

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

Meeting Date: November 12, 2013		Item Number: <u>C-3</u>	
CITY COUNCIL AGENDA ITEM: Approval of a Five-Year Service Agreement with Waste Management, Incorporated, with Two Additional Two-Year Extensions, for Use of Its Simi Valley Landfill and El Sobrante Landfill for Disposal of the City's Municipal Solid Waste.			
Contact Person/Dept.: Damian Skinner/Public Works		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 (11/05/13); (E-Mail) Sustainability and Environmental Issues (11/05/13)			
Department Approval: Charles D. Herbertson (10/30/13)		City Attorney Approval: Carol Schwab (by H. Baker) (11/05/13)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (11/05/13)		City Manager Approval: John M. Nachbar (11/05/13)	
<u>RECOMMENDATION:</u> Staff recommends the City Council approve an agreement with Waste Management, Incorporated to use its Simi Valley Landfill and El Sobrante Landfill to dispose of the City's municipal solid waste. <u>BACKGROUND:</u> The City of Culver City operates an exclusive residential and commercial refuse collection and disposal service as a municipal enterprise. The Refuse and Recycling Division (Sanitation) operates solely on revenues generated from the provision of solid waste collection services to businesses and residences, grants, and the sale of recyclable material. These revenues cover the costs of refuse collection, recycling programs, public outreach, trash disposal at local landfills, as well as other municipal services such as street sweeping and hazardous materials disposal. <u>Puente Hills Landfill</u> The Puente Hills Landfill (PHL) is owned and operated by the Los Angeles County Sanitation District No. 2. PHL sits on a 1,365 acre site in the City of Industry and is one of the largest landfills in America. It is permitted to receive 13, 200 tons per day and has already received 127 million tons since its inception.			

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The Sanitation District bought PHL in 1970. At that time, a private company was operating a small landfill on the property pursuant to a landfill use permit issued by the Los Angeles County Regional Planning Commission. In 1983, District No.2 (District) applied for a new Conditional Use Permit (CUP) for 30 years of operating capacity. The County approved a 10-year CUP and, prior to its expiration in 1993, the District applied for the remaining 20 years of operating capacity. The County approved a second 10-year CUP expiring in 2003. In 2002 the District applied for, and received, a permit for the remaining 10-years of operating capacity on the condition that the District will not seek any further requests for extension of the disposal operation of the property beyond October 31, 2013. On October 31, 2013, the PHL closed, although it still had 10 million tons (approximately 2 1/2 years operating at full permitted capacity) of disposal capacity remaining.

DISCUSSION:

Culver City, along with many other Los Angeles County jurisdictions, utilized the PHL to dispose of municipal solid waste (MSW) for many years. The closure of the landfill will require other landfills in the region to absorb PHL's 13,200 tons per day of permitted capacity. In normal economic conditions, the surge in tons at private landfills would drive their disposal fees up; however, the lack of trash generation due to the economic downturn has kept landfill rates depressed. Instead, many private landfills are operating below their permitted capacity so they must keep their disposal fees low to attract waste haulers. Staff believes that as the economy continues to improve, and trash generation rises to pre-2007 levels, the demand for landfill space will increase along with their disposal fees. Thus staff believes it is prudent at this time to enter into an agreement with a local landfill to secure a competitive long-term disposal fee.

Culver City Municipal Code Section 3.07.085 provides an exemption from the formal bidding process for personal and professional services, and only requires the award of the contract be based upon competitive quotations whenever practical. Per Section 3.07.085.C.1, this contract falls under the category of personal services, which includes any "communication, gas, water, electric light and power service or similar utility." Landfill disposal fees are considered an extension of the sanitation utility. Therefore, an informal bidding process was used in which staff requested landfill operators to submit quotes for disposal fees over a 5-year period.

Staff solicited quotes from several local landfills for the disposal of Culver City's Municipal Solid Waste (MSW). All responding landfills require the City to exclusively use their landfill to dispose of MSW as part of their quote terms. Waste destined for conversion, composting, or recycling are exempt.

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The following are the informal quotations:

Landfill	Price per Ton					Transportation Cost/Ton	1st Year Total Cost
	Year 1	Year 2	Year 3	Year 4	Year 5		
Waste Management	\$27.07	\$28.75	\$29.61	\$30.50	\$31.42	\$8.68	\$35.75
Waste Connections	\$29.65	\$30.84	\$32.07	\$33.35	\$34.69	\$10.54	\$40.19
Republic Service	\$34.00	\$34.68	\$35.37	\$36.08	\$36.80	\$8.28	\$42.28
<i>Puente Hills Landfill</i>	\$38.41					\$7.67	\$46.08

All quotes include disposal fees over a 5-year term with the option of two, 2-year extensions. Staff recommends entering into an agreement with Waste Management since their quote provided the lowest combination of transportation and disposal cost. If the City chooses to extend the agreement, their disposal fees would increase by 3% year over year during the extension period. Transportation costs are based on the fees outlined in a separate agreement with CR&R (refuse transportation contractor).

The current disposal/transportation fee to utilize PHL is \$46.08. Culver City disposes an average of 34,000 tons per year. An agreement with Waste Management would save the Sanitation Enterprise Fund approximately \$351,000/year compared to using the PHL; and save approximately \$150,960/year compared to Waste Connections, the landfill the City has used since 2011.

Previously, the City hauled MSW to PHL (25 miles away) using city-owned trucks driven and maintained by City personnel. In 2011, the City opted to contract out that portion of the enterprise to CR&R to achieve efficiencies and reduce cost. This allowed the City's MSW to be hauled greater distances and makes contracting with more remote landfills viable.

Waste Management, Incorporated operates both the Simi Valley Landfill and the El Sobrante Landfill. The Simi Valley Landfill is closest (41 miles) and will be the primary destination for the City's MSW. The El Sobrante Landfill is farther away (67 miles) and would be used only during the unlikely event that Simi Valley Landfill is not available.

The recommended agreement is an exclusive 5-year agreement setting disposal fees over the term. Either party to the agreement can terminate the agreement with

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30-days written notice. This will permit the City to terminate the agreement if more favorable terms are available from another landfill. Conversely, the landfill operator can do the same; however, that is unlikely as long as the landfill has excess capacity as is the case with the Simi Valley Landfill.

FISCAL ANALYSIS:

There are sufficient funds appropriated in the Fiscal Year 2013-2014 Sanitation budget (Fund 202) to cover the cost of this agreement for the first year. Future funding will be appropriated in subsequent fiscal years through the annual budget process.

ATTACHMENTS:

None.

MOTION:

- 1) Approve an agreement with Waste Management, Incorporated to use its Simi Valley Landfill and El Sobrante Landfill to dispose of the City's municipal solid waste; 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.