

# Contracting for Solid Waste, Street Sweeping and Right of Way Clean-up

November 16, 2015



# Why Contract?

- Part of City's Bankruptcy Recovery Plan
- Will provide:
  - Enhanced levels of service through economies of scale
  - Revenue to the City
  - Same rates to rate payers



# Why Not Multiple Companies?

- Better financial economies of scale with a larger account results in better rates for ratepayers and increased franchise payments to City.
- Customer service, billing, public education and ancillary services are uniform.
- Competitive bidding process discourages collusion and price setting between companies.
- A single company is responsible for indemnification against fines imposed by the State.
- Contract management is less expensive, requiring less administrative staff.



# RFP Process

- RFP sent out in June, 2015 for all three services:
  - Solid waste and recycling
  - Street sweeping
  - Right-of-way clean-up
- Four responses were received
  - Burrtec
  - Athens
  - CR&R
  - Republic



# RFP Evaluation Criteria

- Responsiveness to RFP
- Litigation and Regulatory History
- Financial Ability
- Assumption of City Employees
- Qualifications and Experience
- Local Employment
- Local Purchasing
- Local Preference
- Financial Value



# Evaluator Criteria

- Evaluators included staff and consultants with:
  - No previous employees of the companies
  - No prior financial dealings with the companies



# Financial Ability

- Review performed by Urban Futures Inc.
- Based on 2013 and 2014 audited financial statements
- Purpose of review to protect City by assessing factors that determine contractors':
  - Risk of default
  - Ability to manage liquidity
- Burrtec had strongest financials, but all were determined to have sufficient financial strength.



# Technical Evaluation

- Emphasized financial proposal  
(50 of 100 total points)
  - Evaluated on 10-year total financial proposal submitted
  - Evaluated on proposed rates to the rate payers
- Emphasized qualifications and experience  
(25 of 100 total points)

Company	Total Points
Burrtec	94 (highest)
Athens	84 (second highest)



# Franchise Fees

- \$5 Million – up front
  - Due 60 days after contract is signed
- \$2.8 Million additional per year or \$28.0 million over a 10-year period (above current levels) based on current rates



# Financial Proposal

- Each company was asked to identify which revenues were guaranteed vs. estimated:

	Burrtec	Athens	CR&R	Republic
Guaranteed	\$24.9m	\$29.9m	\$9.9m	\$8.4m
Estimated	\$10.0m	-	-	-

# Reference Checks

- All four companies had solid, positive references.



# Two Best Proposals

	Burrtec	Athens
<b>Customer rates</b>	Initially retain current levels	Initially retain current levels
<b>Solid waste service customers</b>	Larger cities (similar to San Bernardino)	Smaller cities
<b>Street sweeping (twice a month)</b>	Subcontract with CleanStreet	Provide service directly
<b>Right-of-way cleanup program</b>	Robust and proactive	Less in staffing and services
<b>Other</b>	Take over operations of the Waterman landfill  Build a BioCNG facility to provide fuel for the fleet	



# 10-Year Revenues and Costs

Company Contract Term	Burrtec 10 Years Guaranteed	Burrtec 10 Years Estimated	Athens 10 Years Guaranteed
<b>Revenues Required - One Time</b>			
\$10,000 Proposal Fee	\$10,000		\$10,000
Up front Franchise Fee	\$5,000,000		\$5,000,000
\$150,000 Contract Fee	\$150,000		\$150,000
<b>Revenues Required - Ongoing</b>			
\$250,000 Infrastructure Fee (increases each year)	\$2,500,000		\$2,500,000
<b>Revenues Added - One Time</b>			
Vehicles, Carts, Equipment	\$12,225,000		\$8,500,000
Take over leases	no		no
Accrued benefit payments (paid to employees)	\$500,000		\$720,000
<b>Revenues Added - Ongoing</b>			
Host Fee	\$2,762,500		
Ongoing Franchise Payments	\$4,500,000		\$21,600,000
<b>Total Revenues Guaranteed</b>	<b>\$27,647,500</b>	<b>\$0</b>	<b>\$38,480,000</b>
<b>Costs to City</b>			
Sweeping - twice per month	included		\$4,680,000
ROW Cleanup	included		included
Residential Billing	included		\$1,750,000
Vehicle Lease Payoff	\$2,771,032		\$2,771,032
<b>Total Costs to City</b>	<b>\$2,771,032</b>	<b>\$0</b>	<b>\$9,201,032</b>
<b>Total Guaranteed Revenues after Costs (Excluding Franchise Fees)</b>	<b>\$24,876,468</b>	<b>\$0</b>	<b>\$29,278,968</b>
<b>Possible Added Revenues</b>			
BioCNG Biofueling Station <sup>1</sup>		\$5,000,000	
Cost Avoidance of Landfill operations <sup>2</sup>		\$5,000,000	
<b>Total Possible Added Revenues</b>	<b>\$0</b>	<b>\$10,000,000</b>	<b>\$0</b>

<sup>1</sup>BioCNG Biofueling Station contingent on construction of station

<sup>2</sup>Cost avoidance of landfill operations is difficult to quantify



# Impact of Contracting on Employees

	Burrtec	Athens
<b>Employ existing full time (72) City employees impacted?</b>	Yes	Yes
<b>Retain current salary levels?</b>	Yes	Yes
<b>Retain city seniority?</b>	Yes	Yes
<b>Offer paid medical and dental benefits, paid leave, and 401k options?</b>	Yes	Yes
<b>Employee compensation</b>	Equivalent of \$6,900 to each full time employee to be paid as a bonus or accrued benefit payments	\$10,000 to each full time employee



# Recommendation

Committee recommends a ten-year agreement with Burrtec:

- Strongest financials (least risk to City)
- Most experience in handling solid waste in a city the size of San Bernardino
- Same initial rates
- Solid employment package for employees
- Residual waste to San Bernardino landfill (if County offers a competitive rate)



# Recommendation (cont.)

- Processing and sorting service to City for many years
- Investment in the City (a local materials recovery facility)
- Strong local presence (provision of services to a number of cities in the area)
- Proposal to take over operations at the existing landfill and to build a BioCNG facility to generate fuel.
- Local and accessible decision makers



# In the Audience

- Burrtec Owner and Management
  - CleanStreet Owner
- .....to address questions.

