

City of San Bernardino Presentation to the Common Council

Agreement for Solid Waste and Recycling, Sweeping and Right of Way Services

January 25, 2016



Recommended Actions

The items before the Council are the next steps in contracting the City's solid waste and recycling, sweeping and right-of-way services:

1. Approval of a ten-year agreement with Burrtec Waste Industries, Inc. with one five-year renewal at City option;
2. Direct staff to send notice to Republic Industries, Inc.; terminating the processing agreement effective Jan. 1, 2018;
3. Authorize \$500,000 paid by Burrtec to the transitioning employees; and
4. Authorize reduction in the number of full time positions in the Public Works Department by 87, effective April 1, 2016.

Background

- Contracting is consistent with City's Bankruptcy Recovery Plan, providing a more effective and efficient method of service delivery
- Contracting will provide:
 - Enhanced levels of service through economies of scale
 - Revenue to the City
 - Same rates to rate payers

Background:

(cont.)

- Services/parameters covered in RFP
 - Solid waste and recycling collection, processing and disposal
 - Street sweeping
 - Right-of-way clean-up
 - 10-year term, with City option to extend
 - Employment of displaced City employees
 - Assume customer service
 - Option to assume residential billing
 - Purchase City equipment
 - Pay various fees to the City

Background: (Cont.)

- RFP Timeline:
 - RFP Issued June 4, 2015
 - Pre-bid meeting held June 16, 2015
 - Addenda issued July 2, 2015
 - Proposals submitted July 20, 2015
 - Interviews conducted August 20, 2015
 - Evaluation completed early Nov. 2015
 - City Council direction to negotiate with Burrtec Nov. 16, 2015
 - Develop & negotiate franchise agreement Nov. 17 – Jan. 19, 2016

Background:

(cont.)

- Burrtec was ranked highest:
 - Strongest technical proposal
 - Experience with similarly-sized cities (Fontana and Rancho Cucamonga)
 - Robust and proactive right-of-way program
 - Good employee transition plan
 - Excellent references and good track record doing business with City
 - Strong underlying financials
 - Highest financial proposal of \$34.9M after costs for required 10-year term
 - \$5.6 million higher than the next highest proposer

Franchise Agreement:

Starting Point

- Identify industry best practices to be included in the Franchise Agreement
- Convert City's RFP requirements and current services into contract language for inclusion in Agreement
- Incorporate additional value-added items proposed by Burrtec for inclusion in Agreement

Franchise Agreement:

Key Items

Key Item	How Addressed
Short Transition	Services begin April 1, 2016
Minimize Impacts to Customers	Existing routes and collection days to remain the same for minimum of four months
	Rates will stay at current levels until July 1, 2017
	Solid waste & recycling services will mirror current services
	Customers will retain their carts, bins and roll-offs
Immediate Enhancements	Street sweeping will return to twice per month
	Burrtec to purchase City existing vehicles and will rebrand, repair and maintain the fleet
	Commercial organics and recycling support staff
Reduce City Administrative Burden	Burrtec to assume responsibility for customer service and customer billing
Disposal Facilities	Burrtec will use San Bernardino County landfills (Burrtec will contract directly with the County)

Franchise Agreement:

Contract Term and Extension

- Initial Term: 10 years
 - April 2016 through March 2026
- Term Extension: 5 years (at City's sole option)
 - April 2026 through March 2031
- Prior collection (Jack's) and processing (Burrtec) agreements are superseded
- Processing agreement with Republic is addressed
 - Burrtec to assume responsibility for delivery of tonnages and all fees currently paid by City to Republic through 12/31/2017
 - City needs to provide notice of non-extension to Republic

Franchise Agreement:

Immediate Payments from Burrtec

Amount	Type
\$12,225,000/once	Purchase of City Equipment/Property
\$250,000/once	Procurement-Related Costs Reimbursement
\$5,000,000/once	One-Time Franchise Fee Payment
\$500,000/once	Displaced City Employee Payment (distributed to displaced employees)
\$10,000/once	Proposal Submittal Fee (has been paid)

\$17.985M Paid by Burrtec by April 30, 2016

Franchise Agreement:

Fixed, On-Going Payments to the City

Amount	Type
\$500,000/year	Annual Value-Added Franchise Payment (for 9 years beginning in year 2)
\$250,000/year	Infrastructure Repair Fee Payment
\$81,250/once	Host Fee Payment for July – December 2017
\$81,250/once	Host Fee Payment for January – March 2018
\$325,000/year	Host Fee Payment (beginning April 2018)
\$500,000/year	Landfill Maintenance Cost Avoidance Payment
\$500,000/year	BioCNG Biofueling Station Payment

**Minimum of \$19.762M paid as Fixed, On-Going Payments
Over 10-year Term**

Franchise Agreement:

Variable, On-Going Payments to the City

Amount	Type
\$5,000,000/year (based on current revenue of \$25M)	Franchise Fees (20% of gross receipts paid monthly)
\$60,000/year (estimated)	Annual Recyclables Revenue Share Payment (50% of net revenue from the sale of recyclables)

Estimated \$50.6M paid as Variable, On-Going Payments Over 10-year Term

Franchise Agreement:

10-Year Guaranteed & Estimated Payments to the City

Amount	Type
\$17,985,000	One-Time, Immediate Payments
\$19,762,500	Fixed, On-going Payments*
\$50,600,000	Variable, On-going Payments*
\$88,347,500	Total Guaranteed & Estimated Payments*

*The payments for the Franchise Fee, Landfill Maintenance Cost Avoidance, BioCNG Biofueling Station, and Infrastructure Repair Fee will be increased at the same percentage as future customer rate increases.

Franchise Agreement:

Services Provided

- Collect solid waste, recyclables, and organic materials from residential and commercial accounts
- Process recyclables and organic materials
- On-call bulky item collection
- Street sweeping services
- Right-of-way cleanup
- Collection from City accounts at no charge
- Public education and outreach
- Special events
- Neighborhood Watch
- Staff to support diversion activities

Franchise Agreement:

Customer Rates and Adjustments

- Customer rates will remain at 2009 levels until July 1, 2017:
 - Residential: \$22.84 per month for standard service
 - Commercial (solid waste):
 - \$112.10 per month for 2 cubic yard bin collected 1x/week
 - \$119.18 per month for 3 cubic yard bin collected 1x/week
 - \$130.98 per month for 4 cubic yard bin collected 1x/week
 - \$189.98 per month for 6 cubic yard bin collected 1x/week
- Future annual increases (beginning July 1, 2017) based on local CPI
- Burrtec assumes risks for increases in disposal, green waste, and organics processing costs increases
- 5% annual rate cap
- Burrtec responsible for billing of all accounts

Franchise Agreement:

Diversion Requirements

- Diversion Guarantee: Burrtec must achieve franchised diversion from landfill of:
 - 31% diverted from disposal by end of 2016
 - 40% diverted from disposal by end of 2020
 - 55% diverted from disposal by end of 2025
 - Liquidated Damages can be assessed if franchised diversion is not met

	Franchised Diversion			Percent Diverted/ Burrtec Diversion Requirements	CalRecycle Equivalent "Diversion"
	Tons Disposal	Tons Diverted	Total Franchised		
Current	150,000	51,600	201,600	26%	69.7%
2016	138,100	63,500	201,600	31%	71.7%
2020	120,600	81,000	201,600	40%	74.5%
2025	91,600	110,000	201,600	55%	79.3%

Franchise Agreement:

Performance Requirements

- Industry standard best practices performance standards, including:
 - Material type definitions
 - Approved disposal and processing facilities
 - Specific hours and days of collection, and specific office hours
 - Specific response times for customer service requests
 - No commingling City materials with outside waste
 - Graffiti removal
 - Cleanup of spillage/litter
 - Proper handling of hazardous waste
 - Compliance with State legislation including AB 939, AB 341, AB 1826, AB 1594, SB 20 and SB 50

Franchise Agreement:

Liquidated Damages

- Failure to meet Diversion Guarantee for two consecutive years: \$50/ton each ton under the minimum diversion requirement
- Commingling of City materials with outside materials: \$1,000 per incident
- Use of non-allowed disposal or processing facility: \$5,000 per incident
- Various other L.D.'s ranging from \$100 to \$500 per incident (includes failure to remedy various customer service issues, and failure to meet employee, container and vehicle standards, etc.)

Franchise Agreement: *Reporting Requirements*

- Monthly reports for first year of Agreement, quarterly thereafter
- Monthly/quarterly reports include summary of:
 - Gross receipts and payments to City
 - Disposal and diversion data, with material type tonnage data broken down by Residential, Commercial and City accounts
 - Street sweeping data
 - Bulky waste data
 - Construction and demolition (C&D) data
 - Local purchase preference program data
 - Service complaints

Franchise Agreement:

Reporting Requirements (cont.)

- Annual reports include:
 - Summary of all monthly/quarterly report information
 - Information and statistics regarding City compliance with AB 341, AB 939, AB 1594, and AB 1826
 - Account service data, including changes in the account base
 - Vehicle and container replacement data
 - Recommendations for improvements to the City's integrated waste management system, including recommendations for compliance with AB 341, AB 939, AB 1594, and AB 1826

Franchise Agreement:

Insurance and Performance Bond

- Workers' Compensation Insurance
- Liability and Vehicle Insurance
 - \$20M aggregate; \$5M per occurrence
- Pollution and/or Environmental Impairment Liability Insurance
 - \$6M aggregate; \$6M per occurrence
- Performance Bond
 - \$4M during first Agreement year, and \$2M each year thereafter

Transition:

Employee-Related Issues

- Agreement requires Burrtec to provide payment of \$500,000 for transitioning employees
 - City to determine methodology
 - All transitioning employees to receive a base amount
 - Remainder allocated primarily on seniority
 - Staff to meet and confer with the two unions that represent employees
 - Bonus to be paid within 30 days of employment
- Staff is working with Burrtec to define their hiring process

Transition:

Employee-Related Issues (cont.)

- Three operations currently have 87 positions that will no longer be required:
 - Some positions are vacant
 - Approximately 58 full time employees will be offered employment
 - Part time employees may be transitioned if they are able to work full time
 - The City plans to retain 6 full time employees to manage the contract and to provide field inspection

Improvements Through Contracting

- Increased compliance with recent legislation
 - Commercial and organic recycling
- More consistent service with modern, reliable fleet
- Increase in recycling diversion through use of multiple processing facilities
- Dedicated customer service personnel
- More flexibility/redundancy of staffing to cover vacancies
- More flexibility in obtaining supplies, materials and contracts
- Improved accountability for providing service

Future Actions:

Municipal Code Update

- City's current municipal code is outdated:
 - Doesn't include recent State laws that govern solid waste management
 - Uses outdated definitions
 - Doesn't allow for debt collection on property tax bills, common in other cities
- Staff will review the municipal code and return to the Council with recommended changes

In the Audience

- Burrtec Owner and Management
 - Clean-Street Owner
 - R3 Principal – subject matter expert
 - Staff
- to address any questions