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DEPARTMENT OF
PUBLIC WORKS

SOLID WASTE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
SUITE 500
SACRAMENTO, CA
95814-2715

ADMINISTRATION
PHONE 916-264-7043
FAX 916-264-7771

CUSTOMER SERVICE
PHONE 916-264-5757

November 17, 1997

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: WORKSHOP ON RECOMMENDATION FOR PROCURING A SOLID WASTE TRANSFER, TRANSPORT, DISPOSAL, PROCESSING AND RECOVERED MATERIALS DIVERSION SERVICE AGREEMENT

LOCATION and COUNCIL DISTRICT: City-wide

RECOMMENDATION: This report is for Council information and discussion. Action on the attached resolution is scheduled for December 9, 1997.

CONTACT PERSON: Reina J. Schwartz, Solid Waste Manager, 264-7043

FOR COUNCIL MEETING OF: December 2, 1997

SUMMARY:

This report recommends that the City Council hear and discuss an information report on the City's procurement process for a solid waste transfer, transport, disposal, processing and recovered materials diversion service agreement. At the evening meeting of December 9, 1997, the Council will be asked to approve a resolution which:

- ❖ Selects BLT Enterprises as the sole potential vendor for the City's solid waste transfer, transport, disposal, processing and recovered materials diversion service agreement; and
- ❖ Authorizes staff to complete negotiations with BLT Enterprises on final terms and conditions of the agreement; and
- ❖ Authorizes staff to prepare the necessary documentation, including environmental review, to allow the City Council to consider the final award of the agreement to BLT Enterprises.

COMMITTEE/COMMISSION ACTION:
None.

BACKGROUND INFORMATION:

In mid-1996, the City began the process of creating a long-term solution for managing its solid waste by issuing a Request for Proposals (RFP) to procure solid waste processing, transfer and disposal services. In early 1997, the Council took the next step in developing this long-term solution by short-listing three transfer firms and approving a second phase for the procurement process. On September 2, 1997, the City Council approved a second RFP and a draft of the service agreement to solicit best and final offers for solid waste recovery, transfer and disposal services. At that time, the Council further directed the City's contract team (consisting of City staff and expert consultants) to continue working with proposers to improve the terms of the agreement so that the best and final offers could contain the fewest exceptions possible. The best and final proposals were due to the City on October 9, 1997.

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 Revis

Best and final offers received. Approximately two days prior to the deadline for the best and final offers the City was notified that one of the three short-listed firms would not be submitting a proposal to the City. The firm, BFI, Inc. explained that their proposed cost per ton would be too high to be cost-effective for the City. At 4:00pm on the day that the proposals were due, the City received a sealed package containing a letter from one of the other short-listed firms notifying the City that they would not be submitting a best and final offer. That firm, California Waste Recovery Systems, explained that from their perspective the City's requirements would increase the risk of the project without sufficient financial incentive to participate.

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 Revis

The City did, however, receive an excellent proposal from BLT Enterprises, the third short-listed firm. It should be noted that the BLT proposal was submitted to the City before it was known that California Waste Recovery Systems would not be proposing. In summary, the best and final offer from BLT Enterprises is highly competitive and represents an agreement under which the City's costs will be nearly 10 percent less than if the City had accepted BLT's proposal in the first round of the process and less than the lowest cost proposal of any of the short-listed firms in the first round. The BLT proposal will result in savings to City ratepayers of \$1 million to \$1.5 million each year compared to current practices.

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 Revis

Service Alternatives. The RFP requested that proposers provide the City with a number of alternative components for the service agreement. The components are described in the table below.

Component Alternatives	Alternatives – Cost Ranges	Discussion
Transfer Station Site Facility Cost BLT 1 BLT 2 BLT 3 BLT 4	Sites 1, 2 and 4 represent the lowest cost alternatives in terms of potential location. Selecting BLT 3 would reduce the overall cost savings associated with a transfer station by about \$0.12 per household per month.	BLT 4 (corner of Florin-Perkins and Fruitridge roads) Among the three lowest-cost sites, BLT 4 has the least potential environmental impacts as described in the independent preliminary environmental assessment report completed by URS Greiner.

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Component Alternatives	Alternatives – Cost Ranges	Discussion
<p>Facility Construction</p> <p>Basic Construction</p> <p>Construction Upgrade to Concrete</p>	<p>Basic construction is the lowest cost alternative.</p> <p>Upgrading the construction to a concrete building and providing additional landscaping would reduce the overall savings of the agreement by \$0.12 per household per month.</p>	<p>While the basic construction alternative is the least costly, the upgraded construction alternative provides significant additional benefits in terms of aesthetics, durability and promotion of economic development. It should be noted however that both types of construction will be evaluated as part of the environmental review process and no final decision can be made until that review is complete.</p>
<p>Mode of Transportation to Disposal Facility</p> <p>Diesel truck</p> <p>Rail</p> <p>Alternative fuels truck</p>	<p>Diesel truck haul is the lowest cost alternative.</p> <p>Implementing rail haul would reduce the overall savings from the project by about \$0.03 per household per month.</p> <p>Alternative fuel trucks for long-haul would reduce the savings by about \$0.12 per household per month.</p>	<p>Across all of the alternative landfills, traditional diesel truck haul is the least expensive. However, since both the use of rail or the use of alternative fuel long-haul trucks have potential air quality and other benefits, all three transportation options are recommended for consideration as part of the environmental review process.</p>
<p>Landfill</p> <p>Roosevelt (Washington)</p> <p>Lockwood (Nevada)</p> <p>Potrero Hills (Calif.)</p> <p>B&J Dropbox (Calif.)</p>	<p>Lowest cost alternative is Lockwood landfill. Holding all other project components constant, use of an alternative landfill would reduce the amount of savings from the project by about \$0.24 to \$2.03 per household per month. In fact, using Roosevelt Landfill would increase the City's overall costs compared to the current situation.</p>	<p>Using any of the four landfills proposed will provide the City with secure, environmentally sound long-term solid waste disposal. Lockwood landfill is the least expensive disposal option for the City, even including the cost of transportation to the disposal site. In the independent environmental review of the landfills done by URS Greiner, Lockwood and Roosevelt landfills were the most highly recommended of the four landfills. The decision on which landfill should be chosen will be brought to the City Council in the next several months.</p>

Component Alternatives	Alternatives – Cost Ranges	Discussion
Initial Term of the Agreement 10 years 15 years 20 years	A 20-year initial term is the lowest cost alternative. Shortening the initial term would reduce the amount of savings from using a transfer station by about \$0.02 to \$0.06 per household per month.	The most favorable price proposal is for a 20-year initial term. However, a 20-year term may reduce the City's flexibility to respond to significant changes in the solid waste industry and in the region. Since the City's choice of initial term may depend on the final outcome of negotiations on terms in the agreement, it is recommended that the decision regarding the term be made at the time the completed contract is brought to the City Council for approval.
Total project	If the lowest cost alternative is chosen for each component, the project could save the City approximately \$1.5 million per year, resulting in savings of about \$1.18 per household per month compared to the current system. Even if other alternatives are chosen, the project will result in significant savings compared to current practices.	Preferred site: BLT 4 All other component alternatives will be brought back to the City Council for approval over the next several months or at the completion of the CEQA process.

Additional detail on the impact of specific service agreement components can be found in the table in Attachment A.

FINANCIAL CONSIDERATIONS:

The recommendations on preferred alternatives for the service agreement will provide the City significant savings relative to the current practice of hauling to Kiefer Landfill. Depending on the landfill chosen, the agreement could result in savings to the City in excess of \$1 million each year. This translates into savings of approximately \$1.00 per household per month over the entire period (up to \$240 per household over the term of the agreement). It should be noted, however, that the specific cost cannot be known until the project has successfully completed the CEQA process and the ultimate transfer and disposal sites have been chosen.

In addition, the City Treasurer was requested and has completed an in-depth financial quantitative and qualitative review of this project (see Attachment B). Briefly, the review concludes that:

- ❖ The financial net worth of BLT Enterprises and affiliate companies is substantial.
- ❖ The management staff of BLT Enterprises has in-depth experience in the design, construction and operation of transfer stations, solid waste operations and materials recovery facilities.

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- ❖ Although BLT Enterprises remains the only proposer after more than a year in the procurement process, the proposal by BLT is competitive and in the City's best financial interest.

While the project appears feasible, there are some financial risks to the City, including:

- ❖ The City's commitment to a "put-or-pay" agreement. Should the City not generate or be able to deliver the waste envisioned, the City would still be required to pay for any shortfall in tons delivered.
- ❖ Any subcontracts that BLT Enterprises enters into, such as a trucking company for hauling, could represent a financial risk to the City.
- ❖ The time risk as the process continues that could result in higher interest rates or higher construction costs and potentially raise the ultimate cost to the City.

In the view of the City Treasurer, these risks appear as normal business risks the City would face whether it operated such a facility by itself or if the City dealt with another operator. It is also the Treasurer's assessment that this project appears to have above-average financial prospects that should produce long-term savings for City residents.

ENVIRONMENTAL CONSIDERATIONS:

No decision on the City transfer station project or an agreement with BLT Enterprises can be made until the requirements of the California Environmental Quality Act (CEQA) are satisfied. A primary purpose of the action staff is recommending the Council take is to define a preferred project for purposes of the CEQA process. An environmental impact report (EIR) will be prepared for this project, and during the EIR process an appropriate range of alternatives to the project will be identified and analyzed. The EIR will include an analysis of different options for the transfer station site and mode of transportation to the disposal site(s). Only upon completion of the CEQA process and certification of the EIR by the Council may the Council consider whether to proceed with the proposed project and agreement with BLT.

POLICY CONSIDERATIONS:

One of the policy issues arising from this process relates to the ultimate capacity (tonnage) of the transfer station proposed. This issue will be addressed through the planning, permitting and environmental review processes, including analysis of different capacity alternatives.

A number of other policy issues relate to exceptions to the agreement language that were identified by BLT as requested in the RFP. Some of the most significant issues to be resolved in final negotiations include:

- ❖ Timing of development and construction milestones;
- ❖ Waste flow commitments (current and future); and
- ❖ Terms of project financing.

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Approval of the attached resolution at the Council meeting of December 9, 1997 will authorize staff to continue negotiations on the final terms of the agreement with BLT Enterprises. The agreement will ultimately come to the City Council for final approval after CEQA has been successfully completed.

MBE/WBE:

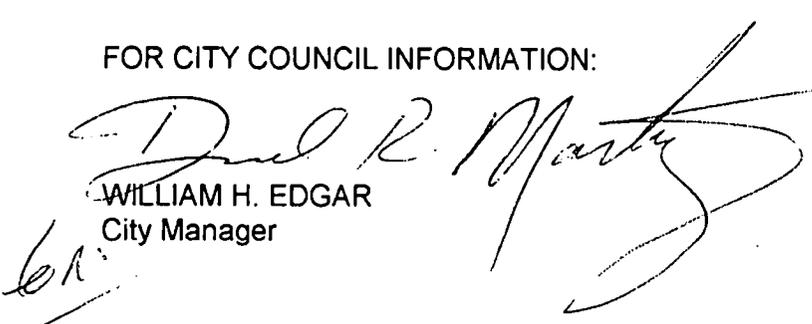
Since only one firm proposed, MBE/WBE preference points are not relevant for the ultimate award of the project. However, it should be noted that the BLT proposal makes a significant commitment to MBE/WBE subcontractors. The proposal identifies that for the entire project, BLT will spend in excess of \$2 million annually on MBE/WBE subcontractors. This is an amount equal to more than 40 percent of the revenues that BLT will receive from the City.

Respectfully submitted,



Reina J. Schwartz
Manager, Solid Waste

FOR CITY COUNCIL INFORMATION:



WILLIAM H. EDGAR
City Manager

Approved:



Michael Kashiwagi
Director of Public Works

DRAFT

RESOLUTION

SELECTING BLT ENTERPRISES AS THE SOLE POTENTIAL VENDOR FOR THE CITY OF SACRAMENTO'S SOLID WASTE TRANSFER, TRANSPORT, DISPOSAL, PROCESSING AND RECOVERED MATERIALS DIVERSION SERVICE AGREEMENT; AUTHORIZING STAFF TO CONTINUE NEGOTIATIONS WITH BLT ENTERPRISES TO FINALIZE THE TERMS OF THE AGREEMENT; AND AUTHORIZING STAFF TO PREPARE THE NECESSARY DOCUMENTATION, INCLUDING ENVIRONMENTAL REVIEW, TO ALLOW THE CITY COUNCIL TO CONSIDER THE FINAL AWARD OF THE AGREEMENT TO BLT ENTERPRISES

WHEREAS, the City of Sacramento is direct-hauling city-collected municipal solid waste to the Sacramento County Kiefer Landfill subsequent to the closure of the City Landfill; and,

WHEREAS, the direct haul of waste is inefficient and costly; and

WHEREAS, the Kiefer Landfill has limited permitted capacity based on current daily tonnage; and

WHEREAS, causing a transfer station to be built closer to the City's transportation centroid will result in a dramatic reduction in trip miles and an increase in collection efficiency; and

DRAFT

WHEREAS, the City Council short-listed three firms as potential vendors for a solid waste processing, transfer and disposal service agreement and suspended competitive bidding in this process in order to consider important factors such as environmental soundness and potential long-term liability to the City; and

WHEREAS, the City Council approved the distribution of a Request For Proposals to solicit "best and final offers" from the three short-listed firms to provide solid waste transfer, transport, disposal, processing and recovered materials diversion services; and

WHEREAS, the City received one best and final offer from BLT Enterprises consistent with the RFP issued; and

WHEREAS, BLT Enterprises proposes to locate a transfer station at the corner of Florin-Perkins and Fruitridge roads (referred to hereinafter as BLT 4); and

WHEREAS, the City Council is interested in considering further the location of the transfer station at the BLT 4 site, and in this regard, the Council is interested in having staff include the BLT 4 site as an alternative analyzed in the environmental impact report (EIR) to be prepared and presented to the Council for its use in conjunction with its future decision on the final award of the vendor agreement, and the location of the transfer station; and

WHEREAS, the City Council recognizes that no action may be taken to award the vendor agreement to BLT Enterprises or any other individual or entity, or to select the site of the transfer station, until environmental review as required by the California Environmental Quality Act (CEQA) has been completed;

DRAFT

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. BLT Enterprises is selected as the sole potential vendor for the City of Sacramento's Solid Waste Transfer, Transport, Disposal, Processing and Recovered Materials Diversion Service Agreement with whom the City shall negotiate further; and
2. Staff is directed to proceed with further negotiations with BLT Enterprises to finalize terms of an agreement to be brought to the Council for ultimate approval. No action may be taken by the Council prior to completion of the necessary CEQA review.
3. City staff is directed to prepare the necessary documentation, including appropriate environmental review, to allow the City Council to consider the ultimate award of the solid waste processing, transfer and disposal agreement to BLT Enterprises with BLT 4 as the site of the transfer station. It is agreed and understood that as part of the environmental review process, an appropriate range of alternatives must and will be considered, as required by CEQA Guidelines Section 15126 (d). By this resolution, the City Council is not committing the City to sign an agreement with BLT Enterprises nor to the location of the transfer station at site BLT 4, but rather is only committing the City to undertake the necessary environmental review to allow the City to consider such action at a future date.

MAYOR

ATTEST:

CITY CLERK

**ATTACHMENT A
COMPARISON OF SAVINGS
ALTERNATIVE OPTIONS FOR SOLID WASTE SERVICE AGREEMENT**

Measures savings associated with the proposed service agreement relative to continued direct haul to Kiefer.

ALTERNATIVES	SAVINGS			Amount more than lowest cost
	20-Year Total	Yearly	Per hh/mo	
LOWEST COST:				
BLT 4, Truck, 20-year, Lockwood, metal bldg.	\$31,044,092	\$1,552,205	\$1.18	n/a
Landfill				
BLT 4, truck, 20-year, Lockwood	\$31,044,092	\$1,552,205	\$1.18	\$0.00
BLT 4, truck, 20-year, B&J Dropbox	\$24,781,026	\$1,239,051	\$0.94	\$0.24
BLT 4, truck, 20-year, Potrero Hills	\$20,533,972	\$1,026,699	\$0.78	\$0.40
BLT 4, rail, 20-year, Roosevelt (rail only)	(\$22,570,230)	(\$1,128,512)	(\$0.85)	\$2.03
Site				
BLT 1, truck 20-year, Lockwood	\$31,025,640	\$1,551,282	\$1.18	\$0.00
BLT 2, truck, 20-year, Lockwood	\$31,038,037	\$1,551,902	\$1.18	\$0.00
BLT 3, truck, 20-year, Lockwood	\$27,898,703	\$1,394,935	\$1.06	\$0.12
BLT 4, truck, 20-year, Lockwood	\$31,044,092	\$1,552,205	\$1.18	\$0.00
Building Material				
BLT 4, truck, 20-year, Lockwood, metal building	\$31,044,092	\$1,552,205	\$1.18	\$0.00
BLT 4, truck, 20-year, Lockwood, concrete building	\$28,436,176	\$1,421,809	\$1.08	\$0.10
BLT 4, truck, 20-year, Lockwood, concrete & additional landscaping	\$27,962,009	\$1,398,100	\$1.06	\$0.12
Mode of Transport				
BLT 4, truck, 20-year, Lockwood	\$31,044,092	\$1,552,205	\$1.18	\$0.00
BLT 4, alternative fuel truck, 20-year, Lockwood	\$28,786,383	\$1,439,319	\$1.09	\$0.09
BLT 4, rail, 20-year, Lockwood	\$30,369,499	\$1,518,475	\$1.15	\$0.03
Initial Term				
BLT 4, truck, 10-year rate, Lockwood	\$29,477,210	\$1,473,861	\$1.12	\$0.06
BLT 4, truck, 15-year rate, Lockwood	\$30,477,427	\$1,523,871	\$1.15	\$0.02
BLT 4, truck, 20-year rate, Lockwood	\$31,044,092	\$1,552,205	\$1.18	\$0.00
Current System/Direct Haul to Kiefer Landfill	\$122,226,977			



OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

CITY OF SACRAMENTO
CALIFORNIA

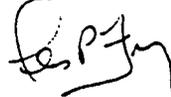
926 J STREET
SUITE 300
SACRAMENTO, CA
95814-2709

PH 916-264-5168
FAX 916-448-5159

November 21, 1997
F2340HNW.DOC

MEMORANDUM

TO: Reina Schwartz, Manager, Solid Waste

FROM: Thomas P. Friery, City Treasurer 

RE: Financial Considerations Summary - Solid Waste Transfer Report

The City Treasurer was requested and has completed an in-depth financial quantitative and qualitative review of this project. Very briefly, the review concludes the following:

- The financial net worth of BLT Enterprises and Affiliated Companies as well the principals Mr. Bernard Huberman and Daniel Rosenthal is substantial and in the moderate to mid 8 figure range, and
- The management staff of BLT Enterprises has in depth experience in the design, study, construction and operation of transfer stations, solid waste operations and materials recovery facilities, and
- One of the BLT companies actively pursues the design and siting of transfer stations and materials recovery facilities in California and is involved in a number of such projects presently including the City of Sacramento Transfer Station Agreement and
- The California Pollution Control Financing Authority has approved an Inducement Resolution for BLT financing of the Sacramento Solid Waste and Resource Recovery facility for an amount ranging between \$4.2 million and \$18 million supported by the City's "put or pay" contract for the City's solid waste, and

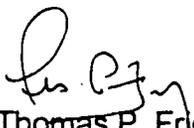
- Although BLT Enterprises remains the only proposer for the City's waste transfer project after the more than a one year process, the proposal is competitive and in the City's best financial interests because:
 - Depending on the project alternative selected by the City, the annual savings for this service should save City tax-payers between \$1 and \$1.5 million annually based on current City waste operations cost, and
 - The proposed range of \$29.25 to \$34.53 per ton City Tipping Fee (dependent on City alternatives selected) and operating costs projected are extremely competitive and favorable compared with the California State wide average of \$33.18 per ton, selected Bay Area average of \$44.08 per ton, and Sacramento County South Area Transfer Tipping Fees of \$44.80¹ per ton and
 - It appears that BFI withdrew their bid on this project because of business considerations which have them scaling back new projects, and
 - The withdrawal by California Waste Recovery Systems has been documented as resulting from "over regulatory City contract methodology resulting in unreasonable administrative burdens with little or no financial incentive." The Treasurer's review of this claim reveals that the BLT Oxnard facility is remarkably similar in design, waste composition, recovery goals and operating efficiencies to the requirements in the City of Sacramento's agreement. The Oxnard facility is profitable for BLT Enterprises and meets or exceeds the needs and expectations of Oxnard users and waste management staff of the City of Oxnard.
- The BLT Proposal is financially viable even under a base scenario where they receive only the City's current waste stream. Under the most optimistic scenario, the facility would receive the waste collected by the City plus 50% of the commercial waste in the City (most optimistic scenario). In addition as of this writing BLT has secured several different sites upon which the facility might be built and operations carried out. It is pointed out that between 11 and 89 full-time jobs will be created to operate the BLT operation. The sizing will be a function of the City's and others needs from the operation.

¹ As of July 1, 1997

- Although the project appears from a business perspective and users view as feasible, nonetheless there are financial risks to the City. Some of these risks are:
 - The City's inability to generate or to collect and deliver the City's waste to the transfer station as envisioned. Should the City not generate the waste envisioned, the "Put or Pay" contract will require payment for any short-fall in tons delivered.
 - Sub-contracts that will be entered into by BLT Enterprises (i.e. private truck companies or the railroad to remove waste from the station).
 - The time risk on not completing the CEQA process, selecting the site, building the facility and the passage of time increases the costs of the ultimate site, increases construction costs and may well result in higher interest rates, all of which will reduce the benefits to the City.

In the view of the City Treasurer (Treasurer), these risks appear as normal business risks the City would face whether it operated such facility by itself or if the City dealt with another waste transfer operator. It is the further opinion of the Treasurer that as a result of BLT's non-business interest in trash hauling, and its cost competitive structure, that private haulers in the City would more readily use this facility. Finally, the Treasurers assessment of the project is that the project appears to have above average financial prospects that should produce long-term savings for City residents. The Treasurer also believes the City should take a stronger role in negotiations as to "lenders rights" to assure the most cost efficient credit enhancement but more importantly to provide for City control in the unlikely event of financial troubles at the facility.

Respectfully Submitted,


Thomas P. Friery
City Treasurer

c: Mayor Joe Serna, Jr. and Members of Council
William Edgar, City Manager
David Martinez, Deputy City Manager
Mike Kashiwagi, Director, Public Works