

**HF&H CONSULTANTS, LLC**

**SCOPE OF WORK AND FEE ESTIMATE TO PROVIDE SOLID WASTE AND  
RECYCLING CONTRACTING SERVICES**

**CITY OF SANTA BARBARA**

**PROJECT BACKGROUND**

The City of Santa Barbara (City) currently receives collection services under separate agreements with Allied Waste Services (“Allied”) in Zone 1 and Marborg Industries (“Marborg”) in Zone 2. The agreements expire June 7, 2013. The Marborg agreement provides the company with an extension option. The Allied Waste Agreement does not. The City seeks an experienced solid waste consultant in order to assist the City through a competitive procurement of a new solid waste collection agreement for services provided in Zone 1 serviced by Allied Waste beginning June 8, 2013.

Each hauler provides exclusive residential and commercial collection services within their zones. Obtaining a new agreement with enhanced services through a competitive process in half of the City presents certain challenges. For example, different rates and/or services proposed for Zone 1 may necessitate negotiations with Marborg for service or rate changes in Zone 2, City-billing of blended rates, or other remedies to standardize rates and services City-wide, if that is the City’s goal. Alternatively, services and/or rates could be different in each zone.

There have been many regulatory and other industry developments in the solid waste field since the current agreement was drafted. As part of this contracting process, we will identify service improvements and provide new contract language so that the City’s agreement addresses changes in the City’s needs, and reflect current solid waste industry practices. A few of these issues that cities must now consider include:

- Air Resource Board regulations and other vehicle requirements;
- Commercial and multi-family recycling services;
- Collection of electronic and other universal waste;
- Sharps collection (i.e. syringes);
- Large venue event recycling; and,
- Proposition 218 issues.

Additionally, we understand that the City is interested in the feasibility of:

- Door-to-door HHW collection (the City currently relies on a regional drop-off location open Saturdays);

- Textile recycling;
- Food waste diversion; and,
- Other programs to increase recycling.

HF&H has provided services to jurisdictions throughout the State and has assisted clients with similar issues. We can provide the City with the expertise and assistance that the City needs for a successful process.

## **PROJECT INITIATION**

In November 2010, the City retained HF&H to:

- Profile the current solid waste agreement requirements against updated service options and contract terms;
- Analyze key contracting strategy options;
- Meet with City staff and the City to discuss the existing and alternative services and terms; and,
- Meet with Sustainability Committee to review contracting options.

The above work was completed and we met with the Sustainability Committee on February 28, 2011. The following scope of services describes the workplan to complete the City's competitive procurement process.

## **HF&H APPROACH**

HF&H offers the City full service competitive contracting assistance, as described in the work plan below. Each of HF&H's clients have different service and contract needs, which we work with each city to address. All of our clients have the same desire for a smooth process, which we offer through our program outlined below.

## **WORK PLAN**

The following work plan is for conducting a competitive procurement. This section is organized as follows:

Task 1: Determine City's Collection Needs & Develop Contracting Strategy

Task 2: Prepare and Issue Request for Proposals

Task 3: Review and Evaluate Proposals

Task 4: Negotiate With Top Ranked Contractors, and Prepare a New Agreement with Selected Contractor for City Council Approval

## **TASK 1: DETERMINE CITY'S COLLECTION NEEDS & DEVELOP CONTRACTING STRATEGY**

### **Subtask 1A: Initiate Project**

HF&H has already completed the following tasks:

- Reviewed existing background documents including the city's existing franchise agreement and solid waste rate schedules.
- Discussed the existing and alternative services with City staff on January 6, 2011 and February 2, 2011.
- Met with Sustainability Committee on February 28, 2011 to discuss contracting strategy options.
- Prepared the project plan and analysis of the current agreement.

### **Subtask 1B: Define Scope of Services and Confirm with City**

The purpose of this task is to define the scope of the solid waste services to be proposed upon in the RFP package. HF&H has performed a preliminary review of existing service methods in the City. We will prepare for a subsequent meeting with the Sustainability Committee to review potential key service enhancements and contract terms. HF&H will meet with the City's Sustainability Committee to discuss these options and answer questions. The Sustainability Committee may subsequently make recommendations to the City Council, and if requested we will attend the City Council meeting to answer questions when the Sustainability Committee's recommendations are considered.

### **Subtask 1C: Gather and Review Operating Data**

We will collect any data available regarding the current services provided. We will prepare data collection forms to assist the City and/or hauler in providing additional information in a user-friendly format. As the City provides all billing services, the City will be able to provide much of the key service data.

It has been our experience that when proposers are confident about the accuracy of operating data contained in the RFP, they propose lower rates and include fewer contingency costs. Collecting data in this manner also may uncover additional issues, such as poor reporting or service issues that we would address in the new agreement.

## **TASK 2: PREPARE AND ISSUE REQUEST FOR PROPOSALS**

### **Subtask 2A: Prepare draft RFP and agreement**

Based on the information and direction received in prior tasks, we will prepare the draft RFP, agreement, and criteria to be used in evaluating the proposals received.

**Subtask 2B: Revise RFP and agreement once, after review by the City Attorney, other City staff and potential proposers**

We will submit the draft RFP and agreement to City staff, City Sustainability Committee, the City Attorney, and potential proposers for review. We will provide a list of potential proposers to the City. After City staff, the Sustainability Committee, and the potential proposers have reviewed the documents and provided us with their written comments, we will confer with City and make appropriate revisions once to these documents. The draft agreement is included in the RFP as an attachment. The City Attorney is requested to make any changes directly to the documents in a strike-and-replace format.

HF&H works at developing proposer interest in the City's RFP process from the beginning of the project. Seeking input on the agreement from potential proposers can not only lead to a better contract, but also assists in generating proposer interest. Some cities issuing RFPs have recently failed to receive a sufficient number of proposals. HF&H has consistently obtained for its clients multiple quality proposals in response to each RFP.

**Subtask 2C: Attend meetings with City regarding RFP package**

If necessary after parties have reviewed the draft documents, HF&H will attend one meeting with the City Sustainability Committee, City Manager, and/or City Attorney to discuss suggested revisions.

**Subtask 2D: Attend Council meeting to approve RFP package**

HF&H will attend one City Council meeting at which the City Council will approve the RFP and draft agreement. We recommend that contact between proposers and the City be controlled through "Process Integrity Guidelines" and will suggest methods to do so, based on City staff and City Council's desired level of interaction with proposers. We will make a presentation, if requested, and answer questions. Once the RFP and the draft agreement have been approved by the City Council, they can be distributed to potential proposers. We will provide the City with a list of potential proposers with whom we are familiar.

**Subtask 2E: Prepare for and attend proposers' conference**

With City staff coordination, we will schedule a proposers' conference to be conducted shortly after release of the RFP. Potential proposers will have an opportunity to receive clarification of any issues and ask questions at this conference. We will also accept written requests for clarification, until a set deadline.

**Subtask 2F: Prepare addenda**

We will prepare written responses to questions posed at the proposers' conference, or submitted in writing, and prepare any necessary addenda arising from issues posed at the proposers' conference. All questions and responses shall be made available to all proposers in attendance at the conference.

We find that proposers will often have last minute questions while finalizing their proposals a day or two before they are due. We arrange our personal schedules to ensure that we always have project staff available to answer last minute questions.

### **Subtask 2G: Development of a Proposal Evaluation Team**

The City will select a proposal evaluation team to review the proposals. The City's selection of this team may also be made earlier in the process.

## **TASK 3: REVIEW AND EVALUATE PROPOSALS**

### **Subtask 3A: Review proposals for completeness**

We will perform an initial review of each proposal submitted for compliance with the City's RFP requirements and disregard substantially incomplete proposals.

### **Subtask 3B: Evaluate complete proposals**

The specific criteria for which we evaluate the complete proposals will be developed using input received from City staff and the City Council. Based on our experience in other cities, we anticipate evaluating the proposals based on the following criteria:

- Experience of the proposers in providing the requested services in other jurisdictions, based on information contained in their proposals;
- Exceptions taken to the terms and conditions of the draft agreement;
- Proposed total compensation (rate revenue) over the term of the agreement, based on the rates included in the financial section of the proposal;
- Financial resources of the proposers, based on information in their proposals; and,
- Unique proposal features that exceed the RFP's minimum requirements.

Proposals received in each RFP process present unique issues to be evaluated. For example, our success in assisting cities in reducing rates can result in lower City fee revenue for cities that assess fees based on gross receipts. The City receives a 5% City billing fee, a 2% gross receipts fee, and a 6% utility users tax. In such instances, a "lump sum fee" increased annually by CPI may be more appropriate, or the fee percentage may need to be increase to generate historical fee levels.

### **Subtask 3C: Prepare follow-up questions for proposers**

After performing our initial review and evaluation, we will provide each proposer with our summary evaluation of the company's individual proposal in order to confirm our understanding of the information presented in the proposal.

### **Subtask 3D: Review responses and clarify unresolved issues**

We will review responses received from proposers and resolve any open issues to help ensure that proposers are satisfied with the representation of their proposals.

### **Subtask 3E: Meet with staff to discuss preliminary evaluation**

We will meet with the City's evaluation team regarding our preliminary evaluation and discuss the next steps in the evaluation process, such as selecting the proposers to be interviewed.

### **Subtask 3F: Interview proposers**

Along with the City's evaluation team, we will interview the proposers, scheduling all interviews on one day. The City may decide to interview all proposers, or interview companies with the top proposals only

### **Subtask 3G: Contact references for recommended proposer**

We will contact references provided for the proposer to be recommended to the City Council for award of the agreement. We will summarize the results of the reference checks within the evaluation report.

### **Subtask 3H: Prepare evaluation report**

All proposals receive a preliminary evaluation. A detailed evaluation is performed of the one or two proposals that appear to offer the most value for the services and costs proposed. Additionally, we will review the overall reasonableness of the operational and financial assumptions contained in the technical section of the proposals selected for detailed evaluation. After our evaluation is complete, we will provide the City with a report describing the evaluation results.

## **TASK 4: NEGOTIATE WITH TOP RANKED CONTRACTORS, AND PREPARE A NEW AGREEMENT FOR CITY COUNCIL APPROVAL**

### **Subtask 4A: Participate in negotiating session**

HF&H will participate in a negotiation session with one or more haulers. Based on our prior experience, final negotiations can usually be completed during one session per proposer, and the fee estimate includes costs for one session with one proposer. However, the City may prefer to negotiate with multiple proposers at this time, as multiple proposals may appear attractive prior to finalizing the agreement(s). Proposers are most cooperative when they are still in competition. After finalizing negotiations, we would then assist the City's evaluation team in its determination of a final selection. If the City desires to negotiate further with the final selection, we would assist in those negotiations as well.

### **Subtask 4B: Prepare revised portions of agreement**

Based upon the negotiations, we will make one set of revisions to the final agreement negotiated with each proposer and ask each proposer to sign the agreement. The City can then make a decision based on clearly defined contract terms, verses general promises often made in proposals and during negotiations. Also, at award, neither the successful nor unsuccessful proposers can debate what was or was not the final offer to the City.

### **Subtask 4C: Attend one City Council meeting for approval of final agreement**

We will attend the City Council meeting at which the final agreement is expected to be approved.

## **TASK 5: TRANSITION ASSISTANCE (OPTIONAL TASK)**

After award of the new solid waste collection agreement, the City and contractor will need to undertake numerous tasks in order to ensure a smooth transition. HF&H has assisted cities

through this process to minimize disruption to ratepayers and to ensure programs are properly implemented in a timely manner. Services with which we can provide assistance include:

- Development and Monitoring of Detailed Transition Calendar

During the transition, it is critical that key tasks are completed by certain dates. We develop a detailed calendar and monitor all parties' compliance in meeting deadlines. Examples include dates for ordering and delivering equipment, for initial and final drafts of each public education piece to be delivered and edited, community workshops, and Proposition 218 noticing (if applicable). If a new hauler is selected, parties will need to meet and establish key transition dates for exchange of information and container delivery and removal.

- Review and Revision of All Public Education Materials

Transition materials prepared by the contractor may not be sufficient to simply and productively provide customers with the information necessary. For example, a recent RFP client of ours distributed what appeared to the city to be a well laid-out informational piece from an experienced hauler, with a return card for the selection of residential cart sizes. The mailer did not include sufficient information on certain cart selection options, and other public education efforts did not sufficiently educate residents as to their cart selection options, resulting in the hauler needing to order additional cart types and sizes after the initial roll-out, and replace numerous customers' carts at an increased expense. Another recent RFP client is having HF&H monitor and help manage the transition, in which we have assisted in revising public outreach materials to ensure their clarity and effectiveness.

- Evaluating the Reasonableness of Contractor Plans

We have guided RFP clients regarding the reasonableness of its contractor's assumptions for the time necessary to roll-out new containers and how best to coordinate a container exchange without a disruption in service to the customer.

- Conducting Public Workshops
- Attending City Council Meetings
- Assistance with Proposition 218 Notice Development and Public Hearings
- Conducting Meetings with the Contractor and City Staff
- Providing City with Customer Service Support
- Reviewing and Amending the Municipal Code for Consistency with New Agreement
- Monitoring Contractor Compliance With Agreement Terms During Transition, including remittance of applicable fees and attainment of insurance and performance surety.

These optional services are not included in the proposed scope, but can be provided on a time and materials basis.

## COMPETITIVE PROCUREMENT SCHEDULE

The current agreement expires on June 7, 2013, providing ample time for a thorough process and a smooth transition, including time for ordering equipment and conducting public education.

**Table 1: Competitive Procurement Schedule**

<b>Activity</b>	<b>Party</b>	<b>Target Date</b>
1. Approve consulting agreement	City Council	March 15, 2011
2. Meet with City staff and Sustainability Committee to confirm service options	HF&H and City	April 2011
3. Provide requested operating data	Haulers and City staff	April 2011
4. Review City billing data and hauler operating data	HF&H	May 2011
5. Prepare preliminary RFP and draft agreement	HF&H	June/July 2011
6. Seek input from: City staff, Sustainability Committee, and City Attorney	City, HF&H	August/September 2011
6. Seek input from potential proposers.	Potential Proposers	October 2011
7. Prepare revised RFP and draft agreement	HF&H	November 2011
8. Present RFP package to Council for approval, and distribute to proposers	City, HF&H	December 2011
9. Prepare proposals	Proposers	January/February 2012
10. Submit proposals	Proposers	March 2012
11. Evaluate proposals	City, HF&H	April/May 2012
12. Contact references and finalize evaluation	City, HF&H	June 2012
13. Select contractor(s) for negotiations	City	July 2012
14. Conduct negotiations and resolve exceptions to agreement	HF&H/City/ Proposer	August/September 2012
15. Consider negotiated agreement for approval	City Council	October 2012
16. Order equipment	Contractor	November 2012
17. Outreach Campaign - Prepare and distribute educational materials, conduct informational meetings and prepare for transition	Contractor	November 2012 through May 2013
18. Initiate rollout of new service	Contractor	June 8, 2013



## FEE ESTIMATE

We will perform the scope of work based on time and materials. The estimated total cost to perform the workplan tasks is \$110,200, excluding the optional transition assistance in Task 5. Our actual costs could be higher or lower than this amount, depending on the complexity of the City's contracting process, the number of proposals to be evaluated, the number of negotiation sessions required, and other factors that cannot be precisely estimated in advance. The estimated level of effort by task is summarized below and hours may be shifted among tasks.

The proposed cost includes preparation of the RFP, gathering operating data, soliciting proposals, conducting a pre-proposal conference and issuing addenda, evaluating up to four proposals, and preparing and negotiating the final agreement with one proposer. The proposed cost assumes that one integrated residential and commercial RFP and collection service agreement is developed and a single set of services proposed. Should additional proposals beyond four be submitted, we estimate that the budget will increase by \$5,500 per proposal. If negotiations are conducted with more than one proposer, the additional cost shall be \$7,500 per company. If the City were to split the agreement into separate residential and commercial agreements, or seek a subsequent round of "best and final" offers after the proposals are submitted and evaluated, or request other changes to the scope of work, our fee estimate may increase.

The proposed scope of services does not include preparing the staff report that City staff will need to prepare to transmit various action items to the City Council during the process. The proposed scope does not include public education and outreach efforts during the RFP process, which we understand will be performed by City Staff, if necessary.

The scope does not include transition assistance after award of the agreement. However, HF&H can provide these services on a time and materials basis.

We will bill you once per month, based on the number of hours worked and expenses incurred. Payment is due within 30 days of invoicing. Hourly rates for professional and administrative personnel are listed below.

<b><u>Position</u></b>	<b><u>Rate</u></b>
President and Senior Vice President & Vice President	\$249
Senior Manager/Senior Project Manager	\$210 - \$225
Director	\$210
Manager	\$205
Senior Associate	\$165 - \$185
Associate Analyst	\$125 - \$145
Assistant Analyst	\$100 - \$115
Administrative Staff	\$90
Intern	\$45

Expenses will be billed as follows:

Mileage	Prevailing IRS mileage rate
Document Reproduction	\$0.15 per page (black & white)
	\$0.75 cents per page (color)
Outside document reproduction/couriers/postage	Actual
Public conveyances and parking	Actual
All other out-of-pocket expenses	Actual

In most of the competitive procurements we have conducted for other cities, the successful contractor is required to reimburse the City for its consulting costs. Based on the City's estimate that the existing hauler agreement is worth approximately \$8 million annually, the total value over 10 years would be \$80 million at current rates. Our fees are less than two-tenths of 1%.

### WORKPLAN

TASK DESCRIPTION	Sr. Vice President	Manager	Senior Associate	Total Hours
<b>1. Determine City's Collection Needs &amp; Prepare Contracting Strategy</b>				
A. Initiate Project				
	<b>Completed</b>			
B. Define Scope of Services and Confirm with City	28	25	4	57
- Finalize service recommendations and confirm with City staff				
- Meet with Sustainability Committee, document recommendations (mtg #1)				
- Present recommended services/terms to City Council (meeting #2)				
C. Gather and Review Operating Data	8	16	24	48
<b>Subtotal: Task 1 Hours</b>	<b>36</b>	<b>41</b>	<b>28</b>	<b>105</b>
<b>2. Prepare and Issue Request for Proposals</b>				
A. Prepare draft RFP and agreement	16	46	32	94
B. Revise RFP and documents once after review by City Attorney, other City staff, and potential proposers	8	16	0	24
C. Attend Council meeting to approve RFP package (meeting #3)	8	0	0	8
D. Prepare for and attend proposers' conference (meeting #4)	0	8	0	8
E. Prepare addenda	4	12	2	18
<b>Subtotal: Task 2 Hours</b>	<b>36</b>	<b>82</b>	<b>34</b>	<b>152</b>
<b>3. Review and Evaluate Proposals</b>				
A. Review proposals for completeness	1	4	0	5
B. Evaluate complete proposals (maximum of four)	16	40	24	80
C. Prepare follow-up questions for proposers	4	8	4	16
D. Review responses and clarify unresolved issues	4	8	0	12
E. Meet with City staff to discuss preliminary evaluation (meeting #5)	8	8	0	16
F. Interview proposers (meeting #6)	0	8	0	8
G. Contact references for recommended contractor	1	4	6	11
H. Prepare evaluation report	12	24	12	48
<b>Subtotal: Task 3 Hours</b>	<b>46</b>	<b>104</b>	<b>46</b>	<b>196</b>
<b>4. Negotiate Final Agreement and Prepare a New Agreement</b>				
A. Participate in one negotiating session (meeting #7)	8	8	0	16
B. Prepare revised portions of agreement	8	16	0	24
C. Attend Council meeting for approval of final agreement (meeting #8)	10	10	0	20
<b>Subtotal: Task 4 Hours</b>	<b>26</b>	<b>34</b>	<b>0</b>	<b>60</b>
<b>Manage Project and Prepare Workpapers - Task Hours</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>6</b>
<b>Total Hours</b>	<b>148</b>	<b>263</b>	<b>108</b>	<b>519</b>
<b>Hourly Rate</b>	<b>\$ 249</b>	<b>\$ 205</b>	<b>\$ 165</b>	
<b>Subtotal Expenses</b>	<b>\$ 36,852</b>	<b>\$ 53,915</b>	<b>\$ 17,820</b>	<b>\$ 108,587</b>
<b>Total Fees and Expenses</b>				<b>\$ 1,613</b>
				<b>\$ 110,200</b>