.

CONCLUSION

Staff is presenting beneficial terms that has been negotiated with EDCO for consideration by the Solid Waste Subcommittee. The rate freeze and restricted caps for the rate adjustment components directly benefit rate payers and provide immediate and long term cost saving to them. Furthermore, extending the contract is further beneficial to customers by retaining a quality and responsive hauler. Finally, EDCO's advance planning for future recycling activities and administering an additional contract are also favorable to both residents and staff. If recommended by the Subcommittee, a staff report could go before the full City Council in mid/late June, 2015. (Proposed negotiation summary attached.)

Attachments

Summary of Proposed Items

	Item	Impact to City/Rate Payers	Impact to EDCO
1.	Freeze current rates for one year	<ul style="list-style-type: none"> • Rate payers save a total of \$165,000 in FY 15-16. • Individual single-family rate payers save \$10-\$14.5 in FY 15-16 • Multi-Family rate payers savings vary based on level of service 	<ul style="list-style-type: none"> • EDCO foregoes \$165,000 in anticipated revenue in FY 15-16
2.	Extend term of contract until 2020, plus seven 1-year extensions	<ul style="list-style-type: none"> • Rate payers' compound 5-year (FY 15-16 to FY 19-20) saving is ~\$850,000. • Continuity of services and reliable provider • Short contract termination notice 	<ul style="list-style-type: none"> • EDCO's compound revenue loss in 5-years is ~\$850,000. • Securing longer term contract termination • Longer utilization of equipment
3.	Limit possibility of future rate hikes	<ul style="list-style-type: none"> • Better rate payer safeguards- caps on the disposal and/or service components 	<ul style="list-style-type: none"> • Restriction on possible pass-through of portions of disposal and/or service component costs
4.	Plan for organics waste recycling	<ul style="list-style-type: none"> • Advance preparation of possible new organics waste recycling regulation 	<ul style="list-style-type: none"> • Advance preparation of possible new organics waste recycling regulation
5.	Administer street sweeping contract	<ul style="list-style-type: none"> • Street sweeping contract separate and stand-alone • Free up time for staff administration of other maintenance contracts • EDCO has familiarity with administering street sweeping contracts 	<ul style="list-style-type: none"> • Additional administration duties for EDCO staff/management

SECTIONS OF EDCO'S CONTRACT

2.4 Term of Agreement

The initial term of this Agreement shall be seven (7) years, commencing on July 1, 2010, and expiring June 30, 2017 (the "Initial Term"), subject to extension or earlier termination as provided herein.

2.5 City's Option to Extend Term

City shall have the sole option to extend the Term upon expiration of the Initial Term for a period of up to thirty-six (36) months. The City may, upon ninety-day (90-day) advance written notice to the Contractor prior to the expiration of the Initial Term, exercise this extension option. If City provides this extension notice, this Agreement will automatically renew monthly, up to a maximum of thirty-six (36) months. Such automatic renewals shall cease, and this Agreement shall terminate, upon the earlier of: (i) the expiration of the above mentioned thirty-six (36) months, or (ii) ninety (90) days following the date upon which City gives Contractor written notice of termination.



LARGE ENOUGH TO SERVE, SMALL ENOUGH TO CARE

9010-9016 Norwalk Blvd., Santa Fe Springs, CA 90670
P.O. Box 3038, Whittier, CA 90650
562-941-4900

May 26, 2015

Ms. Lauren Ramezani
Sr. Administrative Analyst- Public Works
City of Rancho Palos Verdes
30940 Hawthorne Blvd.
Rancho Palos Verdes, CA 90275-5391

Dear Ms. Ramezani,

Universal Waste Systems, Inc. (UWS) has been honored to serve the City of Rancho Palos Verdes for the past 11 years. During that time, we have very much appreciated the opportunity to serve the community.

With this in mind, we are pleased to announce that EDCO Disposal Corporation has agreed to acquire the UWS Area #2 Franchise Agreement, conditioned on both assignment approval by the City and approval of the proposed extension of the EDCO Area #1 Franchise Agreement. Contingent upon the two noted conditions, UWS and EDCO anticipate concluding this transaction on June 30, 2015 and would respectfully request City approval within this timeframe.

Should you have any questions, please feel free to contact me at (562) 941-4900. Thank you for your timely consideration of this request.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Matt Blackburn', is written over a large, stylized blue scribble that extends across the page.

Matt Blackburn
Universal Waste Systems Inc.
Vice President

Large Enough to Serve.....Small Enough to Care



Contract Extension Discussions With EDCO Disposal Corporation (EDCO)

May 27, 2015, Solid Waste Subcommittee Meeting



- Staff met with EDCO several times
- Tentative agreement reached on several points



Recommendations

- Review and consider the proposed terms
- Recommend to the full City Council the terms for a residential solid waste contract extension with EDCO.



Background

- Separate franchise agreements with EDCO and UWS
- Includes Single-family and multi-family residential customers
- UWS serves coastal and PB landslide
- 7-year initial term ends 6/30/2017
- City's sole option to extend up to 6/30/2020



Staff & EDCO Negotiations

- Freeze Rates for One Year
- Extend EDCO's Agreement to 6/30/2020 + extension
- Limit Rate Adjustment Factors
- Plan for Organics Waste Recycling
- Administer Street Sweeping Contract



1. Freeze Rates

- EDCO Waive Eligible FY 15-16 Rate Increase of 4.2%
- Rate Payers save ~ \$156,000 in FY 15-16
- Individual Single-Family Customers save ~ \$10-\$14.5/year
- EDCO missed revenue of ~\$156,000



2. Extend Contract Term

- Extend EDCO contract until 6/30/2020
 - Include 7 annual one-year extensions (FY 2020 to 2027) mutual consent
- No long-term contract obligation
- Possibility of annual cancellation of extensions
 - Requires written notice for cancellation within 30-days of each January (starting 2019)
 - * Current contract requires 90-day notice. City Attorney recommends 60-day notice.
- Rate Freeze's accumulated compound savings to rate payers ~\$850,000 (FY 15-16 to FY 19-20)



3. Limit Rate Adjustment Factors

- Assure competitive Rates/safeguard
- Reduce possible future rate hikes
 - Cap Disposal (Landfill) component at 8%
 - Currently cap at 10%
 - Cap Service (fuel, CPI, equipment and labor) component at 4%
 - Currently cap at 6%



4. Plan Organics Waste Recycling

- AB 1826 commences 4/1/16
 - Phased multi-year approach
 - Targets businesses (large generators of organics waste)
 - Includes large multi-family complexes
 - Does not include single-family units.
- EDCO to present a plan by 6/30/2019
 - Helps City and EDCO be prepared for new regulations.
 - State's 2020 goal is 75% recycling/composting



5. Street Sweeping

- Administer Street Sweeping Contract
 - EDCO experienced with such contracts
 - Stand-alone contract. Independent of solid waste.
 - City solicits competitive bids/proposals
 - City approves schedule and award contract
 - City assigns contract to EDCO
 - EDCO handles customer service
 - EDCO receives invoices. City pays EDCO
 - No markups
 - No pass-through of EDCO costs
 - Frees maintenance staffs administration time



Universal Waste Systems

Late Correspondence Item

- EDCO Acquisition of UWS (Pending Council Approval)
- One Citywide hauler, effective July 1, 2015
- No changes to:
 - Manual collection, rates and containers
 - Curbside automated collection
 - Holidays, discounts, and special services
- Use of smaller trucks in PB area



Universal Waste Systems

- Cont'd

- Same EDCO-negotiated items
 - Rate freeze for FY 15-16
 - Manual backyard areas save 3.8% (UWS' rate adjust. formula slightly different than EDCO)
 - Avg. ratepayer saves ~ \$28/year
 - Automated areas save 4.2% (same as EDCO rate adjustment formula)
 - Avg. ratepayer saves ~\$10-\$14.5/year
- Consolidation with EDCO's new contract term (6/30/2020 + 7 Years)²



Universal Waste Systems

- Cont'd

- EDCO requests:
 - Waive assignment fees
 - (\$50,000 legal + 1% of gross receipts-transfer fee)
 - Maintain same level of:
 - Insurance
 - Performance bond (\$1,750,000)
 - Letter of credit requirements (\$250,000)
- Staff & City Attorney Concur



Alternatives

- Subcommittee could:
 - Modify, Delete and/or Add new/different terms, including contract cancellation notice period:
 - Within 30 days of each January 1st- (total of 18 months prior notice of cancellation)
 - Within 60 days of each January 1st- City Attorney recommendation (total of 19 months prior notice of cancellation)
 - Within 90 days of each June 30th - Current agreement
 - Late Correspondence: assignment of UWS contract



Next Step

- Proposed Public Hearing at 6/16/15 City Council Meeting

Thank you