



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: May 3, 2011

TO: Mayor and Councilmembers

FROM: Environmental Services Division, Finance Department

SUBJECT: Professional Services Agreement For Zone 1 Hauler Franchise Renewal

RECOMMENDATION: That Council:

- A. Authorize the Finance Director to negotiate and execute a Professional Services Agreement, in a form acceptable to the City Attorney, with HF&H Consultants, LLC, in an amount not to exceed \$110,200 for competitive contracting assistance; and
- B. Appropriate \$110,200 from the available reserves of the City's Solid Waste Fund to cover these contract costs and direct staff to require any successful Zone 1 Hauler to reimburse the City for these costs as part of the franchise agreement to be awarded.

DISCUSSION:

Background

Since 2003, the City has had two "zones" for solid waste collection and disposal in the business, multi-unit residential, and single family residential sectors. The City's franchise contract with Allied Waste Services of North America, LLC (Allied Waste) for solid waste collection in Zone 1 will expire on June 7, 2013. A zone map is attached as Attachment 1.

These are the two largest contracts the City has with a private vendor. Collectively, the haulers are paid over \$15.5 million in City rate payer funds for these services. The cost of these services is funded entirely through the solid waste rates which the City charges to its residents and businesses.

Staff is recommending professional support from HF&H for the procurement, evaluation, and negotiations processes (Attachment 4). HF&H Consultants, LLC, is a respected firm that has assisted with hundreds of similar procurement processes. Staff was been impressed by the responsiveness and professionalism of HF&H staff. Council members and the public can review HF&H's qualifications on their website:

<http://www.hfh-consultants.com/contract-services.html>

The use of professional services by public agencies in solid waste hauler franchise negotiations is almost universal given the importance and complexity of the services involved, changes in solid waste management practices and related technologies, the high level of industry regulation, and the significant financial commitments involved. A 10-year franchise agreement for Zone 1 would be expected to encompass over \$80 million in consumer services paid to the hauler over a 10-year franchise.

When staff first made its recommendation on November 23, 2010, Council approved an interim contract with HF&H of \$10,000 and directed staff to meet with the Sustainability Committee to discuss the remainder of the contract further. Staff, together with Laith Ezzett from HF&H, met with the Sustainability Committee and received unanimous support from the Committee for the contract with HF&H in a reduced not-to-exceed amount of \$110,200. Staff returned for approval from the full Council on March 22, 2011. At that time, Council directed that staff return for reconsideration after the County of Santa Barbara had announced the results of its procurement process.

Recent Procurements at Goleta and County

Council wished to consider the outcome of the recent procurement process conducted by the County of Santa Barbara, and also the sole source negotiations that the City of Goleta conducted with MarBorg Industries. Over many weeks, staff has reviewed both agencies' applicable documents, viewed video of related meetings, and met personally with the key staff involved in both processes.

County of Santa Barbara

The County officially began its procurement process in July 2009. In September 2010, the County released an RFP for 8-year contracts for three of its five solid waste collection zones. Only the three proposers currently providing services to County customers were allowed to submit proposals: Allied Waste, MarBorg Industries, and Waste Management. Each proposer was required to submit a base proposal for any zone in which it wished to compete, and was allowed to submit alternative proposals.

County staff worked with two consultants during the procurement process, one to assist with the RFP process and draft the franchise agreements, and another to assist with the evaluation of the proposals, for a total professional services cost of approximately \$80,000 for the 8-year franchise contracts valued at \$7.4 million per year. In addition, two County staff members worked virtually full-time (a manager at over 70% and a high level professional at 100% of time) on this project for over a year and a half. According to County staff, the consultants' services were essential to their effort, and the consultants demonstrated their worth by, among other things, catching several major errors in the proposals.

Results were presented to and approved by the County Board of Supervisors on April 4, 2011:

- Zone 2, covering the area immediately north of Goleta & Santa Barbara (\$1.6M) went to MarBorg Industries. This will be a change from the current service provider, Allied Waste.
- Zone 4, covering the Santa Ynez Valley and Lompoc area (\$2.6M), and Zone 5, covering the unincorporated area surrounding Santa Maria (\$3.2 M), went to Waste Management, Inc. Waste Management already services customers in these zones.

A summary of the County's proposal rankings is included in Attachment 2 and a summary list of key contract elements is included in Attachment 3.

City of Goleta

The City of Goleta opted to conduct sole source negotiations with MarBorg for collection services in the area north of Hollister Avenue (adjacent to the County's Zone 2) beginning in July 2011. This area is currently serviced by Allied Waste. Goleta's agreement with MarBorg for its other collection area, south of Hollister, will not expire until 2019. Goleta opted to consolidate under a single hauler and negotiate benefits with MarBorg that would apply to the whole City, something that would not have been possible if the north area remained with Allied Waste or another hauler.

Though Goleta did not conduct an RFP process, they did use a consultant for negotiations with MarBorg. The contract amount was \$60,000. Goleta staff indicated to City of Santa Barbara staff that their use of the consultant was key in understanding the financial elements during the negotiations process. Goleta will receive a one-time contract administration fee of \$75,000 from MarBorg to help offset the City's costs associated with the procurement

The agreement will be for 8 years, with an option for a two year extension upon mutual agreement. A summary list of key contract elements is included in Attachment 3. The Goleta City Council approved its new agreement with MarBorg on April 5, 2011.

Professional Procurement Support

As discussed, it would be extremely unusual not to use professional procurement support for this process.

What follows are the three primary functions of the consultant services, and related notes.

1. To Provide Specialized Expertise Not Available Through Existing Staff Resources

- It is not uncommon for franchise agreements to be renegotiated only once or twice during the entire career of a local agency's solid waste staff. HF&H, on the other hand, has negotiated hundreds of solid waste contracts, many very recently.
- While City staff has a great deal of expertise in managing waste hauling contracts and designing diversion programs, they do not run a hauling business, a transfer station, or a landfill, nor are they experts in the details and economics of the solid waste collection business.
- HF&H will help staff to determine the true cost implications of various changes to services levels and to predict migration between service levels that may be triggered by such changes and result in significant revenue impacts.

2. To Supplement Existing Staff to Allow Division Staff to Continue to Perform Other Responsibilities of the Division

- City staff is significantly smaller than County staff. It would not be practicable to dedicate two high level full-time employees virtually 100% of their time to this project for a year and a half, as the County did. Even with the use of a consultant, the project will require approximately 20% of a management position in the City Administrator's Office, 50% of the Environmental Services Manager's time, and 5% of the Finance Director's time. While there is other staff within the Environmental Services Division, they do not possess the expertise sought from HF&H.
- Other Environmental Services Manager responsibilities include the day-to-day oversight of the Environmental Services Division including current hauling and disposal operations within the City, diversion programs and education, analysis of regional conversion technology options, management of closed City landfills, etc.
- Staffing in Environmental Services is proposed to be permanently reduced by 1.5 full-time employees in Fiscal Year 2012. These positions are currently vacant.

3. To Provide an Outside and Objective Source to Help Ensure a Process That is Both Accurate and Fair to All Stakeholders
 - HF&H will provide a check by reviewing and analyzing the data and conclusions reached by City staff during the process and providing input; and
 - HF&H's independence and objectivity in local issues will add credibility to the results.

While staff believes there is a great deal that we can continue to learn from staff at the County of Santa Barbara and the City of Goleta, the City of Santa Barbara's process will need to be independent of these efforts:

- The City of Santa Barbara has a different history, different services, different balances between residential and commercial customers, different topography, and different physical space constraints. Some of the issues will be similar to those faced by the County and Goleta; for example, whether and how to offer automated residential collection service (curbside) at a reduced rate. However, the application of the issues to our service environment will be unique.
- Other issues are ours alone; unlike the County and City of Goleta, for example, our rates include incentives for diversion and are not strictly cost-based, requiring special consideration in setting parameters for proposals.
- Staff also sees the potential to use this process to achieve unique City goals, such as moving to a bill-by-container system in order to improve the understandability of consumer bills, and/or developing a process to gradually move to a more equitable division of revenue between the residential and commercial sectors.
- Unlike the County and the Goleta, the City of Santa Barbara is involved in establishing, charging and collecting fees and must be mindful of the need to comply with Proposition 218.

The City used professional contracting services more than ten years ago, in 2001 when the last franchise procurement occurred, in total contract amounts of \$95,000 with IRI & Hanson Bridgett LLP. As discussed above, the County used two professional contractors (\$80,000) in its competitive process. The City of Goleta, which did not conduct a competitive process but engaged in sole source negotiations, used \$60,000 in services for just a relatively small portion of the scope of work that would be accomplished by HF&H. Both County and City of Goleta staff indicate that professional support services were of enormous value to them during their processes.

Alternative Support

Staff still believes that the level of support proposed is advisable to ensure that the result of this process is the most advantageous to the City and rate payers in terms of cost and service levels. However, if Council wishes to reduce the overall cost for

consultant support, staff recommends that the current proposed level of support for the RFP process be maintained (Tasks 1 and 2 on the scope of services outlined in Attachment 4) , and that staff assume more responsibility for the proposal evaluation and contract negotiation stages.

During these initial stages, changes to the scope of services will need to be determined in conjunction with the Sustainability Committee. The consultant will help us determine an approach to use to achieve any rate structure changes in a way that will be economically sound. We will need to gather operating data from the existing hauler and present it in a format that proposers can use to make accurate financial calculations. We will need to generate proposer interest, answer their questions, and develop process integrity guidelines to ensure that the process is fair and objective. The development and release of the RFP will involve the greatest need for consultant expertise and holds the most significant room for long-term unfavorable outcomes.

In this alternative approach, Council could authorize the Finance Director to negotiate an alternative agreement with HF&H staff for tasks 1 and 2 only in an amount not to exceed \$55,100 and staff would proceed with the RFP process. Once proposals are received, staff would evaluate the level of consultant support needed for the evaluation and negotiation phases and return to Council for further authorization, if necessary.

BUDGET/FINANCIAL INFORMATION:

Funding for the contract of \$110,200 will be appropriated from Solid Waste Fund reserves to the current operating budget to cover the contract costs. However, it is anticipated that the successful hauler will reimburse the City for these costs in full, so these funds will eventually be restored to reserves.

Overall, staff believes that ratepayers will receive significant net value from this contract.

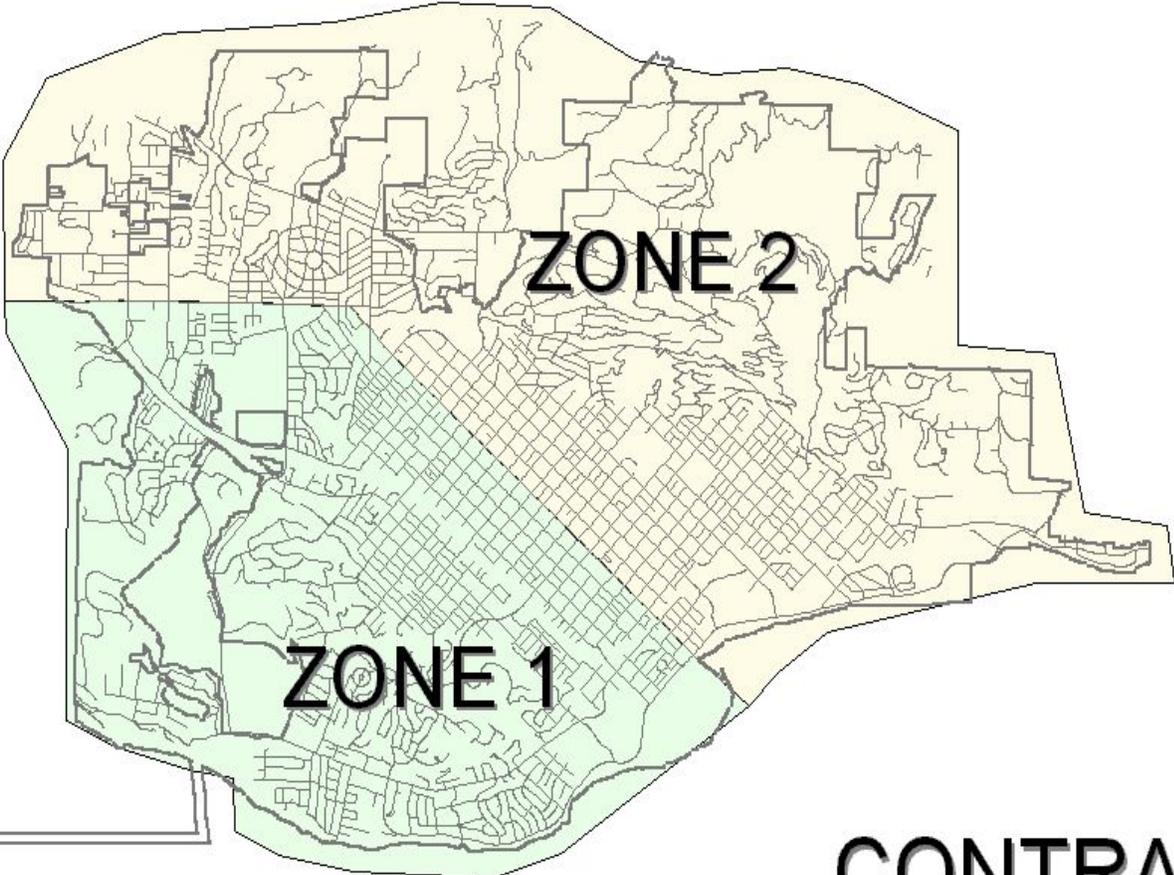
- ATTACHMENTS:**
1. City of Santa Barbara Solid Waste Service Zones Map
 2. Summary of County's Overall Rankings
 3. Summary List of Key Contract Elements
 4. Revised HF&H Consultants, LLC: Scope Of Work and Fee Estimate to Provide Solid Waste and Recycling Contracting Services

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SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office

City of Santa Barbara Solid Waste Service Zones Map



**CONTRACT
ZONES**

Summary of County's Overall Rankings Project Team Proposal Rankings

Zone 2 - Proposal Rankings					
Criteria	Allied	MarBorg	MarBorg - Alt.	Waste Management	Waste Management - Alt.
Quality Service - 35%	3	5	5	3	3
Cost Competitiveness - 35%	5	2.5	3	2	1.5
Innovative Diversion Programs - 15%	3	5	5	4	4
Other - 15%	4	5	5	3	3
TOTAL	77	82.5	86	56	52.5

Zone 4 - Proposal Rankings			
Criteria	Allied	Waste Management	Waste Management - Alt.
Quality Service - 35%	3	4	4
Cost Competitiveness - 35%	3.5	5	2.5
Innovative Diversion Programs - 15%	3	4	4
Other - 15%	4	4	4
TOTAL	66.5	87	69.5

Zone 5 - Proposal Rankings			
Criteria	Allied	Waste Management	Waste Management - Alt.
Quality Service - 35%	3	4	4
Cost Competitiveness - 35%	3.5	5	3.5
Innovative Diversion Programs - 15%	3	4	4
Other - 15%	4	4	4
TOTAL	66.5	87	76.5

Summary List of Key Solid Waste Contract Elements

County of Santa Barbara and City of Goleta

Draft Date: April 26, 2011

Note: The following is a list of new or noteworthy elements in the new agreements that have been identified by staff and is not meant to be a complete list.

County of Santa Barbara

Category	Key Element
Term	8 years, ending on June 30, 2019. Can be extended for up to 12 months by mutual agreement.
Rates	Residential rates will decrease by at least 10% depending on the service zone and service level. Commercial rates will decrease by at least 15% in Zones 4 and 5 with no significant decrease occurring in Zone 2. Estimated annual savings to rate payers of approximately \$350,000 in Zone 2, and over a combined \$2 million in Zones 4 and 5.
Residential Service	Automated refuse and green waste services will be standard in Zone 2 (adjacent to Goleta), rather than existing backyard service. Customers will need to pay an additional premium to keep backyard service. (Zones 4 and 5 already use automated collection)
Services to Other Zones	Many of enhanced services voluntarily extended by MarBorg to customers in Zones 1 and 3 at no additional cost. Zone 3 customers to be switched to automated service with rate reduction.
Residential enhancement	Additional recycling and green waste to homes with carts at no additional charge. Unlimited biweekly recycling collection for cart customers. 96 gallons of green waste collected weekly.
Residential enhancement	Tags for customers that allow up to 6 bags of additional green waste to be used by homes throughout the year, as needed.
Residential enhancement	Up to 96 gallons each of additional refuse and recycling collection for 2 weeks following the winter holidays left in bundles, boxes or cans next to the regular carts.
Residential enhancement	Twice a year collection of bulky items (offered only once a year now).
Residential enhancement	Curbside collection of special waste such as batteries (collected biweekly in baggies left on top of recycling carts) and electronic waste (2 times per year together with bulky waste)
Residential enhancement	Free Medical Sharps Containers And Disposal: via addressed, postage paid mailing container (hypodermic needles, lancets, etc.).
Residential enhancement	Collection of illegally dumped material up to 10 tones or 40 requests per year, whichever comes first.
Diversion	Specific diversion from landfill requirements by zone (50% of material collected in Zone 2, 45% in Zone 4, and 40% in Zone 5). For the most part, current diversion exceeds these requirements.
Public Services	Provision of refuse and recycling collection from all County facilities located in the unincorporated area.
Administrative	Enhanced data collection and reporting abilities through updated software.
Penalties	Expanded liquidated damages.
Sustainability	Use of CNG vehicles for the collection fleet (exceeding California Air Resources Board requirements).
Sustainability	Santa Barbara County Green Business Certification for the company offices.

City of Goleta

Category	Key Element
Term	8 years, ending on June 30, 2019, with the option of a single, 2-year extension upon mutual agreement of the parties, and upon MarBorg meeting certain performance goals. Coordinates with anticipated expiration of County's contract with MarBorg for County.
Rates	On average, single family residential rates will be 20% lower, Multi-family residential rates will be 22% lower, and commercial rates will be 5% lower than current rates. Estimated annual savings to rate payers of approximately \$700,000.
Rates	Competitive Rate Guarantee to ensure that initial rates in the Goleta will be equal to or lower than rates for similar services in the adjacent County Collection Zone 2.
Residential	Automated refuse and green waste services will be standard, rather than existing backyard

Service	service. Customers will need to pay an additional premium to keep backyard service.
Residential Service	Three levels of standardized service, based upon 32, 64, or 96 gallon refuse carts. Included in each service level, is a 96-gallon recycling cart collected every-other-week, and a 96-gallon green waste cart, collected weekly. Customers may request additional recyclable and green waste carts at no additional charge.
Residential enhancement	Free Household Battery Collection placed in a plastic zip lock bag, on top of the recyclables cart during collection day.
Residential enhancement	Free Medical Sharps Containers And Disposal: via addressed, postage paid mailing container for delivery to a processing facility (hypodermic needles, lancets, etc.).
Residential enhancement	Unlimited collection of e-waste (computers, televisions, etc.) and white goods (large appliances, water heaters, etc.) in addition to existing two annual on-call curbside collections of bulky items upon customer request.
Residential enhancement	Expansion of bulky item collection to multi-family customers (apartments, trailer parks, condominiums).
Residential enhancement	MarBorg to maintain a local buy back center, ABOP (anti-freeze, battery, oil and paint) and e-waste collection facility open to Goleta residents without charge
Residential enhancement	Provides for the implementation of possible future diversion and recycling programs, such as mandatory commercial recycling and commercial food scraps program
Public Services	Refuse and recyclables collection to City facilities, including City Hall, the Goleta Library, the Community Center, the Stow House and the Railroad Museum at no charge
Public Services	Refuse collection from identified public street and bus shelter receptacles at no charge
Public Services	Refuse collection from City parks and open spaces designated by the City at no charge
Public Services	MarBorg will provide portable sanitation facilities to park and open space locations designated by the City.
Public Services	MarBorg will provide solid waste/recycling and portable sanitation services to City-sponsored events including the Lemon Festival, Fiesta Ranchera, and the Stow House & Girsh Park Independence Day celebrations.
Public Services	MarBorg will provide bins and/or roll-off boxes for community cleanup events up to 6 times annually, at City request.
Public Services	On-call collection of up to 15 tons annually of abandoned solid waste discarded in the public right-of-way or at locations identified by the City.
Public Services	Free solid waste and recycling collection for all public schools located within the City
Revenues	Increase of Franchise Fee from 2% to 5% to offset reduction in revenue to rate decreases.
Diversion increases	MarBorg to increase the combined residential and commercial diversion within the City by approximately 23% by the end of the term with the majority coming from an expected 75% increase in commercial diversion, assisted by the implementation of a mandatory commercial recycling program.
Employment Continuance	MarBorg committed to hiring qualified Allied employees who are displaced as a result of the change.
Other	Reduced rates will reduce the City's income from its 8% solid waste program fee and its 2% franchise fee. To offset this loss of income, City raised franchise fee to 5%. MarBorg will pay City contract administration fee of \$75,000 to offset the City's costs associated with the procurement.

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

Activity	Party	Target Date
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.

<u>Position</u>	<u>Rate</u>
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
1. Determine City's Collection Needs & Prepare Contracting Strategy				
A. Initiate Project				
	Completed			
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
Subtotal: Task 1 Hours	36	41	28	105
2. Prepare and Issue Request for Proposals				
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
Subtotal: Task 2 Hours	36	82	34	152
3. Review and Evaluate Proposals				
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
Subtotal: Task 3 Hours	46	104	46	196
4. Negotiate Final Agreement and Prepare a New Agreement				
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
Subtotal: Task 4 Hours	26	34	0	60
Manage Project and Prepare Workpapers - Task Hours	4	2	0	6
Total Hours	148	263	108	519
Hourly Rate	\$ 249	\$ 205	\$ 165	
Subtotal Expenses	\$ 36,852	\$ 53,915	\$ 17,820	\$ 108,587
Total Fees and Expenses				\$ 1,613
				\$ 110,200