



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council **Item No.** _____

FROM: City Administrator

SUBJECT: Residential Refuse and Recycling Rate Increase and Agreement Term Extension

MEETING DATE: October 2, 2018

RECOMMENDATION:

City Council to authorize staff to issue a Request for Proposals (RFP) to ensure that the City is getting the best service at the most competitive prices for its waste hauling services.

ANALYSIS:

The current agreement between the City of Commerce and Calmet for residential refuse and recycling services which also includes servicing City facilities is nearing the end of a 5-year term. The agreement is due to expire June 30, 2019.

The City Council authorized a 4-year extension on July 17, 2018 pursuant to the contract terms which also allow for an annual review of service and rates. The contract allows the Contractor to request (1) a rate adjustment annually in writing based on CPI for an amount not to exceed 5% and (2) landfill disposal cost (tipping fee) increases. The contract indicates that the "City and Contractor will negotiate in good faith to reach an equitable adjustment in the service and/or contract rates." After further review, the City Attorney has recommended that it would be in the best interest of the public and best practices to issue a Request for Proposals or RFP as the City has no record of ever having done that in the last 25 years that Calmet or Metropolitan Waste (which Calmet bought out) having the contract in the City of Commerce. The City Council can still opt to continue with the extension if it makes a determination that Calmet is the best entity for this service but nonetheless City Staff did want to advise the City Council of this concern.

BACKGROUND:

On March 22, 2018, Calmet sent a letter to the City proposing to continue providing the same level of service to the City with a request for a 10-year term extension with a self-renewing clause. Staff subsequently met with Calmet to discuss the proposal. In their letter, Calmet also requested that the City include all multi-family units as part of the residential contract. Staff cannot recommend a long-term self-renewing contract in the best interests of the City. Shorter term contract periods tend to retain a higher level of service

and City satisfaction. The Council may provide staff direction regarding negotiating an extension Calmet's current agreement, or as staff recommends, direct staff to issue a Request for Proposals (RFP) from among the commercial haulers for commercial refuse and recycling services.

As a matter of clarification, the residential contract currently includes servicing all residential units and multi-family up to 4 units. Multi-family units with 5 or more units are considered commercial accounts as an industry standard and are included in the RFP currently out to bid for commercial refuse and recycling services. Calmet currently has commercial accounts including multi-family units with 5 or more and intends to submit a proposal in response to the RFP issued for commercial refuse and recycling service.

On April 30, 2018, Calmet sent the City a letter requesting a rate increase of 8.03% (3.62% based on the Consumer Price Index [CPI] and 4.41% attributable to landfill tipping fee disposal costs increases). Staff analyzed Calmet's rate increase request and determined that while a rate increase may be an equitable adjustment based on CPI and landfill tipping fee increases, staff is not able to recommend approval of the requested 8.03%. However, staff recommended Council approve a 5% increase, if Calmet was agreeable, Calmet was and this is now in effect after Council approval. A 5% increase, increased the current \$61,420.17 to \$64,491.18 per month charge for services retroactive to July 1, 2018, with the annual obligation of \$773,894.16.

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

FISCAL IMPACT:

Would be determined either at the conclusion of the RFP process or when an extension agreement is brought forth to the City Council for approval.

RELATIONSHIP TO STRATEGIC GOALS:

This item is related to a specific 2016 Strategic Goal to "create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues."

Approved by: Maryam Babaki, Director of Public Works and Development Services

Prepared by: Gina Nila, Deputy Director of Public Works Operations

Reviewed by: Vilko Domic, Finance Director

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator