

CITY OF DALY CITY

City Council Special - CITY COUNCIL

AGENDA

Monday, November 17, 2014 - 7:00 PM

For those wishing to address the City Council on any Item on the Agenda or under Public Appearances/Oral Communications, please complete a Speaker Card located at the entrance to the Council Chambers and submit to a Staff Member as early in the meeting as possible.

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the City Clerk at 991-8078 as soon as possible.

CALL TO ORDER:

Minutes:

The meeting was called to order by Mayor Canepa at 7:00 P.M.

7:02 PM

PLEDGE TO THE FLAG:

ROLL CALL:

APPROVAL OF AGENDA:

Minutes:

Councilmember Torres requested to move appointments before the consent agenda.

It was moved by Councilmember Torres, seconded by Councilmember Guingona and carried to approve the agenda, as amended.

7:03 PM

CONSENT AGENDA

All items listed on the Consent Agenda are considered to be routine and may be approved by one roll call vote of the City Council. There shall be no separate discussion of the matters on the Consent Agenda unless requested by a member of the City Council. If discussion is required, that item will be removed from the Consent Agenda and will be

AVAILABILITY OF PUBLIC RECORDS:

All public record to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the City Clerk's Office, City Hall located at 333 90th Street, Daly City, CA during normal business hours, at the same time that the public records are distributed or made available to the legislative body.

considered separately at the end of the Agenda.

Resolutions:

1. Commending Carol L. Klatt on the Occasion of Her Retirement

It was moved by Councilmember Torres, seconded by Councilmember Buenaventura to adopt Resolution No. 14-195, Commending Carol L. Klatt on Her Retirement

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)

END OF CONSENT AGENDA

PUBLIC HEARINGS:

2. Selection of Franchisee and Sub-Contractors for Solid Waste, Recyclable and Organic Materials Collection and Post-Collection Services

Staff:

Martel

Recommended Action:

Open/Close Hearing

Adopt Resolution

Roll Call

Minutes:

City Manager Patricia Martel gave a presentation on the review of the Request for Proposal (RFP) process to identify a potential new franchisee for solid waste, recyclable and organic materials collection and post-collection services for the City.

Ms. Martel provided a report to the Council in conjunction with the evaluation report prepared by HF&H, the City's consultants. She explained the basis for her recommendation stemmed from being part of the process to select a new franchisee, as well as relying on the industry expertise of HF&H.

The City Manager proceeded to outline the background for undertaking the RFP process by discussing the history with the current franchisee, Allied Waste. The July 1, 2015 expiration date of the City's agreement with Allied Waste formed the basis for the consideration of how the City should proceed after that date.

According to Ms. Martel, from her experience in the 15 years of working in the City, Allied's diversion services have been less than satisfactory. In 2007, the City was issued a compliance order, because it failed to meet the established guidelines by the State to improve its recycling and diversion rates. The City ordered Allied, to address the

compliance order or face potential monetary penalties for defaulting. The city then negotiated an amendment with Allied for expanded diversion services, which resulted in a garbage rate increase of nearly 40% for the average residential customer. The reason people believe Daly City had the lowest garbage rates in the Peninsula is because it was not offering the service necessary to improve its diversion rate.

In 2006, three notices of default were issued by the City to Allied Waste due to a number of deficiencies including but not limited to 1) refusal or inability to perform residential service pick-up in a thorough and professional manner, 2) failure to adequately respond to City's direction to provide additional and improved recycling services, and 3) failure to provide an adequate labor force to provide services and maintain collection equipment in good repair at all times.

Ms. Martel continued by reporting that the City conducted a performance audit of Allied in 2007 and found that the quality and performance of collection and customer service needed to be brought into alignment with industry standards. The services offered by Allied are generally consistent with industry practice with the exception of food waste collection. Allied is ineffective in achieving broad-based residential recycling participation and, as a result, the City's diversion levels are substantially less than those of neighboring cities, as shown in the evaluation report table by HF&H. Disposal goals, for example, are not being achieved in either per capita or per employee pounds.

To comply with State mandates, Ms. Martel emphasized it is imperative that the City have effective implementation in management of waste diversion services to meet the City's needs. By increasing its diversion rate, Daly City, the largest city in the county, has the potential to make a huge positive environmental impact and be a more environmentally sustainable city. Outreach must be extended in order to get residents to recycle more effectively.

Ms. Martel reported that three proposals from companies with experience in San Mateo County were received for collection services. They were: Allied Waste Services, Recology, Inc., and South San Francisco Scavenger (SSFS). The City Manager then introduced Robert Hilton and Peter Deibler of HF&H Consultants, LLC to discuss the RFP process and selection process and provide more details on the individual proposals.

For consideration, Mr. Hilton presented the Council with two contracts from Allied and Recology. The first main objective was to significantly increase the diversion from what is currently occurring under the Allied contract. A second objective was to have services that are cost effective. These objectives were achieved under both proposals. As a result, the City can expect more service and more diversion at relatively lower cost.

Mr. Hilton proceeded to give a summary of the evaluation report. HF&H and the City initiated the competitive process to maximize competition of ideas and cost. The consultants did not proceed with SSFS due to the significantly higher cost than the other two proposers. Compared to SSFS, the other two proposals were also able to better identify greater efficiencies.

Mr. Hilton listed the post-collection proposals submitted by each collection contractor. He pointed out that it would be more efficient for the collection contractors rather than the City to manage the sub-contractors.

Under key collection services, Mr. Hilton discussed the expansion of the materials that can be recycled as well as diverting food waste materials. Under diversion services, he cited good public education, technical assistance, community engagement, and school programs as necessary components for success.

In terms of outreach and education, Mr. Hilton reported that Allied and Recology have slightly different approaches. What is unique with Recology is how the company looks at waste composition. Recology will focus on right-sizing so they can gauge the best level for customers based on their personal waste compositions. Their experience in the City of San Francisco, which has a similar environment to Daly City, would also give Recology an advantage. In addition, Recology will increase the volume of the recycling containers to 96 gallons so people are not constrained.

Mr. Hilton continued his report by explaining that HF&H laid out a schedule for both companies on the steps leading to the contract presentations to the Council. It was their motivation to get the best proposal from Allied for a 15-year deal. They hoped to get a proposal from Allied in a timely manner to allow them to get those terms into the contract. According to Mr. Hilton, the response that was received from Allied did not contain sufficient information to work on a 15 year contract with Allied. Hence, HF&H were able to do a 10-year deal with Allied, and a 15-year deal with Recology.

Mr. Hilton went over the increasing rates of diversion over the course of the contracts for both companies. Specific diversion guarantees provided for in the contract would lead to money being withheld from the franchisee and they would be penalized if they default on those guarantees. He gave a description of the rate impacts for each company during rate period 1 (years 1 & 2), rate period 2 (years 3 & 4), and rate period 3 (years 5 & 6).

In each case, Mr. Hilton stated, there will be a state of transition. Therefore, strong contract management will be required, and consequently, the City will have to oversee the contractor during this period.

In conclusion, Mr. Hilton reported that in both cases, Daly City will see an improvement in services to the city, higher levels of diversion, and lowered costs. He summarized the pros and cons of selecting each company as follows:

If Recology is chosen, Daly City will 1) achieve higher levels of diversion, 2) gain Recology's experience of being successful with a comparable environment (San Francisco), 3) pay less for services, and 4) see a transition in changing contractors.

If Allied is chosen, Daly City will 1) have a proposal supplemented by a Municipal

Services Manager contract management and contract compliance, 2) have the advantage of not changing contractors, 3) see lower levels of diversion, and 4) accept higher costs for service.

Ms. Martel thanked Mr. Hilton for his overview. She reiterated that the third proposer, SSFS, was removed based purely on cost. In this competitive process, the City could only match the financials provided by Recology and Allied.

Ms. Martel noted that Allied's cost proposal for services at Ox Mountain Landfill resulted in a less than competitive process. Allied proposed an unreasonable price, a rate more than 60% higher than the current disposal rate, to be offered to companies (other than Allied) to dispose of City-generated materials at that landfill. Thereafter, the collection and post-collection services proposals were combined to provide the most cost-effective services for the City.

One of the highlights being offered by both proposals, as reported by Ms. Martel, is the ability to have vacation holds on garbage service, something that was lacking and a source of consternation amongst the community. Under both proposals, there will also be more curbside recycling opportunities which the City does not currently provide. Small containers will be provided to the residents for the diversion of organic materials i.e. food scraps. Recology, in particular, is offering the larger blue recycling containers ensuring they have adequate space for recyclable materials which are not currently being diverted at a high rate. Recology's proposal is guaranteed to increase diversion in Daly City by nearly 50%.

Discussion ensued with Ms. Martel reporting that the Best and Final Offer (BAFO) process was intended as an opportunity to propose additional benefits to enhance their offer and at the same time reduce the overall costs. Although the contract terms are a bit different, Recology's offer provides the best value to the City that could be obtained from each respective company. Allied Waste's total cost remains approximately 4% higher than Recology.

Based on the detailed evaluation and analysis by HF&H, in conjunction with input from staff, it is staff's conclusion that Recology is the company most capable of delivering the required results. Reasons listed by Ms. Martel included: national recognition of Recology's commitment to diversion, Recology's long term success and experience in San Francisco, Recology's proactive approach in improvements to waste management, and Recology's reduction of current costs initially by 6%.

Ms. Martel reported that activities associated with contract negotiations and the drafting of a new franchise agreement have no impact on the General Fund. The Franchisee will reimburse the cost of the HF&H for assisting with the RFP process and negotiations.

In terms of rate impact, the City Manager assured Council that staff is prepared to answer any questions about the potential rate adjustments required as a result of the

increases anticipated over the course of the life of these agreements.

Ms. Martel reported that an executed memorandum of understanding (MOU) with the draft Franchise Agreement has been provided from both Recology and Allied and are attached to this report for the Council's review. Based on the foregoing, Ms. Martel recommended that Council select Recology as the new Franchisee and authorize City Manager to execute a final Franchise Agreement. The staff and HF&H have also provided an alternative for Council's consideration, allowing for a contract with Allied Waste.

In closing, the City Manager said she would be available to provide any further information needed by Council.

Evan Boyd, Division Manager for Allied Waste, addressed comments made during the staff and consultant reports. He assured Council that, since that time, seven years ago, Allied has changed management and adjusted its efforts for continuous improvements in its services to the City. He felt that the schedule given to them by the consultants changed during the course of the selection process.

Mr. Boyd began his presentation for Allied Waste by highlighting their proposal which included lower costs and improved diversion through public education and outreach. He stated their proposal is the most environmentally responsible and offers the greatest local benefits. Mr. Boyd addressed the Ox Mountain Landfill issues which were brought up during staff's report.

According to Mr. Boyd, Allied's proposal is the most environmentally responsible due to the following: 1) new CNG vehicles at the start, 2) an estimated 100,000 less miles travelled annually, 3) the Allied facility produces 300% less greenhouse gases than the alternative, and 4) the proximity of its infrastructure reduces vehicle emissions. Mr. Boyd reported a projected savings of more than fourteen million dollars would be made over the life of the contract if Allied is chosen as franchisee.

Mr. Boyd pointed out that Allied customers have shown their support, and Allied, in turn, has shown its support to the Daly City community and groups such as Seton Hospital, the Pilipino Bayanihan Resource Center, and Pollicita Middle School. Allied has launched several new school lunch composting programs and host an annual free Earth Day drop-off event.

In conclusion, Mr. Boyd stated that Allied has provided a high level of customer satisfaction, there will be no transition risks by choosing Allied, and rates will be reduced through June 2017.

Mike Sangiacomo, President and CEO of Recology, presented a brief history of his company, including the origins of the company's ethics of recycling. He gave an overview of their operations and pointed to the fact that Recology is 100% owned by its employees.

According to Mr. Sangiacomo, Recology's service highlights include: to greatly

increase diversion, improve service, improve collection efficiency, and provide education and community service. To accelerate and double the current recycling rate (to 49%) in Daly City, Recology proposes to use larger recycling carts (96 gallon). In particular, there will be a significant increase in the amount of organics (i.e. food scraps) being diverted by tripling that number. Recology proposes to enhance commercial food scrap collection and introduce multi-family and commercial customers to right-size recycling by visiting those sites and understanding what wastes they generate.

According to Mr. Sangiacomo, customer service and public education are two very important elements in his company. Recology showcased their current programs including school tours, a junior recologist program for young people, internship opportunities, and their 25-year art program, which lets artists scavenge through Recology's materials in public disposal.

Because some of Recology's employees are Daly City residents, Recology has been active in the community service to Daly City. Some highlights presented by Mr. Sangiacomo included their work with employees in raising money for victims of Typhoon Haiyan and their participation in Make a Difference Days in Daly City.

In conclusion, Mr. Sangiacomo closed with Recology's vision for Daly City and its resources. Recology is a company that sees "a world without waste" and wants to help Daly City achieve that vision.

Doug Button, President of South San Francisco Scavenger and Blue Line Transfer, expressed disappointment in his company not being recommended to the Council for the collection work. Mr. Button expressed concern over what he felt were inaccuracies in the consultant's report, as well as the RPF and selection processes.

The following individuals expressed support for Allied Waste to be chosen as the franchisee for the city:

**Manufou Anoi, resident
Marie Brizuela, representing Elaine Francisco
Sonia Reyes, resident
Mary Connell, on behalf of Seton Medical Center
Kendra Langer, resident
Marian Mann, resident
Norman Gordon, resident
Charles Tallerico, resident
Pamela DiGiovani, resident
Bradley Roxas, resident
Pastor Winiel Pechardo, Harvest Baptist Church
Pastor John Grussi, Peninsula Christian Fellowship
Ron Foy, resident
Sandra Gordon, resident
Sharon Keenan, resident**

Linda Townsend, resident
Richard Rochetta, Hillside Homeowners Association
Individual, name not stated, resident
Josephine Leong, resident
Richard Brugger, resident
Rick Vaccaro, Vice Mayor of Fairfield
Cristina Morales, resident
Dana Smith, resident
Vaughn Jones, President of COHRA
Bill Stipinovich, resident
Jeannene Minnix Kingston, Allied Waste Recycling Representative
Ernie Misa, resident
David Jay, Broadmoor Property Owners Association
Ron Falcon, Allied Waste

The following individuals expressed support for Recology to be chosen as the franchisee for the city:

Nancy Broussard, resident
Ron Conway, resident
Ousmane Sy, resident
Lillian Mirandi, resident
Carol Edgar, Recology Consultant
William Miranda, resident
Jose Gonzalez, resident
Kit Soto-Isidro, resident
Joaquin Aragon, resident
Rocio Lopez, resident
Juan Hercules, resident
Melanie Hildebrand, business owner
Carol Conroy, resident
Lynne Shubunka, resident
T.C.G., resident
Javier Medina, resident
Daniel Urista, resident
Jeff Ira, former Mayor of Redwood City
Val Ishii, resident
Phuong Trinh, resident
Jose Francia, resident
Taylor Emerson, San Francisco Parks and Recreation
Tracey Fecher, Community Gatepath
Henry Demeter, resident

The following individuals requested a postponement on the vote for this item. Reasons cited included but were not limited to: the lack of a public forum, the lack of opportunity for community input, and the insufficient amount of time given to Council to

read, analyze and discuss the reports:

Charles Tallerico, resident
Sylvia Alvarez-Lynch, Original Daly City Protective Association
Dana Smith, resident
Cyn Thompson, resident
Gloriann Jones, resident
Bill Stipinovich, resident
Judith Christensen, Councilmember-elect
Ray Keenan, resident, voiced concern over the large size of garbage containers.

Mayor Canepa thanked the speakers and supporters on both sides of the issue for their enthusiasm and attentiveness to this process.

7:09 PM

It was moved by Councilmember Buenaventura, seconded by Councilmember Torres to open the public hearing.

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)

At 9:55 PM, it was moved by Mayor Canepa, seconded by Councilmember Torres to extend the meeting beyond 10:00 PM.

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)

It was moved by Vice Mayor Klatt, seconded Councilmember Torres to close the public hearing.

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)

PUBLIC APPEARANCES/ORAL COMMUNICATIONS:

NOTE: Speakers are limited to two minutes, unless modified by the Mayor. The Council cannot take action on any matter raised under this item

APPOINTMENTS: Board/Commission Membership Committee Appointments

Minutes:

Appointments were taken before the Consent Agenda.

7:00 PM

It was moved by Councilmember Torres, seconded by Councilmember Buenaventura and carried to appoint Norman Rizzi to the Arts & Culture Commission with term expiring November 17, 2018.

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)

REPORTS:

3. Council Committee
4. City Council
5. Staff

ADJOURNMENT:

It was moved by Mayor Canepa, seconded by Councilmember Buenaventura at 10:55 PM to continue the meeting to the following day, Tuesday, November 18 at 6:00 PM.

Passed For: Carol Klatt, Raymond A. Buenaventura, David J Canepa, Michael Guingona, Sal Torres; Against: (None); Abstain: (None); Absent: (None)