

City-Wide Exclusive Franchise System for Municipal Solid Waste Collection and Handling



City of Los Angeles
LA Sanitation

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Current Waste Collection System

- Private waste haulers collect from all multifamily and commercial establishments not collected by LASAN under a permit system
- Permit system does not have requirements for: recycling, clean fuel vehicle, customer service standards or other environmental benefits
- Approximately 144 private haulers collect from multifamily and commercial sites
- Only 31 of the 144 private haulers collect from regular commercial accounts
- Fifteen (15) top private haulers collect from 99% of the businesses

Why is Zero Waste LA Needed

- Limitations of the existing hauler permit system
 - Unable to meet City landfill reduction goals
 - Unable to comply with state mandated recycling requirements
 - Permitted are Haulers not required to operate clean fuel vehicles
 - Inefficient vehicle routing
 - Insufficient material processing Infrastructure

What is Zero Waste LA

- Zero Waste LA is the new public private partnership that establishes the new waste and recycling franchise system for all businesses, commercial, industrial, and large multifamily customers in the City of Los Angeles
- For the first time, all the major sectors of residential, commercial, and large multifamily buildings in the City will recycle using the Blue Bin
- Zero Waste LA does not include residential properties collected by LASAN

How Did We Get Here

Action	Date
Council motion (CF# 10-1797) to explore the benefits of commercial franchise	November 2010
Council President Eric Garcetti, established the Ad-Hoc Committee on Waste Reduction and Recycling	2011
Mayor and Council approved 5-year notice to haulers, per State Statute (CPRC Section 49520-49524)	December 2011
Mayor and Council instructed Sanitation to develop Exclusive Franchise Program	November 2012
Mayor and Council approved Zero Waste LA Franchise Implementation Plan (FIP)	April 2013
Mayor and City Council Ordinance and EIR	April 2014
Board Of Public Works Approves RFP	June 2014
Proposals Received	October 2014
Evaluations Completed	July 2015
Negotiations Completed	August 2016
Board Considers LASAN's Recommendations	September 2016

Community Outreach and Involvement

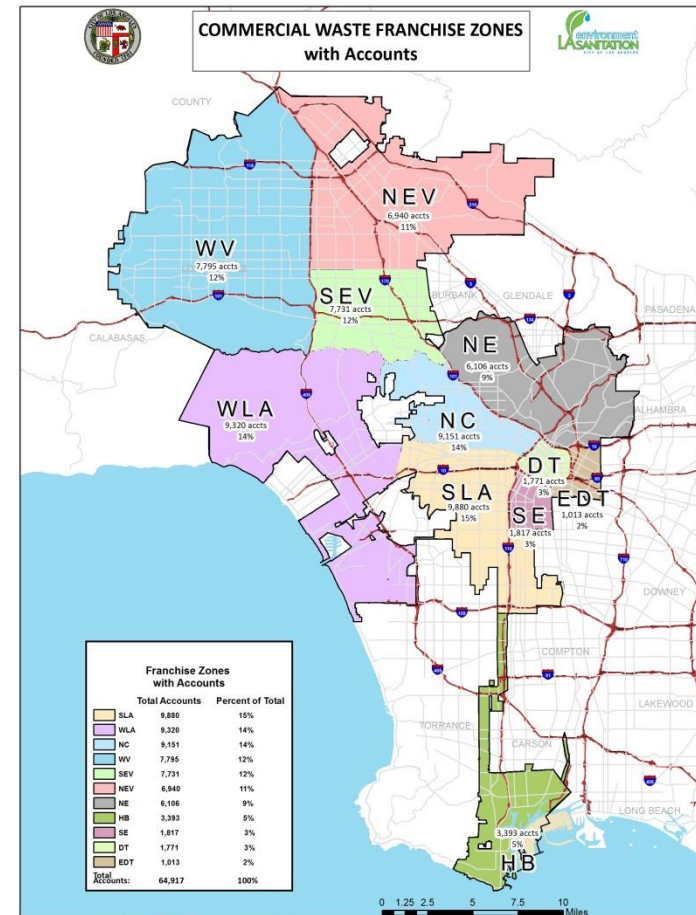
- Over 25 Public Stakeholder Workshops
- A workshop solely for Zone Development
- Hauler survey and meetings
- 10+ Council Committee Meetings
- 5 City Council Meetings
- Multiple Board of Public Works Meetings
- Stakeholder Surveys – Mailed
- Stakeholder Surveys – Online

Goals of Zero Waste LA

- Meet the City's Zero Waste Goals
- Meet state requirements for landfill reduction & mandatory recycling and organics recycling
- Improve health and safety for solid waste workers
- Improve efficiency of the City's solid waste system
- Improve the City's air quality
- Provide the highest level of customer service
- Create consistent, fair and equitable rates
- Create a system that ensures long term competition
- Ensure sufficient staffing to meet Program goals
- Ensure reliable system infrastructure

Additional Request for Proposals (RFP) Requirements

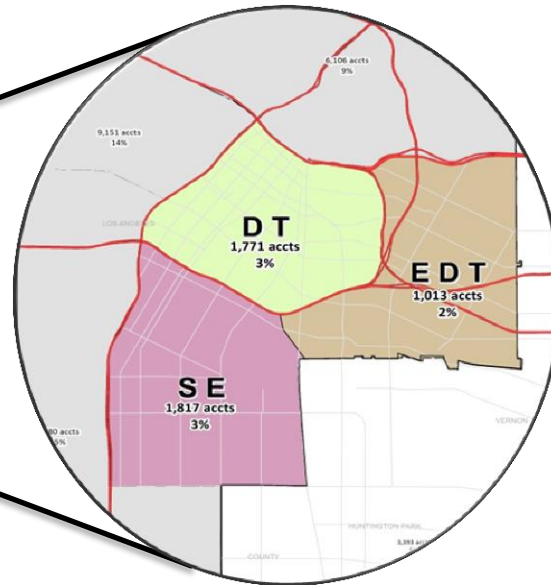
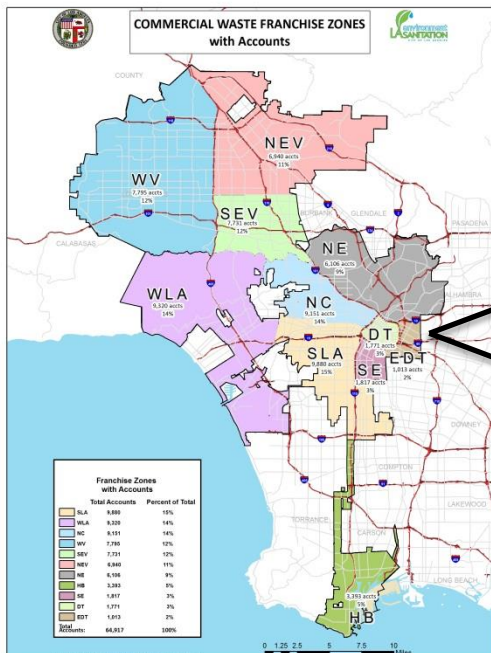
- Eleven (11) Franchise Zones
- Proposer could propose on one or all zones.
- No Proposer could receive an award of more than 49% of the accounts in the system.



Additional RFP Requirements

Of the 11 zones 3 are designated as single zones (Small Zones), which may not be bundled together with others franchise awards.

- The Small Zones were established to allow all haulers regardless of their size the opportunity to compete through the process
- The three Small Zones were established around the City's Central LA Recycling and Transfer Station (CLARTS)
- The utilization of CLARTS allowed proposer that did not own infrastructure the ability to compete



Proposals

- LASAN received 15 Proposals.
 - No proposer proposed on all eleven zones
 - Some proposed on Small or Large Zone only, while others proposed on both Large and Small Zones

AAA Rubbish Inc	SVT Services, Inc
Athens Services, Inc	United Pacific Waste
CalMet Services, Inc	Universal Waste Systems, Inc
Consolidated Disposal Service, LLC DBA Republic Services	USA Waste of California, Inc. DBA Waste Management
CR&R	Ware Disposal, Inc
NASA Services, Inc	Waste Connections of California, Inc, DBA Green Team of Los Angeles
Pacific Coast Waste, LLC DBA Pacific Coast Waste	Waste Resources Los Angeles, Inc
Recology	

RFP and Evaluation

- RFP and Evaluation tools were designed to support each other

RFP Category	Points
1. Qualifications <u>Samples:</u> Management and company experience, litigation history, workplace safety, and references.	10
2. Customer Service/Transition Plan <u>Samples:</u> Customer service staffing, outreach and education, billing, technology, and transition planning	25
3. Service Plan <u>Samples:</u> Collection services, routing, and facilities	20
4. Diversion Plan/Innovation <u>Samples:</u> Diversion plan feasibility, organics diversion plan, organics infrastructure, and innovations	25
5. Cost	20
Total	100

Evaluation Procedures

- Established Evaluation Teams for each Scoring Category
 - Teams ranged from 4 to 6 members
 - Teams members were made up City and private sector experts
 - Consulting members provided research and technical support but did not vote on scoring or were involved in the scoring process
 - No members were from management
- All Team Members agreed to confidentiality

Evaluation Procedures

Team meetings

- Teams were not allowed to talk about proposal or scoring with other teams
- Teams met separately but concurrently
 - Met for 3 months
 - Met at least twice per week
 - Reviewed proposal data daily when not meeting
- 1 month of Proposer interviews

Evaluation Procedures

Clarification opportunities

- LASAN issued 3 separate requests for clarification form Proposers
- Opportunity for proposers to clarify all aspects of the proposal during Interview

Evaluation Scoring

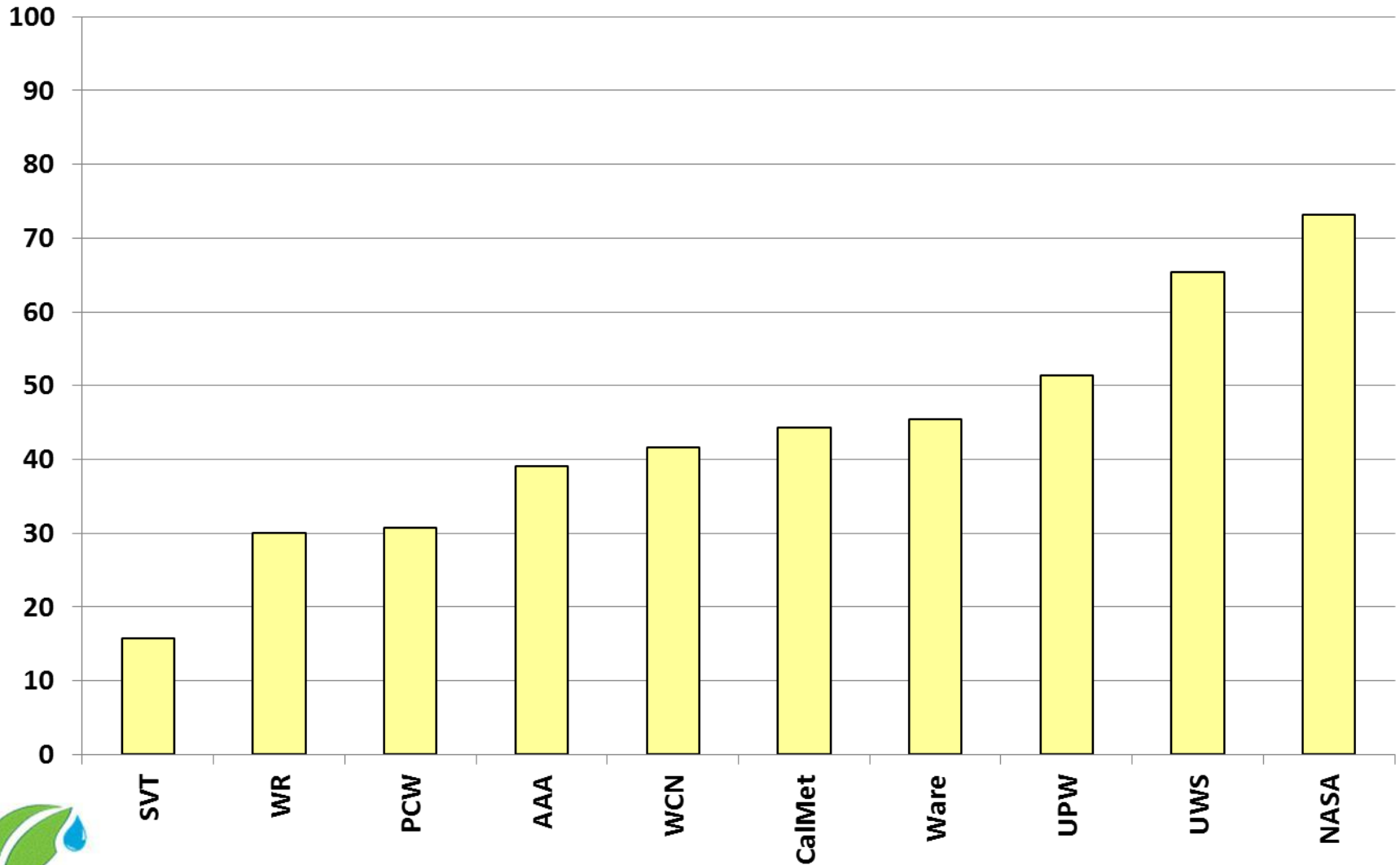
Scoring

- Each Team was given a unique scoring input tool developed for their scoring category
- Teams were not allowed to see or have access to scoring from other teams
- Scores available only to Team Lead until they were finalized

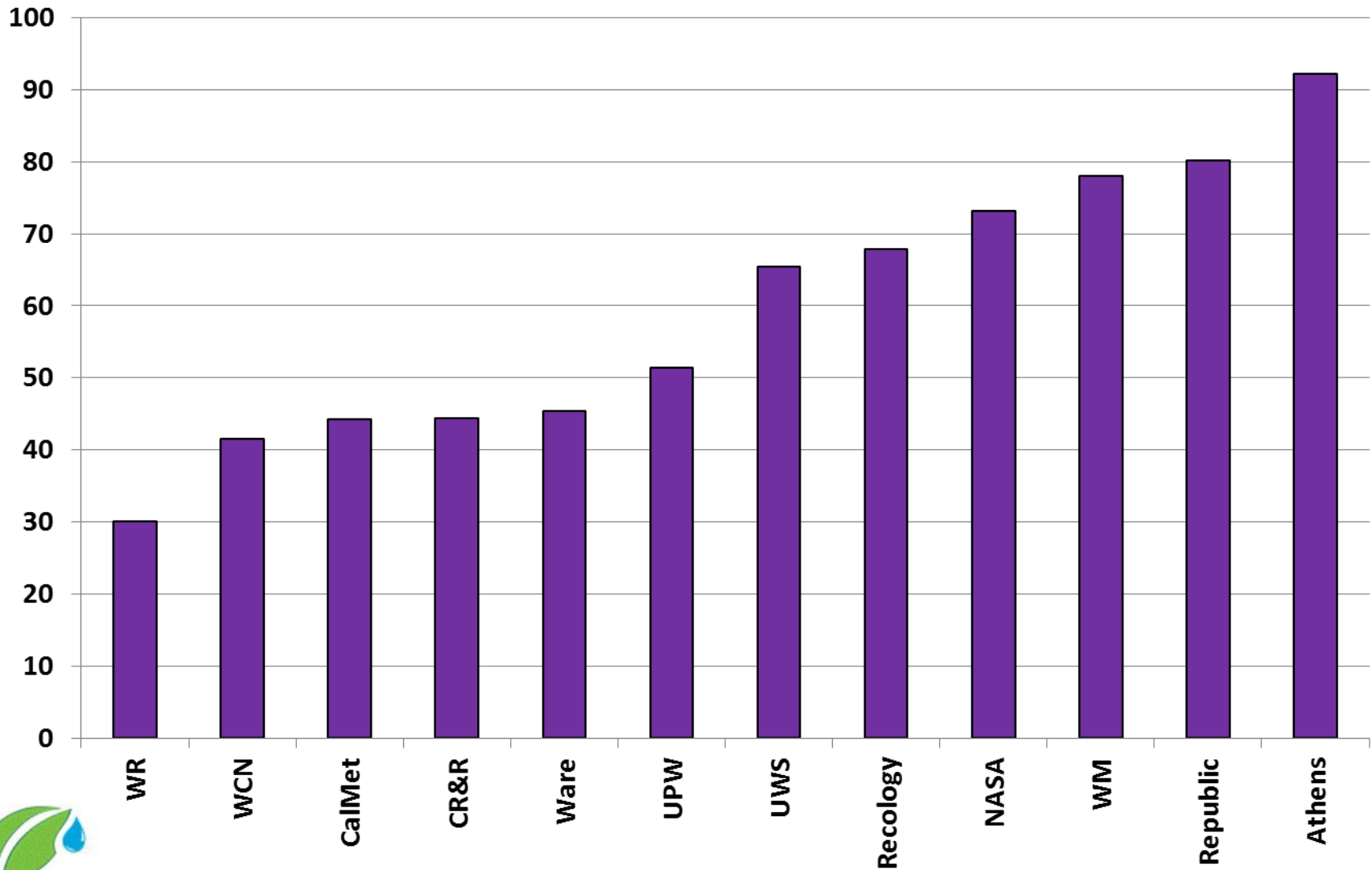
Scoring and Ranking

- After Teams scored their categories, scores were compiled into a single score
- After scoring proposers were ranked within two categories
 - Those that proposed on Small Zones; and
 - Those that proposed on Large Zones

Average Overall Score Proposers on Small Zones



Average Overall Score Proposers on Large Zones

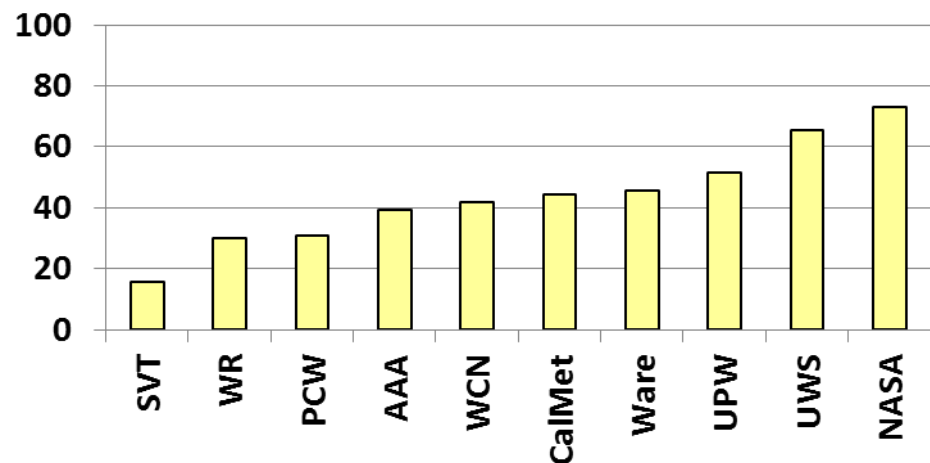


Shortlisting Process

Initial Short Listing for Negotiations

Small Zones

- Small Zones awards could not be bundled with other zones
- Identified the top three ranked Proposers for negotiation on the Small Zones
 - NASA
 - UWS
 - UPW



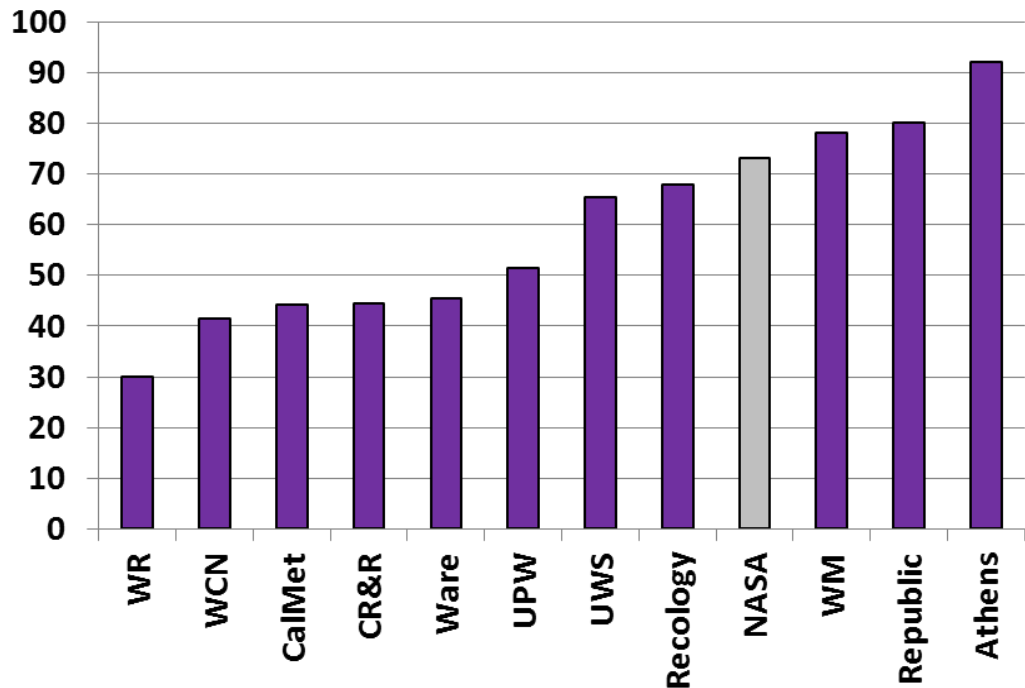
Shortlisting process

Large Zones

- Assumed for initial shortlist that negotiations would be based on a two-zone bundle
- Two-zone bundle allowed for negotiations that would help ensure the necessary infrastructure development while minimizing rates
- New facilities require a sufficient amount of incoming material to be feasible

Shortlisting process

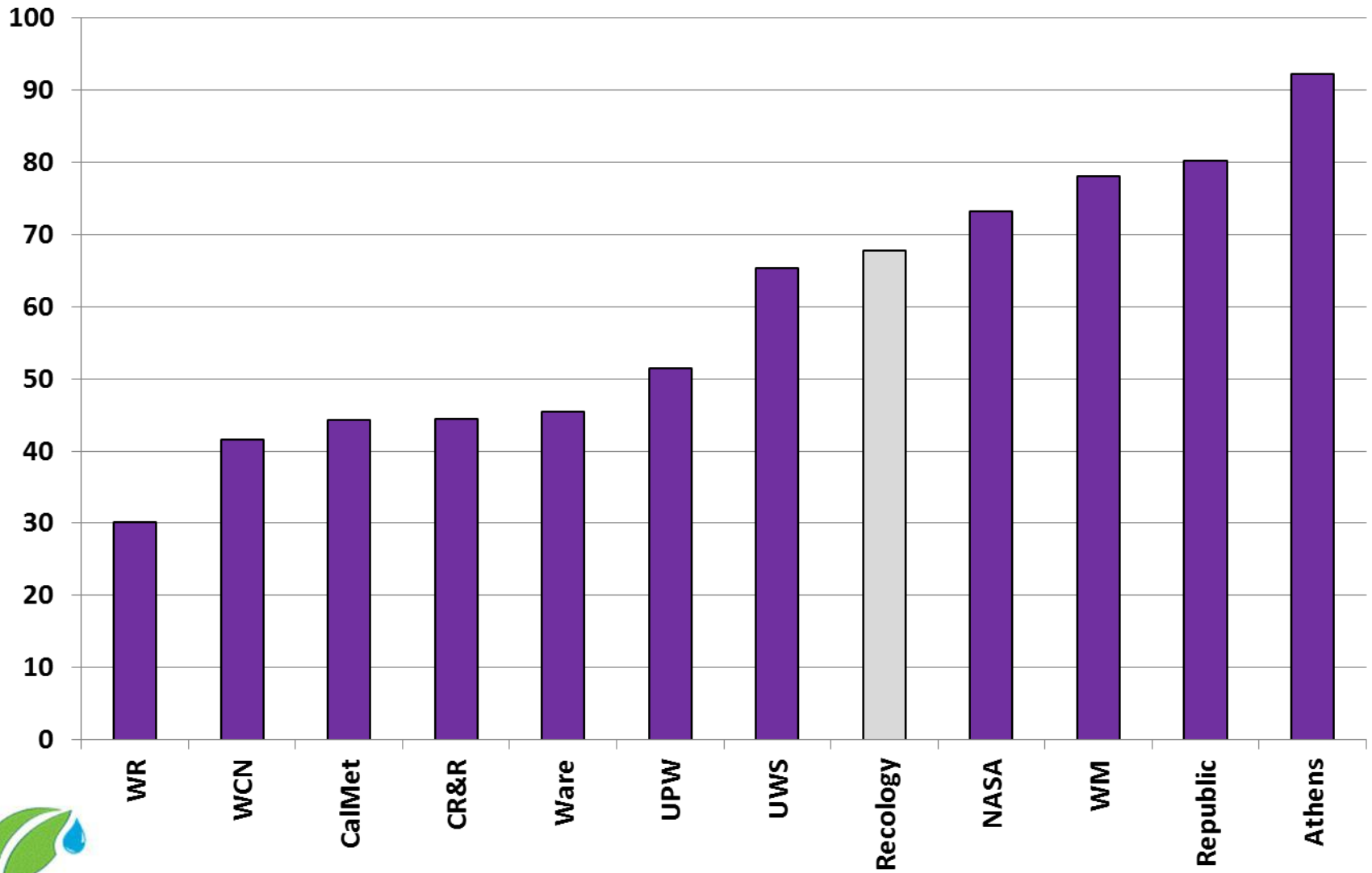
- Identified the top four ranked Proposers for Large Zones
 - Athens
 - Republic
 - Waste Management
 - Recology



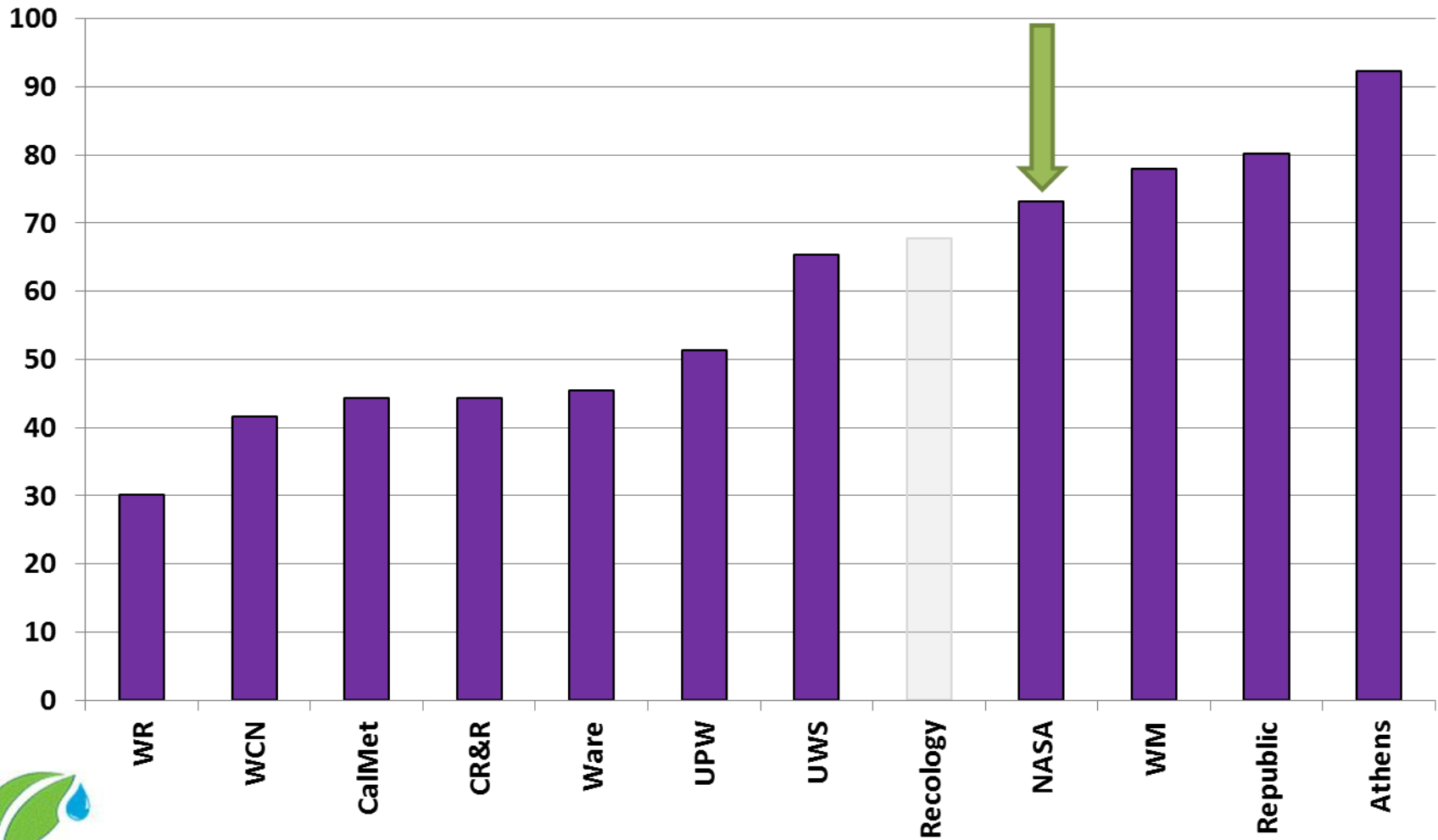
Negotiation Process

- Extensive negotiations occurred over 12 months
- LASAN developed two negotiations teams
 - One for Small Zones
 - One for Large Zones
- Teams consisted of City staff and private sector experts
- All negotiations confidential

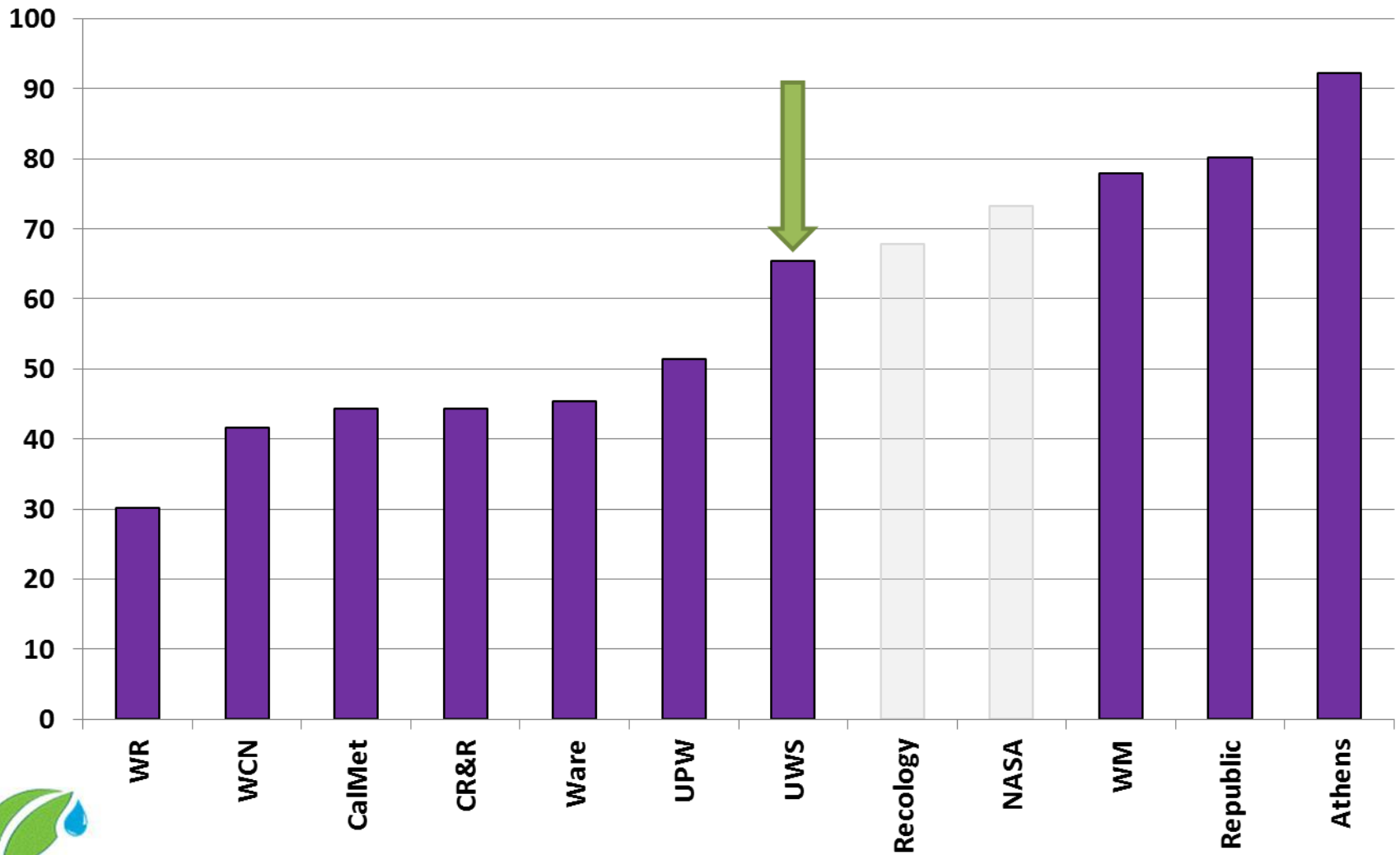
Withdrawal of Recology



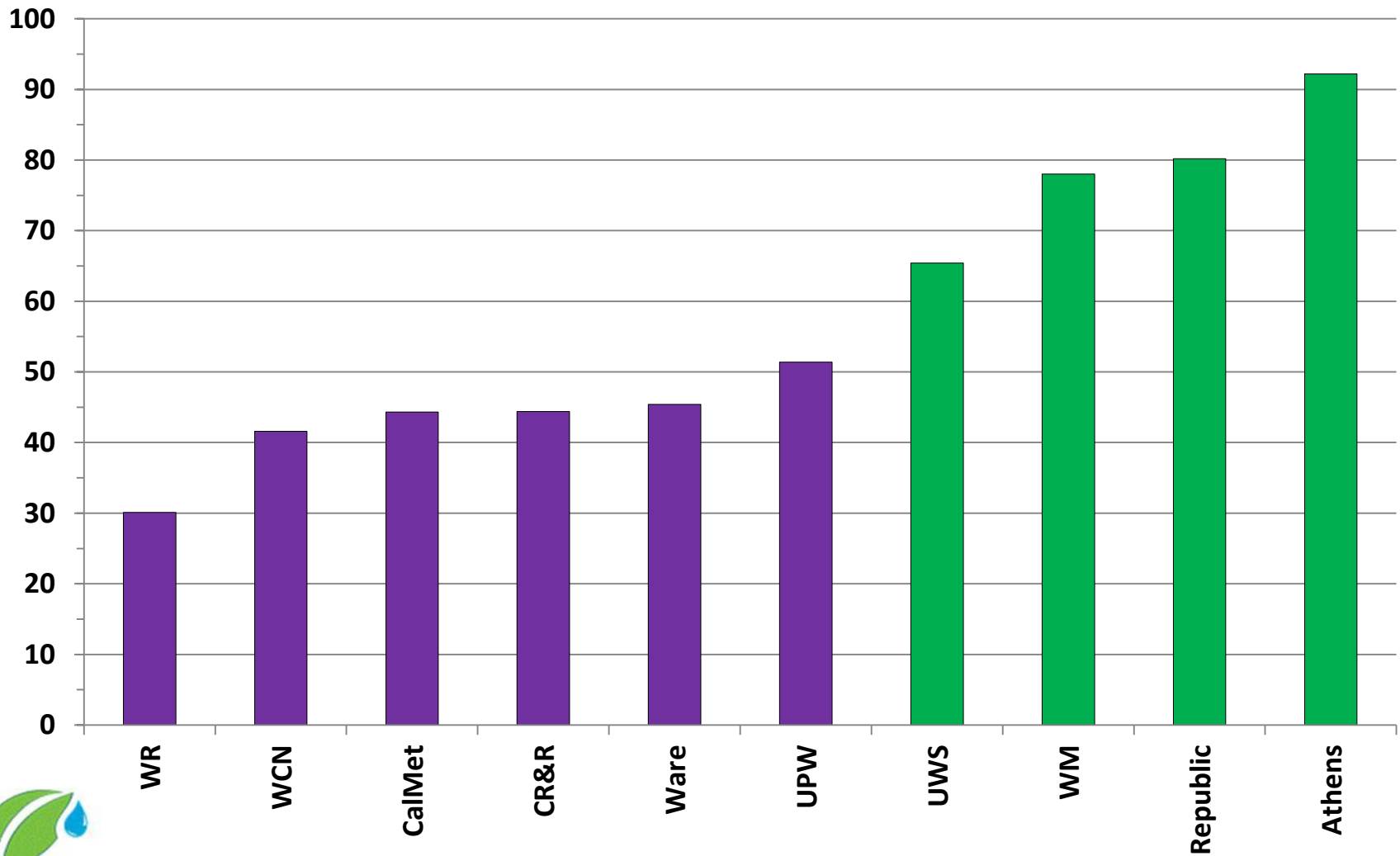
Withdrawal of Recology Impact on Large Zones



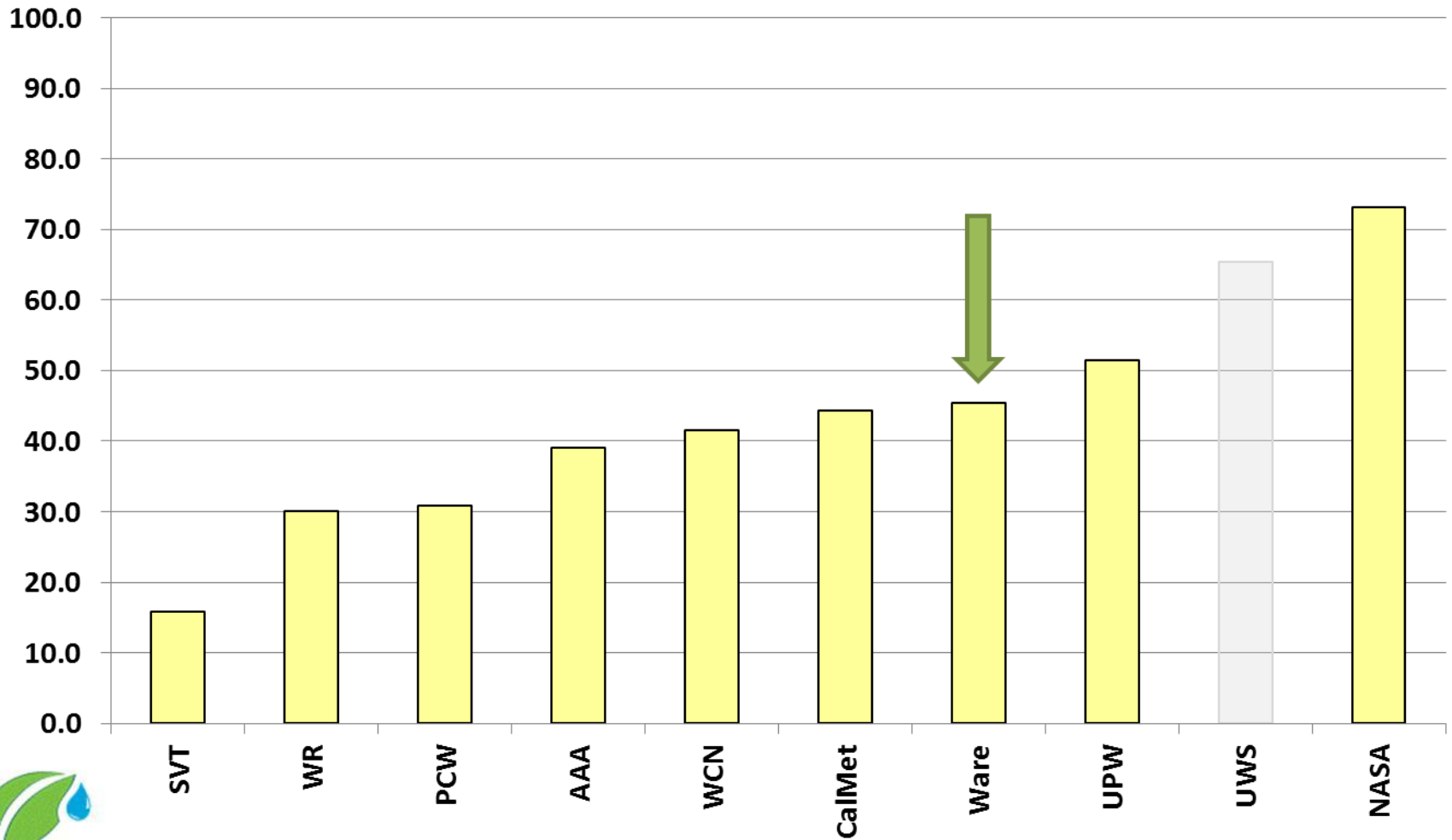
Withdrawal of Recology Impact on Large Zones



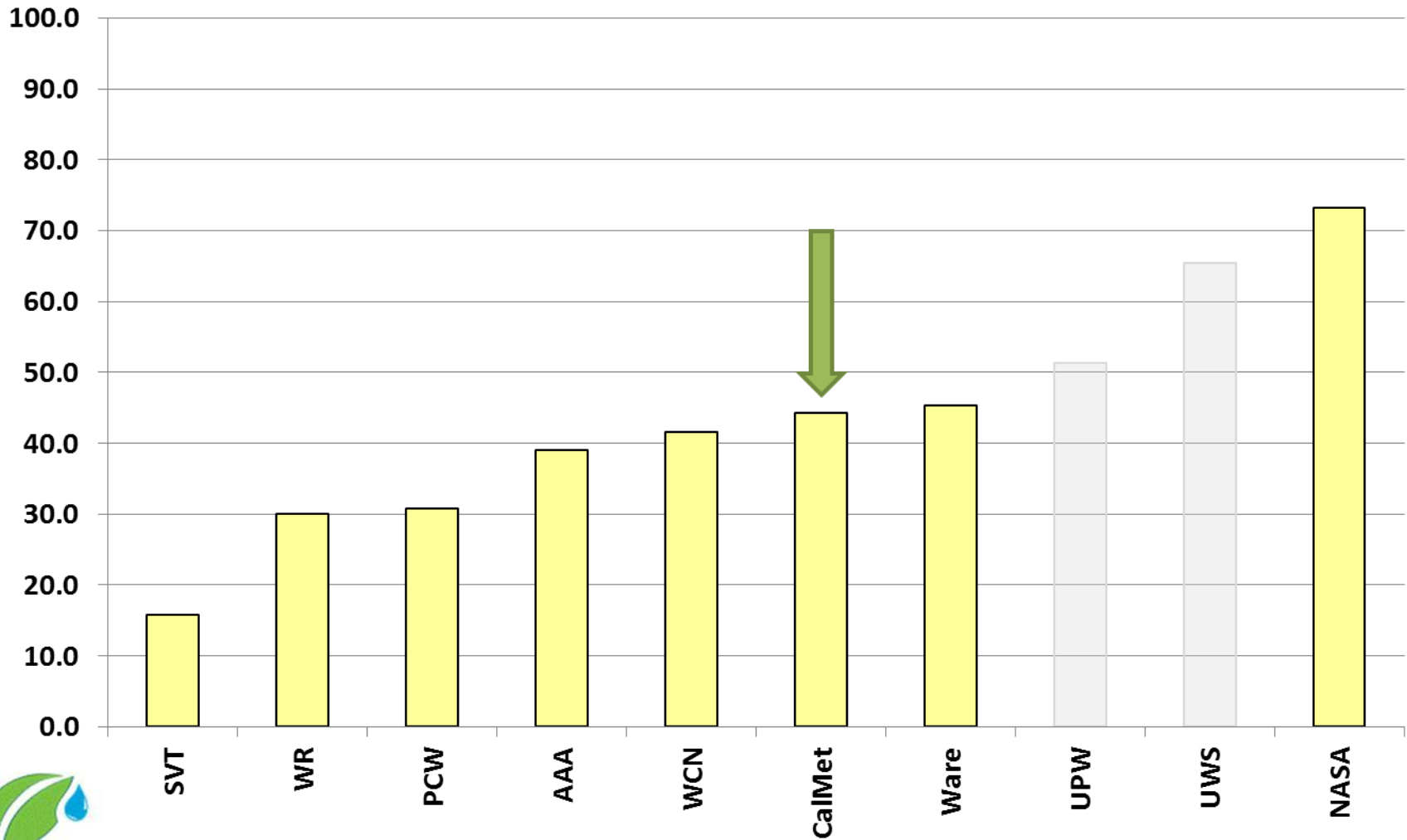
Revised Shortlisted Proposers on Large Zones



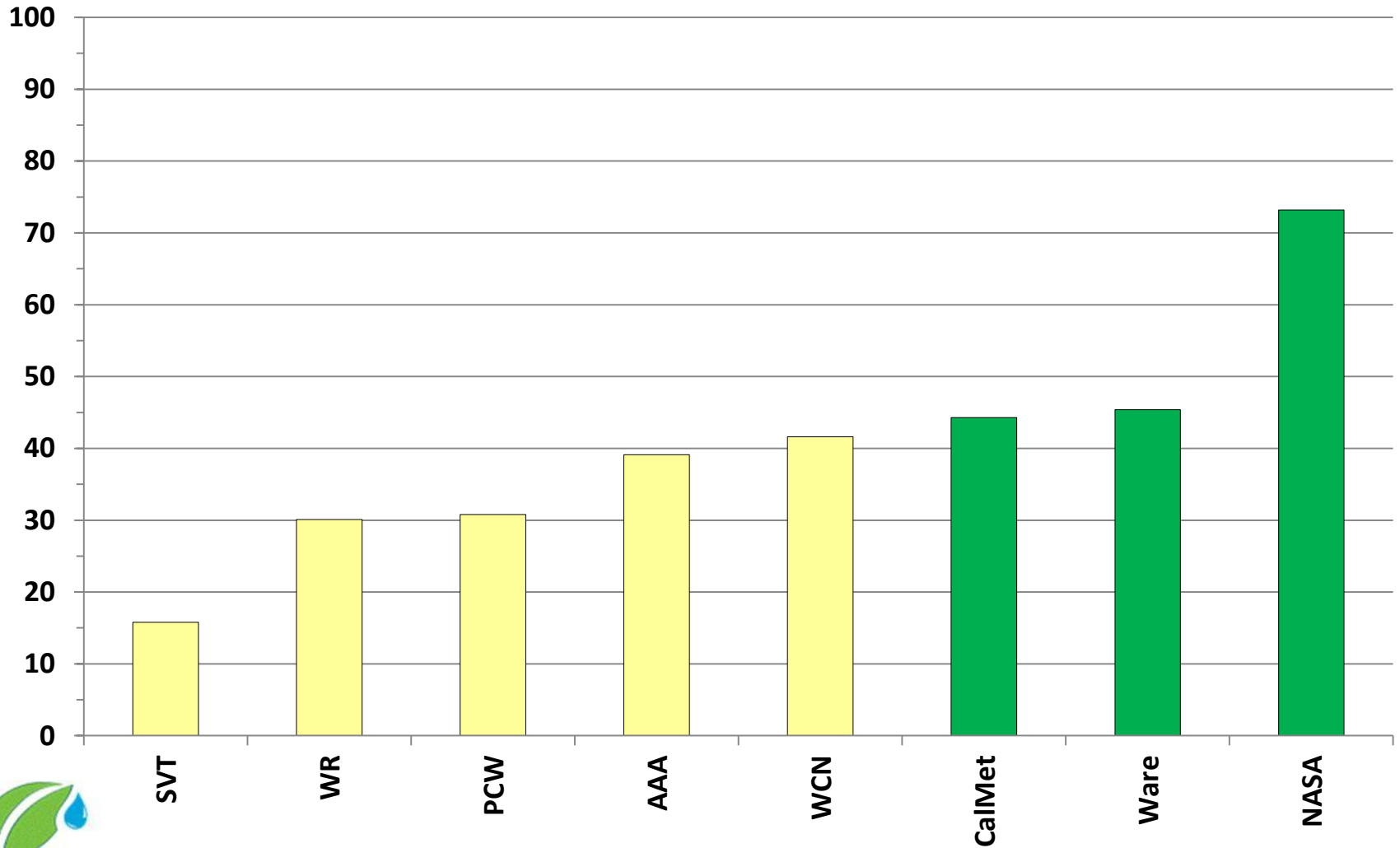
Withdrawal of Recolgy Impact on Small Zones



Withdrawal of UPW Impact on Small Zones



Revised Shortlisted Proposers on Small Zones



Recommended Zone Award

- Highest ranked proposers received larger overall zone awards based on the number of accounts within those zones
- The location, current availability, and timeliness of completion of new infrastructure were also factors in zone assignments. This new infrastructure is necessary to meet the City's long term diversion goals

Recommended Zone Award

Recommended Small Zone Award

Initial Ranking	Proposer	Recommended Small Zone Award	Number of Accounts
1	NASA	Downtown	1,771
2	Ware	Southeast	1,817
3	CalMet	East Downtown	1,013

Recommended Large Zone Award

Initial Ranking	Proposer	Recommended Large Zone Award	Number of Accounts
1	Athens	West LA, North Central, and Harbor	21,864
2	Republic	Northeast Valley and South LA	16,820
3	WM	West Valley and Southeast Valley	15,526
4	UWS	Northeast	6,106

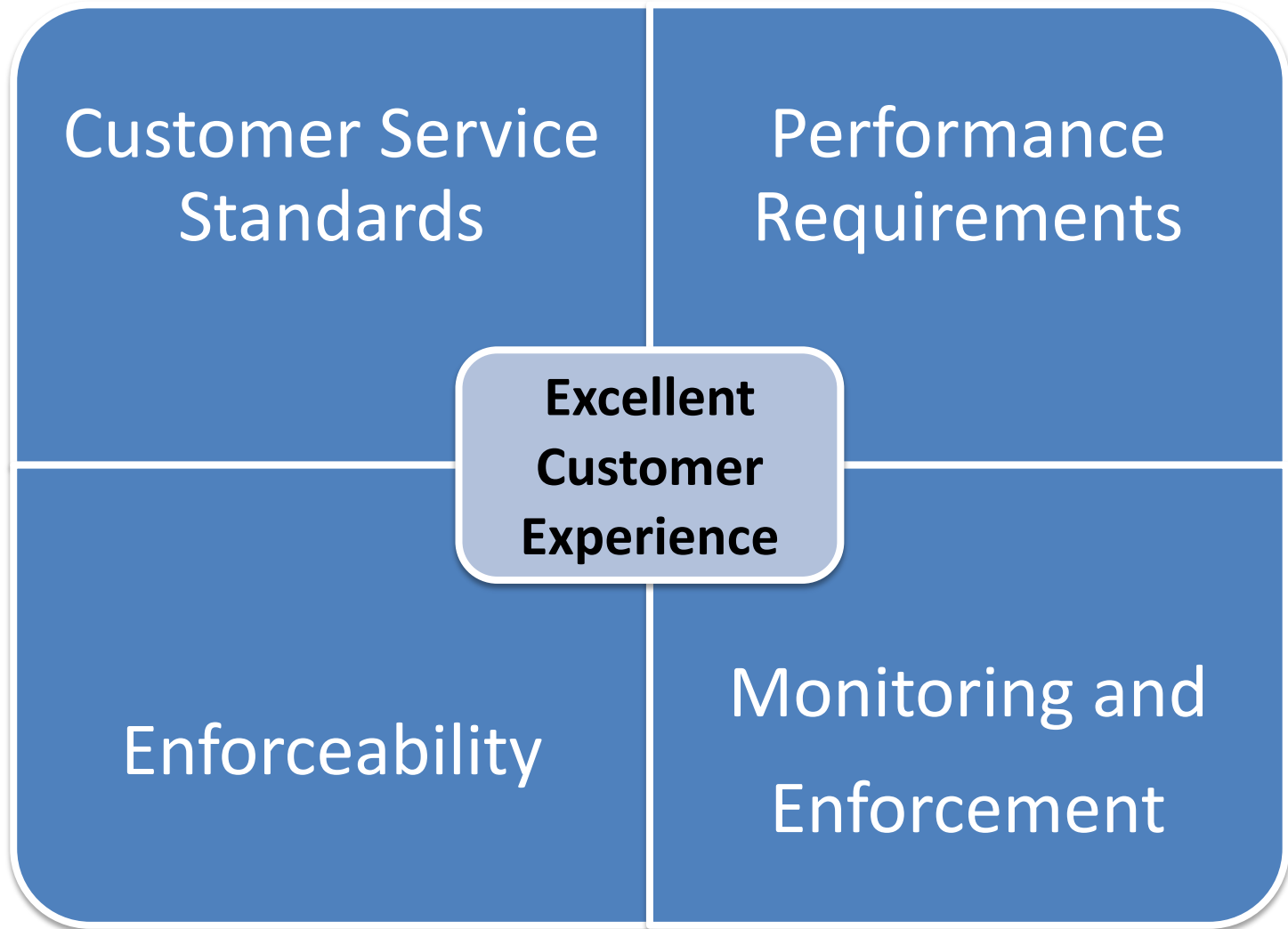
Increased Recycling to Meet Zero Waste Goals

- Franchisees are required to reduce disposal in landfills by 1 million tons annually by 2025
- Blue Bin for All - All customers will receive a blue bin for recycling as part of their basic service
- Green Bin organics recycling will be offered to all customers, at a reasonable additional cost
- Partnership with food rescue and reuse organizations required

Increased Recycling to Meet Zero Waste Goals

- Mandatory outreach, education and training through the term of the contract
- Monthly disposal and diversion reporting
- Numeric landfill reduction targets through the contract term
- Failure to meet disposal reduction targets will result in heavy penalties

Excellent Customer Experience



Excellent Customer Experience

Accountability

- Customer Service Standards set in contract
 - Examples
 - Customer Service Center in every zone
 - Bilingual assistance
 - Notification standards
 - Outreach and education
- Performance Standards
 - Time limits for service requests
 - Operational standards

Excellent Customer Experience

Accountability

Enforceability

- All customer service and performance standard supported by penalties (liquidated damages) for not meeting requirements for:
 - Implementation of Franchise System
 - Provision of Services to customers
 - Segregation and Delivery of Collection Materials
 - Reporting
 - Diversion Requirements – Landfill Reduction, Recycling and Organics Programs
 - Payment and Reporting Requirements

Excellent Customer Experience Monitoring and Enforcement

- LASAN Customer Care Center is first point of contact
- City-Franchisee integrated IT systems
 - City tracking of all customer service requests and complaints
- Detailed reporting standards

Excellent Customer Experience Monitoring

City oversight

- City approved Staffing Plan for Zero Waste LA
 - Contract oversight
 - Facility certification
 - Customer Care Center
 - Information technology needs
 - Zero Waste and landfill diversion
 - Customer field inspection

New or Improved Infrastructure to Meet City and State Requirements

- The Contractors for the Franchise have proposed to utilize 39 facilities
- Of these, 13 facilities will need to be constructed or improved to meet the City certification requirements
- This program will bring over \$200 million in new infrastructure to the region to meet the needs of the Franchise System and to recycle organic material

Cleaner Air

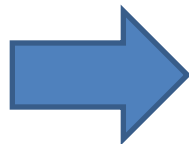
- The Zero Waste LA requires new, clean-fueled vehicles for all solid waste collection
- A total of 384 trucks are expected to be used for this program
- Reduced traffic
- Reduced vehicle miles traveled

Services at Equitable and Transparent Customer Rates

- Maximum rates established through exhaustive analysis of proposer provided cost proforma data and known industry standards
- Industry experts with a combined nearly 80 years of experience in waste system rate analysis negotiated the contracted maximum rates
- Rates change predictably. Rate increases methods are set in the franchise contracts

Conceptual Rate Objectives

1. Uniformity
2. Equity
3. Transparency
4. Ease of Administration
5. Stability
6. Incentive to Recycle



Cost of Service Approach

Cost of Service Approach

- Waste Industry Approach / Best Practices
- Lessons Learned from California cities (prevent death spiral)
- Organics flexibility

Base Rate (Solid Waste + Recycling) Components Include:

1. Collection Cost of Solid Waste
2. Disposal Cost of Solid Waste
3. Collection Cost of Recycling
4. Processing Cost of Recyclable Materials
5. Administrative / Customer Service Costs
6. Operating Margin

Pro Forma / Operational Analysis Process

1. Proposals Submitted – October 2014
2. Requested additional performance and supplementary cost data - January 2015
3. Analyzed costs and refined method of rate evaluation
4. Requested additional cost and operation data from short listed proposers – June 2015
5. Pro Forma evaluation method used to estimate the actual cost of service
 - Proposers input costs and performance data
 - Method generated the necessary components of the rate
 - Determined the reasonableness of rates proposed
 - Basis for proposed uniform rates

Rate Negotiations / Rate Uniformity

1. Exchange of costs and operational information between City and proposers
 - a. Evaluated using the Pro Forma Rate Model
 - b. Several iterations to refine the rate components
 - c. Model results used to establish final negotiated rates
2. Met with proposers to solicit their approval and acceptance of final negotiated rates
3. Citywide maximum collection rates finalized in January 2016

What is included in Zero Waste LA Rates

- Base Rates are inclusive of many services including :
 - Blue Bin Collection
 - Material reuse and food rescue
 - Bin cleaning
 - Graffiti removal
 - Community Benefits
- Customer Costs for additional requested services is set in contract.

How Zero Waste LA Rates Compare

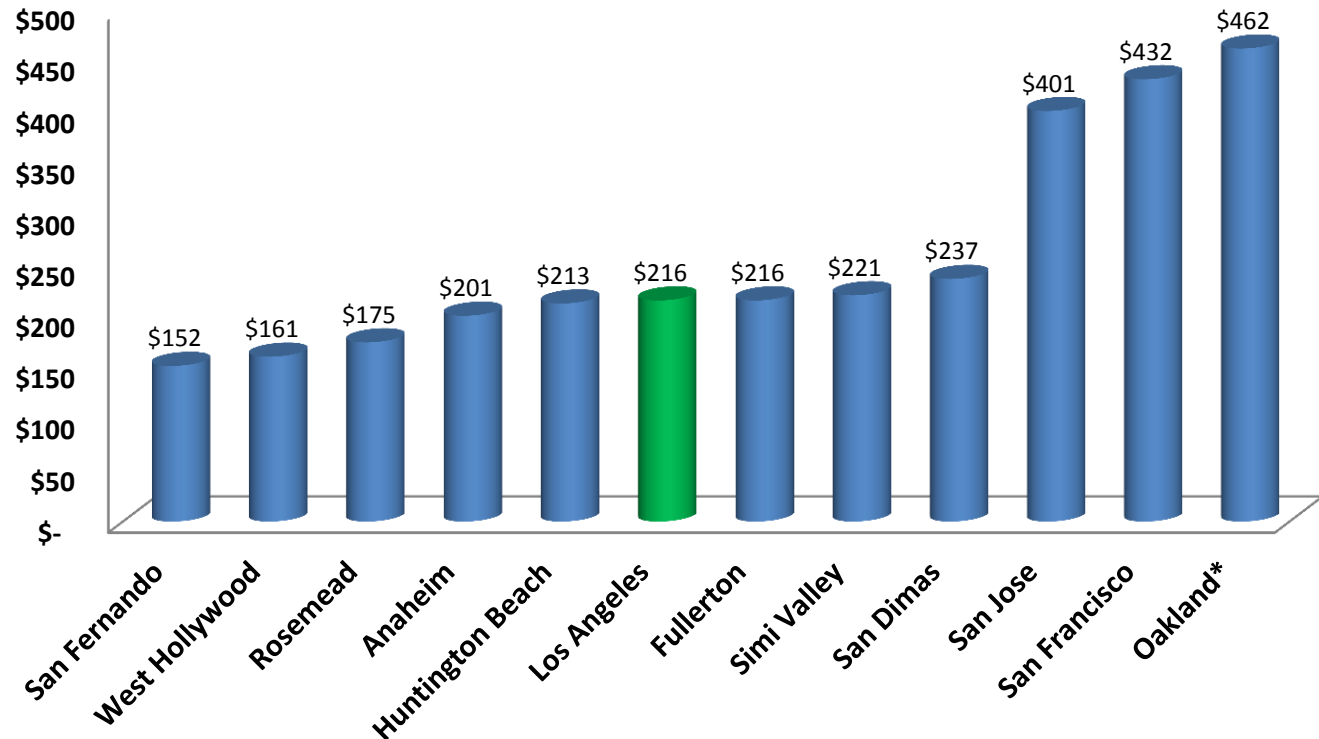
LASAN staff researched over one hundred California cities with franchise system

- Over one-third of all the cities researched have rates that are within +/-10 percent of the proposed Franchise System maximum rate

	Monthly Rate for Solid Waste and Recycling 3 cubic yard bin collected once per week (1-3-1)
Minimum	\$69.09
Maximum	\$1,198.88
Median	\$206.80
Mean (Average)	\$250.78
City of Los Angeles	\$216.72

Services at Equitable and Transparent Customer Rates

Sample Rates of Commercial Exclusive Franchises in California



* Rate for Oakland does not include collection of commingled recyclables

Transition

One year transition and implementation

- At contract execution
 - Begin procurement
 - Purchase of Clean Fuel Trucks
 - Purchasing of Bins
 - Develop account and billing databases and testing
 - Develop account transition plan and strategies
 - Meet with Franchisees to develop plans for smooth transition (January 2017)
 - Nearly 85% of the current customers are serviced by one of the seven franchisees
- Begin customer transition (July 2017)

What's Next

Upon Board Approval

- Contracts Executed – End 2016
- City Notification to Customers – June 2017
- Franchisees Begin Account Setup and Customer Transition – July 2017
- All Customers Receive Franchise Service – January 2018

LASAN's Recommendations

1. Approve and forward this report with transmittals to the Mayor and City Council (Council) with the request that the Board of Public Works (Board) be authorized to execute a Personal Services Contract for exclusive Franchise System for commercial and multifamily solid waste collection and handling with:
 - Large Zones:
 - Arakelian Enterprises, Inc. (dba Athens Services aka Athens)
 - Consolidated Disposal Service, LLC (dba Republic Services or Republic)
 - Universal Waste Systems, Inc. (aka UWS)
 - USA Waste of California, Inc. (dba Waste Management aka WM)
 - Small Zones:
 - CalMet Services, Inc., (aka CalMet)
 - NASA Services, Inc. (aka NASA)
 - Ware Disposal Inc (aka Ware)

LASAN's Recommendations

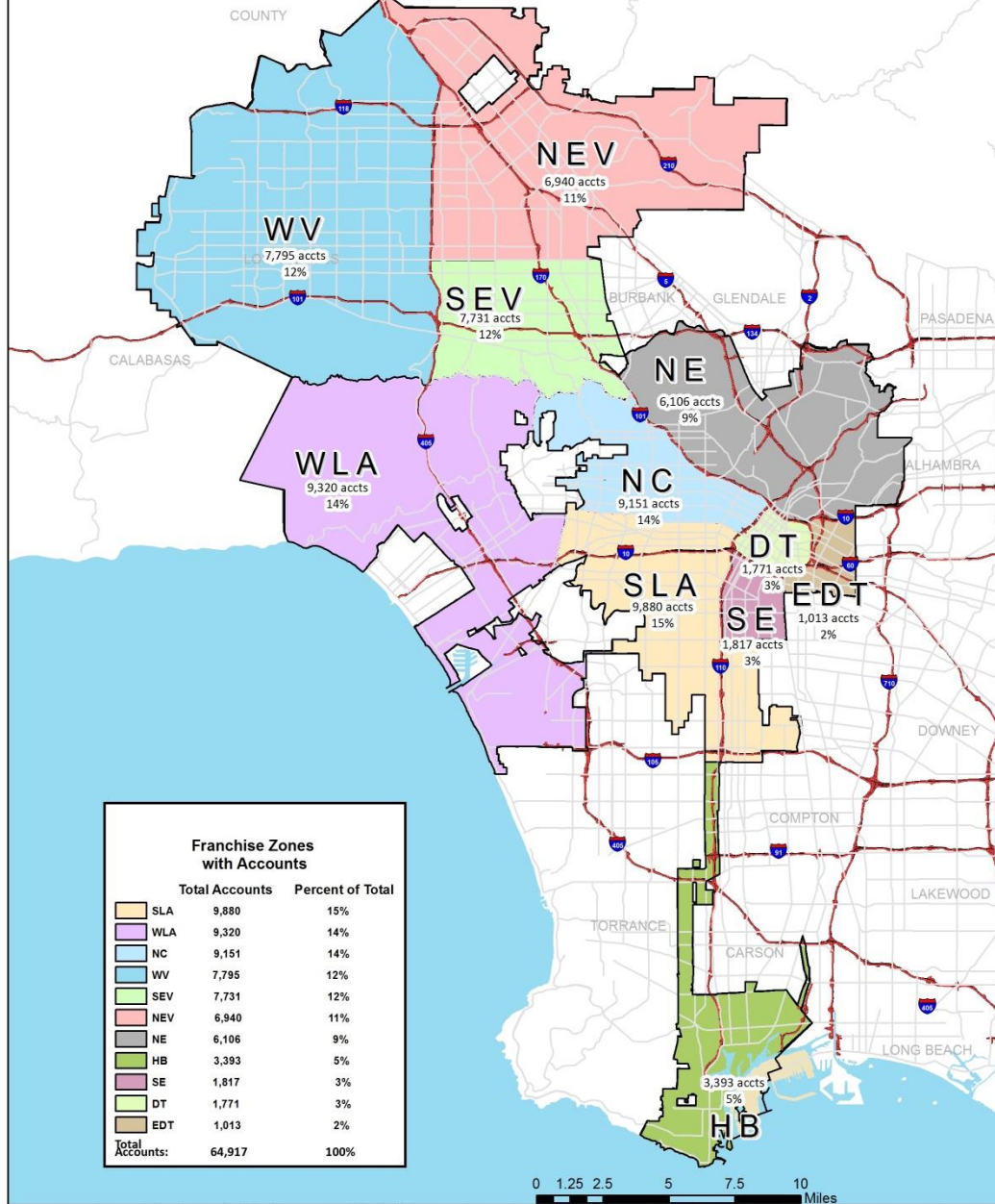
2. Return the executed contract to the Bureau of Sanitation (LASAN) for further processing.
3. Upon the Mayor's and Council's authorization, the President or two members of the Board will execute the contract.
4. Recommend that the City Council find it is in the City's best interest to award one of the exclusive franchise contracts for commercial and multifamily solid waste collection and handling to Republic, an Arizona based company, for the reasons outlined in the report.
5. Request the City Attorney, in collaboration with LASAN, to draft an Ordinance creating a special fund for the Zero Waste LA revenues, excluding AB 939 fees.

END

<https://www.lacitysan.org/zerowastela>



COMMERCIAL WASTE FRANCHISE ZONES with Accounts





COMMERCIAL WASTE FRANCHISE ZONES Haulers with Accounts

