

REQUEST FOR COUNCIL ACTION



CITY COUNCIL MEETING DATE:

MARCH 17, 2020

TITLE:

APPROVE ISSUANCE OF THE DRAFT SOLID WASTE SERVICES REQUEST FOR PROPOSALS, APPROVE A ONE-YEAR EXTENSION OF THE SOLID WASTE SERVICES AGREEMENT WITH WASTE MANAGEMENT, AND AUTHORIZE A PROPOSITION 218 PROCESS

/s/ Kristine Ridge

CITY MANAGER

CLERK OF COUNCIL USE ONLY:

APPROVED

- As Recommended
- As Amended
- Ordinance on 1st Reading
- Ordinance on 2nd Reading
- Implementing Resolution
- Set Public Hearing For _____

CONTINUED TO _____

FILE NUMBER _____

RECOMMENDED ACTION

1. Approve issuance of the Draft Solid Waste Services Request for Proposals to maintain the established implementation timeline, subject to non-substantive changes.
2. Authorize the City Manager to execute the second amendment to the fourth amended and restated agreement with Waste Management for collection and handling of solid wastes generated, produced, and/or accumulated in the City of Santa Ana, approving a one-year extension from June 30, 2021 to June 30, 2022, subject to non-substantive changes approved by the City Manager and City Attorney and including alternate programming for green waste diversion to maintain compliance with State legislation.
3. Authorize and direct staff to prepare all required documents necessary to proceed with notification of proposed refuse rate adjustments in compliance with Proposition 218 requirements, including, but not limited to, the following:
 - a) Prepare and mail proposed rate adjustment notices to all Santa Ana property owners with cart service in compliance with Proposition 218 requirements at cost not to exceed \$20,000;
 - b) Schedule a public hearing at a future Council meeting, on or after May 19, 2020;
 - c) Prepare all other documents required to proceed with proposed refuse rate adjustments.

DISCUSSION

The City's agreement for collection and handling of solid waste with Waste Management (WM) is due to expire on June 30, 2021. The Public Works Agency and its consultant, HF&H Consultants, LLC (HF&H), have developed a draft Request for Proposals for City solid waste services that will provide appropriate refuse collection and disposal for Santa Ana that considers recycling trends and compliance with State legislation

Approve Issuance of the Solid Waste Services RFP, One-year Extension of the Solid Waste Services Agreement with Waste Management, and Authorize Prop 218 Process

March 17, 2020

Page 2

Request for Proposals

The draft Request for Proposals (RFP) is attached for review and approval (Exhibit 1). The following summarizes the current and proposed new services/components in the RFP scope:

Residential

Current Services

- Three-cart program
- Curbside bulky item collection
- Up to 300 40-yard containers annually for City-sponsored neighborhood clean-ups

Additional Services

- Curbside used oil and filter collection
- Curbside universal waste collection
- Sharps disposal
- Compost giveaways and shredding events
- Expanded curbside bulky item collection
- Curbside organics collection program to comply with SB 1383

Commercial, Multi-family, and Industrial

Current Services

- Commercial, multi-family, and industrial collection services
- Recycling at a cost savings
- Bulky item collection for a fee

Additional Services (Required to Meet State Mandates)

- Establish programming to comply with AB 939 Integrated Waste Management Act
- Establish programming to comply with AB 341 Mandatory Commercial Recycling
- Establish programming to comply with AB 1826 Mandatory Organics Recycling
- Establish programming to comply with SB 1383 Short-lived Climate Pollutants
- Establish programming to comply with Future State mandates

Other Services

Current Services

- Every-other-week alley clean-ups
- Clean-ups after garage sale weekends
- Grant administration
- Public education and outreach

Additional Services

- Weekly alley clean-ups
- Small battery recycling collection at City facilities
- Dedicated Recycling Coordinator/s
- Construction and demolition services option

Approve Issuance of the Solid Waste Services RFP, One-year Extension of the Solid Waste Services Agreement with Waste Management, and Authorize Prop 218 Process

March 17, 2020

Page 3

One-Year Extension

The one-year extension with WM, from July 1, 2021, to June 30, 2022, accommodates an expanded RFP process timeline. This timeline will provide four months for proposal preparation, which for a city the size of Santa Ana, is adequate. Proposal evaluation and interviews will be conducted over a six-month period allowing sufficient time considering the intricacies of proposals and the unknown number of proposers. Most importantly, this expanded timeline is recommended due to purchasing impacts in the manufacture and delivery of the new trucks and carts, which are required in the RFP. Markets have seen an extended delivery time, as other municipalities prepare for compliance with new legislation.

The extension also addresses the requirements of Assembly Bill 1594 (AB 1594). Effective January 1, 2020, AB 1594 eliminated diversion credit for green waste sent to County landfills as Alternative Daily Cover (ADC). Previously, WM delivered green waste collected from the City's customers to the Tierra Verde Industries green waste processing facility for grinding and transfer to the Orange County Landfill System for use as ADC. WM provided this service at no charge to customers, and the City received diversion credit. Under the new requirements of AB 1594, WM will continue to deliver green waste to Tierra Verde, however the material will be composted, providing the City with diversion credit to maintain compliance with State mandates. WM will provide this service at no cost to ratepayers through June 30, 2020. Upon successful completion of a Proposition 218 process, a rate adjustment of \$1.90 per residential unit per month will occur effective July 1, 2020. A second rate adjustment of \$1.50 per residential unit per month will occur effective July 1, 2021. The total two-year rate adjustment for this service equals \$3.40 per residential unit per month. The City continues to retain the right to choose the location for the delivery of green waste and that the rate paid by the ratepayer will be reduced or increased accordingly, based on transportation and processing costs.

Rate Design

In recent years, the legal requirements surrounding solid waste service providing agencies rate setting in California have evolved. Namely the courts have made rulings with respect to California Constitution Article XIII C and D (commonly known as Proposition 218) that have created a higher "cost of service" standard for rate setting than has historically been practiced by public agencies. Simply put, the burden of proof is on agencies to demonstrate that all aspects of refuse rates are directly proportionate to the cost of providing service. This means aligning fixed revenue (fixed charges) with fixed costs.

The proposed refuse rate increases for curbside cart service are structured to directly align with the refuse utility's (WM) increased cost for composting green waste. Refuse rates for cart customers are proposed to be fixed for all curbside customers. This cost increase is a direct pass-through to ratepayers.

The proposed rate revenue adjustments outlined below support the cost of composting green waste to maintain compliance with State mandates:

Approve Issuance of the Solid Waste Services RFP, One-year Extension of the Solid Waste Services Agreement with Waste Management, and Authorize Prop 218 Process

March 17, 2020

Page 4

Implementation Date	Increase Amount*
July 1, 2020	\$1.90
July 1, 2021	\$1.50

*These amounts do not consider the standard annual CPI adjustment in the solid waste agreement with WM and the Waste Disposal Agreement with County of Orange.

Typical Bill Impact

The financial impact of the proposed revenue adjustments on the typical customer was carefully evaluated. The typical bill of a curbside cart customer will be increased by \$1.90 per month, effective July 1, 2020, and increased by an additional \$1.50 per month effective July 1, 2021. These rate increases are based on actual cost of service. When compared to neighboring cities, the typical Santa Ana customer will continue to pay a similar amount, on average, for curbside cart service as compared to its neighboring cities such as Garden Grove, Brea, Fullerton and Yorba Linda.

Staff recommends approval of the Draft Solid Waste Services Request for Proposals to maintain the Solid Waste Services Implementation Timeline (Exhibit 2), approval of the one-year extension of the Solid Waste Services agreement with WM that includes alternate programming for green waste diversion to maintain compliance with State legislation (Exhibit 3), and approval to prepare all required documents necessary to proceed with notification of proposed refuse rate adjustments, in compliance with Proposition 218 requirements.

STRATEGIC PLAN ALIGNMENT

Approval of these items support the City's efforts to meet Goal #4 - City Financial Stability, Objective #1 (maintain a stable, efficient and transparent financial environment).

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action. However, increased recycling activity will divert materials from the landfill, thus extending the life of the landfill system and recovering valuable recyclable resources.

FISCAL IMPACT

To cover costs incurred for preparing and mailing the Proposition 218 notices, \$20,000 has been budgeted and is available for expenditure in Fiscal Year 2019-20 in the Refuse Enterprise as follows:

FISCAL YEAR	ACCOUNTING UNIT-ACCOUNT #	FUND DESCRIPTION	ACCOUNTING UNIT, ACCOUNT DESCRIPTION	AMOUNT
FY 2019-20	06917640-63001	Refuse Collection Service	Refuse Collection Service, Miscellaneous Operating Expenses	\$20,000
TOTAL:				\$20,000

Approve Issuance of the Solid Waste Services RFP, One-year Extension of the Solid Waste Services Agreement with Waste Management, and Authorize Prop 218 Process

March 17, 2020

Page 5

APPROVED AS TO FUNDS AND ACCOUNTS:

Nabil Saba, PE
Acting Executive Director
Public Works Agency

Kathryn Downs, CPA
Executive Director
Finance and Management Services Agency

NS/MLM/CK

Exhibits: [1. Draft Solid Waste Services RFP](#)
[2. Solid Waste Services Implementation Timeline](#)
[3. Second Amendment of the Solid Waste Services agreement with Waste Management](#)