



Agenda Item No. _____

File Code No. 630.01

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: January 27, 2009
TO: Mayor and Councilmembers
FROM: Finance Department, Environmental Services Division
SUBJECT: Change Order Request For Solid Waste Rate Study Consultant

RECOMMENDATION:

That Council approve a change order of \$15,000 to Professional Services Agreement No. 378865 with Skumatz Economics Research Associates, Inc., bringing the total contract to \$38,930.

DISCUSSION:

In fall 2008, as part of the Business Sector Recycling effort, Environmental Services Division staff hired Skumatz Economics Research Associates (SERA) to perform a rate study for the business sector. The rate study is now well underway and is expected to be finalized in February, at which time the results will be presented to the Solid Waste Committee and subsequently to City Council.

The primary purpose of the rate study is twofold: (1) to establish new rates for the planned implementation of a Foodscrap Recovery and Composting Program in the business sector on July 1, 2009; and (2) to provide greater financial incentives for businesses to divert more recyclable materials from landfill disposal. In addition, the rate study would also allow the City to resolve certain anomalies in existing rates that create disincentives for businesses to recycle.

City staff has been working closely with the City's two refuse haulers on the rate study. SERA has built an econometric model that is designed to allow varying rate scenarios depending on desired diversion targets, while ensuring adequate revenues are generated to ensure revenue neutrality.

After a few months of work, it has been determined that more time will be needed of the project team, including the consultant, SERA, to bring the project to completion. As a result, approval of a change order in the amount of \$15,000 is being requested.

The additional time and cost for this project is due to several factors. First and foremost, the rate model being developed is highly complicated and unlike rate models developed by other agencies. As such, it required building a completely new model rather than customizing an existing one.

Another factor is the inherent nature of any rate model, which is to predict the impacts of varying rates on recycling habits of businesses, requiring that many assumptions be built into the model. This has required a great deal of time for the project team to arrive at a consensus on the model's various elements and assumptions – more time than originally expected. In addition, the project has been expanded to include pricing for the Foodscraps Recovery and Composting Program, developing hauler incentives, and several other factors. Initial results from the model also indicated errors in the data on subscription levels and, as a result, had to be replaced several times.

Based on the factors noted above, we estimate an additional 122 hours will be required of SERA to complete the project, at a cost not to exceed \$15,000.

BUDGET/FINANCIAL INFORMATION:

Approval of this change order would bring the contract to \$38,930. The entire contract, including the change order, will be funded from existing appropriations specifically budgeted for rate studies.

PREPARED BY: Stephen MacIntosh, Environmental Services Supervisor

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office