

**City of Culver City, California
Agenda Item Report**

Meeting Date: 12/06/2010		Item Number: <u>A-1</u>	
CITY COUNCIL AGENDA ITEM: Approval of an Agreement with Athens Services to Transport Refuse and Recyclable Material from the City's Transfer Station.			
Contact Person/Dept.: Damian Skinner		Phone Number: (310) 253-6421	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (e-mail) Agenda and Meetings – City Council (12/02/2010); Athens Services, CR&R, Magdaleno Trucking, and Ecology Recycling and Transportation Services (E-mailed on November 12, 2010);			
Department Approval: Charles D. Herbertson (11/22/10)		City Attorney Approval: Carol Schwab (by H. Baker) (12/01/10)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (12/01/10)		City Manager Approval: John M. Nachbar (12/02/10)	

RECOMMENDATION:

Staff recommends the City Council approve an agreement with Athens Services for the transportation of refuse from the City's Transfer Station.

BACKGROUND:

The City of Culver City operates an exclusive residential and commercial refuse collection and disposal service as a municipal enterprise. The Refuse and Recycling Divisions (Sanitation) of the Public Works Department operate solely on revenues generated from the provision of solid waste transfer and collection services to businesses and residents, grants, and the sale of recyclable material. These revenues cover the costs for refuse collection, disposal, recycling programs, and public outreach. Sanitation operations are 100% supported by enterprise fund revenues, and are not dependent upon other funds or tax contributions.

During the preparation of the City Manager's Proposed Budget for Fiscal Year 2010/2011, staff analyzed the refuse operations in an effort to identify and minimize overhead costs. Staff looked at all non-revenue generating activities that could be reduced or out-sourced without affecting the quality of service provided to residents and businesses. The analysis showed that the transportation of refuse to various disposal/recycling facilities is a good candidate for outsourcing for two reasons: 1) Private companies that provide this service as part of their core business may be able to more cost effectively transport refuse through greater economies of scale; and 2) It would eliminate the need to purchase, amortize, and maintain equipment that do not provide refuse collection services.

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Staff tested the analysis by requesting an informal bid from one of the largest transportation companies in the region. As expected, the per-ton cost to transport refuse was cheaper than the City's cost to provide the same service.

Staff submitted the proposal to out-source refuse transportation services to the City Council during the Public Works Budget presentation. The City Council agreed with the analysis and approved the proposed course of action.

DISCUSSION:

Culver City Municipal Code Section 3.07.085.A provides that the City may award a contract for professional or personal services without conducting a competitive bid process. However, due to the nature of the services being retained, it has been staff's experience that the issuance of a Request for Proposals (RFP) is a more effective way of obtaining the best proposal. Therefore, in July 2010, Staff released RFP #1461 requesting proposals from qualified companies to transport refuse and recyclable material from the City's Transfer Station.

On August 19, 2010, the following proposals were received (Attachments 2, 3, and 4):

Proposer	Total Contract
1. Athens Services	\$276,660.00
2. CR&R	\$471,758.00
3. Ecology Recycling and Transportation Services	\$555,278.08
4. Magdaleno Trucking	\$652,500.00

The proposals received provide the per ton cost to transport the City's refuse to various disposal/recycling facilities. Since the transportation cost per ton differs from one destination to the next, to simplify the comparison between proposals, the table above shows the annual cost to transport 250 tons per day to the Puente Hills Landfill. This total is based upon estimated tonnage in the first year of service and may vary in future years. However, the price per ton shall be adjusted annually as provided in Athens' Bid Sheet (Attachment 1). The actual aggregate total amount of the contract will vary based upon tonnage hauled and the per ton rate in effect at the time.

All four firms are qualified to provide transportation services; however, Athens' cost proposal is significantly lower than the ones received from other companies. Staff received cost proposals that ranged between \$8-\$10/ton depending on the disposal facility location which is closer to the City's cost to provide the same service. Since Athens' cost proposal is at \$4.24/ton, staff verified with Athens that they could perform the service at its proposal price without operating at a loss. Additionally, Staff conducted a thorough reference and credit check and found that Athens is in good standing.

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Outsourcing the transportation of refuse will relinquish the City's ownership control in providing this service. As a safeguard, the City will retain its long haul fleet for six to twelve months after contract execution.

Athens Services is a family owned business founded over 50 years ago. References for Athens Services were contacted by staff and all indicated Athens to be competent and responsive. If the agreement is approved, Athens would take over the refuse transportation services from the City in December 2010. City employees displaced from this action have either retired or would fill vacancies within the Division and other departments.

FISCAL ANALYSIS:

The table below shows the annual cost to transport refuse to various disposal/recycling facilities under Athens' bid, based on an average tonnage disposal using 2007 and 2008 actual figures.

Athens Cost Proposal

Destination	2007	2008	Average	Transportation Cost/Ton	Total
Puente Hills	50,660	46,075	48,368	\$4.24	\$205,078
CALMAT	513	154	334	\$7.46	\$2,488
Chiquita Canyon	0	4,410	2,205	\$7.44	\$16,405
SERF	5,997	2,581	4,289	\$4.58	\$19,644
Shamrock Garage Overhead	675	174	425	\$4.24	\$1,800
					<u>13,500</u>
Total Cost/Year:					\$258,915

The decision threshold to outsource transportation services was \$10 per ton. It is clear from the table above that Athens' proposal is well below \$10 per ton and would remain so for the duration of the contract (See Attachment #1).

The following table shows the estimated annual savings the Refuse and Recycling Division would realize by outsourcing transportation services:

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Heavy Truck Driver (4)	\$346,670
Heavy Truck Driver (RPT)	\$82,450
Uniforms	\$5,000
Over Time	\$46,000
OPEB (5 employees)	\$32,500
Garage Charge Savings	\$580,000
Amortization of Equip.	<u>\$108,830</u>
Total City costs to provide services:	\$1,201,450
Less Athens' proposal to provide services:	<u>\$258,915</u>
Net Savings:	\$942,535

It is important to note here the estimated net annual savings is approximately one million dollars. The money saved could be used to upgrade the Transfer Station facility, build a fund balance, and reduce the upward pressure on refuse rates in a climate of escalating disposal cost due to the inevitable closure of the Puente Hills Landfill.

In addition to the net savings, the sale of the City's refuse transportation fleet at auction, and amortization cost savings could yield \$1.1 million in one-time revenue which could be used to pay off a \$635,830 loan from the General Fund and a \$341,249 loan from the Equipment Replacement Fund.

ATTACHMENTS:

- 1) Bid sheet submitted by Athens Services

MOTIONS:

That the City Council:

- 1) Approve an Agreement with Athens Services to Transport Refuse and Recyclable Material from the City's Transfer Station for a five-year period between December 13, 2010 through December 13, 2015, with the option to exercise two, two-year extensions (with the approval of the Director of Public Works/City Engineer), for the per-ton rates provided in Attachment One (Bid Sheet) of Athens RFP response; and,
- 2) Authorize the City Attorney to review/prepare the necessary documents; and
- 3) Authorize the City Manager to execute such documents on behalf of the City.