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DEPARTMENT OF
PUBLIC WORKS

OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

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December 10, 1991

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: MATERIALS RECOVERY FACILITY VENDOR SELECTION

LOCATION

Citywide.

SUMMARY

This report informs the City Council that the Alternatives to Direct Haul Selection Committee has concluded that the City should enter negotiations with Browning-Ferris Industries (BFI) to design, construct, and operate a City-owned Materials Recovery Facility (MRF).

COMMITTEE ACTION

None.

STAFF RECOMMENDATION

The staff recommends that the City Council adopt the attached resolution which authorizes the City Manager to enter contract negotiations with BFI for a MRF with such negotiations to conform to the City's stated policy positions in Resolution No. 91-330, May 14, 1991. Additionally, the attached resolution authorizes the City Manager to examine project alternatives to be considered if an acceptable contract with BFI cannot be negotiated, and re-initiates the process for alternative locations for the project.

APPROVED
BY THE CITY COUNCIL

DEC 10 1991

OFFICE OF THE
CITY CLERK

BACKGROUND INFORMATION

On July 25, 1989, the Department of Public Works officially initiated its efforts to formally identify an alternative to the direct haul of the City's municipal solid waste to the Sacramento County landfill and divert waste from the landfill to mitigate the amount of waste directed to the landfill.

The Director of Public Works, with City Council approval, hired a consultant (Brown, Vence & Associates [BVA]) and convened a Selection Committee to approve the Request-for-Qualification (RFQ) and Technical Information (TI) that was prepared by the consultant to evaluate and screen responding applicants and recommend those most advantageous companies to continue in the selection process. The Selection Committee was formed consistent with the requirements of the consultant selection procedures of General Services Policy Directive (GSPD) 89-19. The Selection Committee consisted of:

<u>Committee Members</u>	<u>Function Represented</u>
Lyla Ferris, City Councilmember	City Council
Jack Crist, Deputy City Manager	City Agency Administrator
Carl Hauge, Solid Waste Advisory Committee Member (Supervising Geologist, Department of Water Resources)	Council Citizen (Special Interest)
Dennis Kerton, Chief of County Solid Waste Management	Others (Public Agency With Similar Uses)
David Pelser, City Solid Waste Division Manager (Replaced by Reginald Young, Deputy Director of Public Works)	User Department

The City decided to structure the project such that a private firm would site, build, and operate the facility. However, the facility would be owned by the City once the facility passes acceptance tests. This organizational structure was chosen to provide the following aspects to the project:

- To enable the project to take advantage of perceived design and technology innovation and expertise available through the private sector.
- To allow for a sharing of project financial, technical, and legal risks between the City and a private firm.
- To be provided with facility performance guarantees by the private firm.
- To take advantage of private sector recovered product marketing experience and developed markets.

- To provide a method for City control of user fees and customer rate control.
- To best meet AB 939 mandates and City Council landfill diversion established goals.

After a procedural announcement, 46 firms requested the RFQ-TI. RFQ-TI responses were received from 15 firms. The six most qualified firms were then issued a Request-for-Proposal (RFP). Three finalists responded to the RFP. They were BFI, Norcal Waste Systems, and Waste Management of North America.

On May 29, 1991, the City issued a draft agreement to the three finalists. This agreement was intended to elicit clarified proposals, which could be directly compared to each other. Only BFI returned a full written response to the draft agreement, as requested by the City.

Following the selection process, three vendor clarification meetings were held between the City and BFI. The results of these meetings indicated that the BFI proposal minimally addresses the City policies established in Resolution 91-330, May 14, 1991, and listed in the Policy Considerations section of this report.

As required by AB 939, the City has prepared a draft source reduction and recycling element (SRRE). Based on the draft SRRE, the City requires a MRF that will divert approximately 15% of the mixed waste, which enters the MRF; a composting facility, which will divert approximately 8% of the total waste stream from landfill in order to meet State of California year 2000 landfill diversion mandates under AB 939. Both programs must have acceptable impacts on refuse collection rates. The composting and household hazardous waste (HHW) programs are optional and may or may not be selected by the City as part of this process.

FINANCIAL CONSIDERATIONS

The BFI proposed MRF ranges in cost from \$35-\$80 million for capital construction and \$6-\$12 million per year for operations, dependent on the amount of diversion. The additional diversion achieved by the BFI proposed MRF is uncertain, but ranges from 0%-15%. In addition to the capital and operating costs, there would be annual transfer and tipping costs of approximately \$3-\$4 million. Given these estimates, the annual costs for debt service and operations for the MRF would require increased revenues of \$14-\$23 million annually, or 70%-115% greater than the existing garbage utility fee revenue base of approximately \$20 million. It is unknown at this time how the costs for these increased revenue requirements would be split between City residential and commercial customers and private garbage haulers.

The BFI proposed composting facility has capital costs of approximately \$13 million and operating costs of approximately \$2 million per year. Given these estimates, the annual costs of debt service and operations for the composting facility would require increased revenues of approximately \$3.4 million annually, or 60% greater than the existing lawn and garden fee revenue base of \$6 million. Again, the precise impact on residential and commercial customer rates will not be known until a decision is made regarding the split of costs between City customers and private haulers.

POLICY CONSIDERATIONS

A. Pre Clarification Meeting Issues

On May 14, 1991, the Council approved the following policies in Resolution 91-330.

1. Purchase and own, after it has completed and passed an acceptance/performance test, any solid waste recovery facility negotiated in this contract.
2. Promulgate the necessary ordinances to control the flow of mixed waste generated in the City, including that mixed waste collected by private haulers, to the City-owned facility.
3. Concur with the assignment of risk for contract negotiations consistent with those contained in Table 1 of the May 14, 1991, staff report.
4. Increase the size of the proposed facility to accommodate the entire mixed waste stream, both private and public, to support the City's control of the within City-generated, mixed, solid waste stream.
5. Take those actions necessary to have the facility process all recyclables collected by the City.
6. Take those actions necessary to have the facility include a public drop-off and buy-back capability.
7. Obtain the concepts and cost of providing both a HHW drop off and yard waste composting capability.

B. Post Clarification Meeting Issues

During clarification meetings with BFI, it became apparent that there were other policy considerations that needed to be resolved. These include:

1. The City's functional requirement is for a MRF that diverts 15% of the flow controlled municipal waste to meet the State's year 2000 mandates. The 1995 diversion mandates can be met without a MRF by implementing a complete composting program.
2. The City does not have a no project option or a lesser project option. State AB 939 mandates include a minimum \$10,000 per day fine for failure to comply. BFI seems to have problems identifying the need to do the 15% diversion and initial project.
3. BFI has a purchase option on 10 acres of the 42 acres proposed for this project. The option on the 10 acres expires on December 18, 1991. BFI has asked the City to pay to maintain this option through a period that would retain its availability through negotiations. The City cannot comply with this request because, under CEQA, it would have prejudged the project with environmental assessment.

Selection Committee Recommendations

The Selection Committee maintained the above pre clarification policy positions throughout the clarification process.

As previously stated, BFI minimally met these policy issues, most at a substantial cost. Considerable negotiation still needs to be performed in the areas of:

- Recycled materials recovery rates.
- Performance guarantees.
- Recovered materials market guarantees.
- Facility cost.
- Project purchase arrangements.

Although the Selection Committee had concerns regarding what they perceived to be a minimal response at best, it recommended that the City Manager be authorized to negotiate with BFI provided some parallel efforts were conducted concurrent with the BFI negotiations. It is intended that these efforts provide the City Council with reasonable policy alternatives to the BFI proposal and ensure no loss of time for the City if a successful contract cannot be concluded with BFI. These parallel efforts would have staff identify alternatives to a successful contract with BFI, and establish timelines for implementing these alternatives. Staff would also reassess previous siting studies to determine the present availability of previously identified sites and, if necessary, by identify a new site(s) that meet the City's needs.

Negotiating Team


The City negotiating team is comprised of Jack Crist, Deputy City Manager; Tom Friery, City Treasurer; William Carnazzo, Senior Deputy City Attorney; Betty Masuoka, Director of Finance; Reginald Young, Deputy Director of Public Works; and the consultant firms of BVA and Hawkins, Delafield and Wood. The negotiating team proposes to meet with BFI twice each week, every other week. Periodic status reports on these negotiations will be given to the Council in executive session.

If successful contract negotiations cannot be completed by March 3, 1992, staff will terminate these negotiations. Concurrent with the above negotiations, staff will initiate CEQA initial study process on alternative sites for the project, including BFI's Elder Creek site.

MBE/WBE

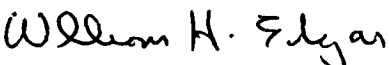
To the extent that City MBE/WBE policies are applicable to the construction and operation of the MRF, these policies will be applied.

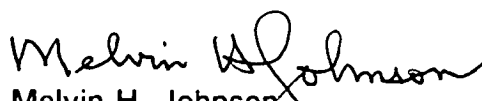
Respectfully submitted,


Reginald Young
Deputy Director of Public Works

Recommendation Approved:

Approved:


Walter J. Slipe
City Manager


Melvin H. Johnson
Director of Public Works

Contact for More Information:
Reginald Young, Deputy Director of Public Works
449-5283

FOR COUNCIL MEETING OF:
December 10, 1991

RESOLUTION NO.

91-984

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
DEC 10 1991
OFFICE OF THE
CITY CLERK

**RESOLUTION AUTHORIZING THE CITY MANAGER TO
ENTER CONTRACT NEGOTIATIONS FOR A
MATERIALS RECOVERY FACILITY, IDENTIFYING ALTERNATIVE
PROJECTS AND PROJECT SITE LOCATIONS**

BE IT RESOLVED BY THE CITY COUNCIL OF SACRAMENTO THAT:

1. The City will enter into contract negotiations with Browning-Ferris Industries (BFI) to site, construct, and operate a materials recovery facility (MRF) for the City. The negotiations will start on January 6, 1992. If a mutually agreeable contract is not developed by March 3, 1992, the negotiations will cease.

The contract to be negotiated must reflect the policy positions in Resolution No. 91-330 dated May 14, 1991. To that end, the contract must have progressive recycling goals, substantial performance guarantees (including recovery and marketing), and a reasonable price. Additionally, BFI must demonstrate a willingness to resolve issues rapidly and provide marketing assurances consistent with its national marketing agreements.

2. City Department of Public Works shall identify alternatives to entering into the above-mentioned agreement with BFI and present them to the City by March 3, 1992, concurrent with negotiations.

The alternatives to be considered will include separate contracts for operations and construction with the option of selecting separate vendors for each portion of the work, City versus private operations of the facility, a rebid of all or a portion of the project, City development of all or a portion of the project, and establishment of a joint powers authority (JPA) between the City and County of Sacramento to develop the project.

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RESOLUTION NO.: _____

DATE ADOPTED: _____

3. City Department of Public Works shall initiate, on behalf of the City, facility siting separately from the MRF negotiations.

City directed siting work will enable the City to compare its alternatives and also comply with CEQA siting procedures. Alternative project sites will be identified and a project initial study will be undertaken. Alternative project sites will be presented to the City by March 3, 1992. The site proposed by BFI will be included among the project site alternatives.

MAYOR

ATTEST:

CITY CLERK

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DATE ADOPTED: _____