

122

7/24/01

DEPARTMENT OF
ADMINISTRATIVE SERVICES

CITY OF SACRAMENTO
CALIFORNIA

5730 24TH STREET
BUILDING FOUR
SACRAMENTO, CA
95822-5699

PROCUREMENT SERVICES DIVISION

July 16, 2001

PS:Admin:01-36:RBH:SA:bd

PH 916-433-6240
FAX 916-399-02

City Council
Sacramento, California

CONTINUED
FROM 07-24-01
TO 07-31-01

Honorable Members in Session:

SUBJECT: CANCELLATION OF BID/CONTRACT NO. 1829 FOR THE PURCHASE AND DISTRIBUTION OF RECYCLING CONTAINERS AND AWARD TO THE NEXT LOWEST RESPONSIBLE BIDDER, IN A TOTAL AMOUNT OF \$3,500,000.00

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

Staff recommends that the City Council cancel the balance of Bid/Contract No.1829 with RRS Industries, Inc., for the procurement and distribution of recycling containers, and award the contract to the next lowest responsible bidder, Environmental Delivery Services, Inc., P.O. Box 1156, Windsor, CA 94501, in a total amount of \$3,500,000.00 to facilitate completion of the initial implementation of the commingled curbside recycling program and to allow for the purchase of replacement refuse containers during the contract period.

CONTACT PERSONS: Harold Duffy, Solid Waste Manager, 433-4932
Steve Alstrom, Senior Buyer, 433-6343

FOR COUNCIL MEETING: July 24, 2001

SUMMARY:

This report recommends that City Council cancel the contract with RRS Industries, Inc. for the purchase and distribution of recycling containers, and award the balance of the contract to Environmental Delivery Services, Inc., the next lowest responsible bidder, to facilitate completion of the initial implementation of the commingled curbside recycling program.

BACKGROUND:

On November 28, 2000, the City Council awarded Bid/Contract No. 1829 to RRS Industries, Inc. in a total amount not to exceed \$5,000,000.00 for the purchase and distribution of recycling containers.

On April 12, 2001, the Solid Waste Division received a letter from RRS Industries, Inc., requesting a ten percent price increase, based on their increased costs of production and distribution due to higher resin and energy costs. While City staff was understanding of these increased costs, the provisions of the contract state that "no price changes are permitted during the first year of the contract". Thus, the request of RRS Industries for a price increase could not be granted, based on the provisions of the contract. However, in several subsequent conversations, meetings and items of correspondence with RRS Industries representatives, City staff addressed the price increase request, as well as issues related to contract performance. Because several performance concerns/discrepancies had occurred during Phase I of the project, staff explained that even if the provisions in the contract allowed for price increases, the City could not support such pricing concessions until RRS Industries, Inc. demonstrated that it could manufacture and deliver products that consistently meet the quality standards set forth in the contract. RRS Industries, Inc. was offered the opportunity to supply 10,000 additional containers as a control group designed to demonstrate to the Solid Waste Division that RRS Industries was capable of meeting contract requirements at maximum production output levels. On June 11, 2001, RRS Industries agreed to supply these additional containers. However, on June 20, 2001, their acceptance of the offer was rescinded, and RRS Industries requested that they be allowed to voluntarily withdraw from the balance of the contract without penalty due to the firm's financial difficulties.

To date, approximately fifty percent (about 60,000) of the recycling containers have been produced and distributed to City residents. Because the next phase of container delivery is scheduled to begin on August 20, 2001, there is not sufficient time for staff to solicit new formal competitive bids and still guarantee that implementation will not be delayed. Thus, in accordance with City Code Chapter 3.56, staff contacted the second lowest bidder, Otto Industries, Inc., to ascertain if they could adhere to all terms and conditions of their original bid and guarantee delivery of the containers as required by the City. They advised that they could not honor their bid prices, nor did they have the current production capacity to guarantee delivery to the City as required. Staff then contacted the third lowest bidder, Environmental Delivery Services, Inc. (EDS), a distributor for Toter Incorporated. EDS/Toter advised that they would honor their bid prices, honor all terms and conditions of the bid regarding warranty insurance and delivery penalties, and guarantee delivery to City residents as required beginning August 20, 2001, thus allowing implementation of the commingled recycling program to remain on schedule.

RRS Industries' total original bid was approximately twenty-four percent lower than EDS's original total bid. However, because fifty (50) percent of the containers have already been delivered by RRS, the total increase that will be incurred by the City is about \$494,000. City staff has contacted several container manufacturers, and has determined that the prices originally bid by EDS are consistent with current market pricing. Considering that resin prices have increased 25 percent since the bid opening last September, and that RRS Industries could not continue supplying containers at their bid prices, staff believes that the offer from EDS/Toter is both fair and reasonable, and that further competitive bidding would not result in more beneficial pricing. Therefore, staff recommends that the Council cancel the balance of the contract with RRS Industries, Inc., and award a contract to Environmental Delivery Services, Inc., the next lowest

responsible bidder, in a total amount not to exceed \$3,500,000.00 to facilitate completion of the initial implementation of the commingled curbside recycling program. This amount will also allow for the purchase of replacement refuse containers, which are also included in this contract.

FINANCIAL CONSIDERATIONS:

Sufficient funds have been budgeted for recycling container procurement in FY01/02 by the Department of Public Works in CIP No. YB52. In addition, funds are included in each year's Solid Waste Division budget for the purchase of replacement refuse and recycling containers.

ENVIRONMENTAL CONSIDERATIONS:

Ongoing administrative and maintenance activities, such as purchases of supplies, equipment or materials which are not made for purposes of a public works construction project, do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA). CEQA Guidelines, Sections 15061(b)(1), 15378(b)(3).

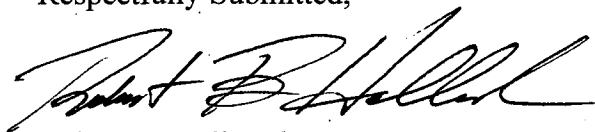
POLICY CONSIDERATIONS:

The recommendations in this report are in accordance with the provisions of Chapter 3.56 of the Sacramento City Code.

ESBE CONSIDERATIONS:

In the original solicitation for Bid No. 1829, requests for bid were sent to 22 vendors, three of which were identified as certified Emerging or Small Business Enterprises. Of the seven respondents, three were from E/SBE firms. RRS Industries, Inc., to whom the original contract was awarded, is a City-certified Small Business Enterprise. Environmental Delivery Services, Inc., the firm recommended for award in this report, is also a City-certified Emerging Small Business Enterprise.

Respectfully Submitted,



Robert B. Holbrook
Procurement Services Manager

RECOMMENDATION APPROVED:

ROBERT P. THOMAS
City Manager