



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 05-11-09

Approved

Date

5/20/09

COUNCIL DISTRICT: City-Wide

SUBJECT: FIFTH AMENDMENT TO AGREEMENT WITH R3 CONSULTING GROUP, INC. FOR CONSULTANT SERVICES PERTAINING TO RECYCLE PLUS

RECOMMENDATION

Approval of a fifth amendment to the agreement between the City and R3 Consulting Group, Inc. to provide solid waste consulting and rate modeling services to the Environmental Services Department, extending the term through December 31, 2010, and increasing the compensation by \$130,000, from \$600,000 to an amount not to exceed \$730,000.

OUTCOME

The amendment to the agreement between the City and R3 Consulting Group, Inc. (R3) would allow Environmental Services Department (ESD) to complete the modifications to the customer rate-setting model to incorporate Green Vision-Zero Waste goals and program changes. In addition, R3 would evaluate the impact of the City exercising its option to extend Recycle Plus terms for California Waste Solutions and Garden City Sanitation and assist the City in negotiating these amendments.

BACKGROUND

R3 Consulting Group, Inc. is a leading solid waste management consulting firm with more than 30 years of experience and hundreds of solid waste management projects that demonstrate their ability. They have worked with other public entities including Dublin, Santa Rosa, Pleasanton, Citrus Heights, and Rancho Cordova.

R3 was initially selected through a competitive Request for Qualifications (RFQ) process in November 2005 to develop and evaluate the Request for Proposal for Recycle Plus services. The City amended the contract with R3 in December 2006 to provide monitoring oversight of the new Recycle Plus contractors to ensure a smooth service start-up on July 1, 2007. As part of the Request for Proposal (RFP) process, Council changed the garbage and recycling collection model to require a separate hauler for recyclable materials. Due the separation of collection services, the City amended R3's scope of services to develop the needed modifications to the rate setting model. ESD made initial modifications to the rate model, but R3's expertise is required to complete the modifications to reflect Green Vision and Zero Waste goals and program changes.

In September 2007, the City executed the third amendment to R3's scope of services to facilitate, upon request, garbage service transition for parcels annexed from Santa Clara County. More recently, a fourth amendment was executed with R3 to extend the time to complete the work.

The table below presents a chronology of the amendments to the City's agreement with R3.

R3 Agreement Chronology

	<i>Date Modified</i>	<i>Action</i>	<i>Monetary addition</i>
R3 Agreement	11/17/2005	11/28/2005-11/30/2006	\$100,000
1 st Amendment	2/22/2006	Extend time to 6/30/2007 Modification to scope of service	\$200,000
2 nd Amendment	12/05/2006	Extend time to 12/31/2007 Modification to scope of service	\$100,000
3 rd Amendment	9/04/2007	Extend time to 12/31/2008 Modification to scope of service	\$200,000
4 th Amendment	12/05/2008	Extend time to 6/30/2009 No revision to scope of service	\$0
Total		11/28/2005-6/30/2009	\$600,000

ANALYSIS

Another large annexation is anticipated in the spring of 2010. R3 would provide valuable assistance to Recycle Plus staff in reviewing the haulers' proposals for route changes and integrating the new residents. R3 has a deep understanding of the Recycle Plus services and how annexation of County pockets would impact the haulers' ability to maintain service levels. While the annexation process occurs over several years, the addition of hundreds and in some cases more than a thousand residents can significantly impact service routes. For example,

haulers may need to re-route an entire day of service routes to efficiently integrate the new residents without decreasing the level of service to existing residents. This fifth amendment would provide additional compensation for this service.

When the City awarded the Recycle Plus contracts in August 2006, it reserved the right to exercise the option to extend the contracts for two years with California Waste Solutions and Garden City Sanitation. This amendment would allow R3 to evaluate the programmatic and financial advantages and disadvantages of exercising this option. These efforts to evaluate the benefits to the City and the public interest of offering two-year term extensions could result in efficiencies, improved services, or cost savings which could be passed along to rate payers to mitigate against future rate increases.

Staff is not proposing a per-hour increase in consultant compensation. In fact, staff has negotiated the same hourly rates for this fifth amendment as those that were in place when the original agreement was executed in December 2005. In on-going efforts to reduce costs, staff has also negotiated that consultant expenses be reimbursed on an 'At Cost' basis, with Vehicle Mileage reimbursements set at the current Internal Revenue Services rate. Although R3 Consulting is located in Sacramento, staff has also committed to reducing the costs of meetings, transportation, meals and lodging through reliance on e-mail and/or telephone communications to accomplish the objectives outlined in the agreement to the extent possible.

EVALUATION AND FOLLOW-UP

Staff will report back to Council in spring of 2010 with an assessment of whether Recycle Plus term extensions from 2013 through 2015 would benefit the public interest.

PUBLIC OUTREACH/INTEREST

The criteria below do not apply to this contract, however the original consulting services RFQ was posted on the ESD Request for Proposals page and the City website's bid opportunities section linked to the postings on the ESD page. The RFQ was also sent via email to 20 solid waste consulting firms. In addition, this memorandum will be posted on the City's website for the June 2, 2009 Council meeting.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.

- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Office, and the City Manager's Budget Office.

COST IMPLICATIONS

Funding for this recommendation in the amount of \$130,000 was approved by Council during the 2008-09 mid-year budget process.

The proposed hourly compensation rates for this amendment will be the same as those that were in place when the original agreement was executed in December 2005. In on-going efforts to reduce costs, staff has also negotiated that consultant expenses be reimbursed on an 'At Cost' basis, with Vehicle Mileage reimbursements set at the current Internal Revenue Services rate. Although R3 Consulting is located in Sacramento, staff has also committed to reducing the costs of meetings, transportation, meals and lodging through reliance on e-mail and/or telephone communications to accomplish the objectives outlined in the agreement to the extent possible.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. For Contract	2008-2009 Proposed Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
Total Recommendation				\$130,000		
423	0762	Non-Personal/ Equipment	\$5,739,092		XI-47	02/10/2009 Ord. No. 28492
Total Funding Available			\$5,739,092			

HONORABLE MAYOR AND CITY COUNCIL

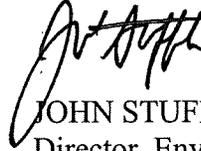
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CEQA

Not a Project



JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Jo Zientek, Deputy Director, Integrated Waste Management Division, at (408) 535-8557.