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February 15, 2019

Mr. Jim Sandoval  
Assistant Public Works Director  
City of Salinas  
200 Lincoln Ave  
Salinas CA, 93901

**Subject: Strategic Assistance to the Solid Waste efforts of the City of Salinas**

Dear Mr. Sandoval:

R3 Consulting Group, Inc. (R3) is pleased to submit the attached proposal to continue assisting the City of Salinas in their efforts to maximize the level of service provided by Republic Services. The City is currently in a position to enhance every aspect of the quality of service provided to its customers, through collections, post-collections, and contractual opportunities and R3 is honored to aid the City in the difficult decisions ahead. The Task we have outlined in the following pages are interrelated but can be budgeted as stand-alone work tasks. We envision the final outcome to help guide the City in its strategic management of its solid waste collection, processing and disposal system. *Also, please note that the City should require Republic to pay for Task 2, Republic is required to pay for Task 4, and the City should consider requiring Republic to pay for Tasks 1 and 3 due to the importance to Republic if its long-term viability of remaining the City's franchised hauler.*

\* \* \* \* \*

We appreciate the opportunity to submit our proposal to the City of Salinas. Should you have any questions regarding our proposal, or need any additional information, please contact me by phone at (916) 782-7821 or by email at rterwin@r3cgi.com. As Principal at R3, I am authorized to contractually obligate R3 and negotiate contracts on behalf of the organization.

Sincerely,

**R3 CONSULTING GROUP**



Richard Tagore-Erwin | Principal

# Scope of Work

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## Task 1 Post-Collection Facility Options

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### Task 1.1 Post-Collection Facility Scenarios

R3 Consulting Group, Inc. will work with Republic to analyze and review various options for delivery and use of post-collection facilities (i.e. MRF, transfer, disposal, organics processing). Several scenarios will be developed to depict the potential impacts of facility selection including but not limited to comparative analysis of distances, average processing time of a collection vehicle through the facility via time-in-motion, and tonnage capacities and tipping fees for the facilities if the City's solid waste is redirected there. The cost analysis will take into account the requirements for "City Direction" as included in the Franchise Agreement (Agreement). Relevant facilities within a reasonable proximity to the City will be evaluated, including the option to remain as is.

The anticipated scenarios are as follows:

- Scenario A – Direct Haul to Monterey Regional Waste Management District (MRWMD)
- Scenario B – Direct Haul to Johnson Canyon Landfill (JCLF)
- Scenario C – Direct Haul Hybrid – MRWMD/JCLF
- Scenario D – Transfer from Madison Lane Transfer Station (Temporary Scenario: 6 mos. – 2 yrs.)
- Scenario E – Remaining in the Salinas Valley Solid Waste Authority – Joint Powers Association (SVSWA)

All of the above scenarios, with the exception of Scenario E, will include City debts and liabilities to SVSWA. Potential separation from the SVSWA will be examined in Task 3 below.

### Task 1.2 Review of GreenWaste Agreement between Republic and SVSWA

R3 will review the current green waste tipping agreement to ensure compliance of contractual obligations, as well as analyzing new requirements established in SB 1383 that must be met.

### Task 1.3 Comparative Rate Analysis

R3 will implement a comparative collection rate analysis of Republic versus the other haulers within Monterey County, including GreenWaste Recovery, Inc.; Waste Management, Inc. (WMI); and Monterey Disposal Service, Inc. The analysis may also include communities outside the county similar to Salinas. R3 will factor the following items into the analysis:

- Current direct-haul distances of the above collection companies vs. the distance Republic would direct-haul;
- The varying container tipping fees, processing fees, and other relevant fees associated with post-collection facilities for haulers; and
- Rate comparisons of the most common residential and commercial rate-categories (e.g., 32 gallon cart; 3 cubic yard bin).

#### **Task 1.4 Opportunity Cost Analysis**

R3 will evaluate the opportunity cost and potential economic development opportunity at Sun Street Transfer Station (SSTS).

#### **Task 1 Deliverables**

- Excel Rate Model depicting the projected impacts of selecting a particular post-collection facility, via several scenarios; and
- Rate impact options analysis report, including:
  - Comparison of Republic's residential and commercial rate structures relative to material types collected and tonnages generated;
  - Analysis of green waste agreement with Republic and SVSWA, including recommendations for actions, if needed;
  - Excel spreadsheet containing a comparative rate table of haulers, as described in Task 1.3; and
  - Results of the Opportunity Cost Analysis to be included in the Task 2.4 Summary Report.

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## **Task 2 SVSWA Options and Summary Report**

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#### **Task 2.1 City Alternatives to the SVSWA**

R3 will analyze the City's requirements and options if the City withdraws from the SVSWA documenting the City's regulatory requirements if it is not part of a regional agency. In the event that the City separates from the SVSWA, the City would inherit the regulatory requirements that the SVSWA provides. The City would need to establish accountability for the following:

- Waste Diversion reporting to CalRecycle, including managing:
  - Current requirements and logistics;
  - Future requirements; and
  - Reporting requirements other than Diversion.

Specifically, under AB 939 the City is required to develop its own planning documents (SRRE, HHWE, NDFE, Waste Characterization Study), and provide for all AB 939 and annual reporting, Household Hazardous Waste Programs, public education, and program monitoring. Currently the services and programs are being provided by the SVSWA, but are paid for from the AB 939 surcharge levied by SVSWA against Salinas' franchised disposal tonnage. In turn, the surcharge is incorporated into customer rates, as well as the transfer station charge. As part of our analysis, R3 will calculate the current AB 939 and transfer station charges in total amounts, and as part of current customer rates. Options that will be addressed would include, for example:

- Appropriate use of current AB 939 and transfer station charges (i.e. pay for required AB 939 programs, offset direct haul costs);
- Contracting with MRWMD;

- Contracting back or renegotiating required services with SVSWA;
- Hiring additional City staff;
- Utilizing contract staff or consultants;
- Requiring Republic to offer HHW and expanded public outreach programs; and/or
- A combination of the above.

R3 will summarize the requirements, timeline needed and estimated associated costs (or savings) to City if it withdraws from the SVSWA.

### **Task 2.3      Review of Financial Obligations to SVSWA**

R3 will conduct an analysis of the City's financial obligations to the SVSWA in advance of a potential withdrawal. The analysis will include all items that were acquired by the SVSWA for the purposes of managing the post-collection material processing of the JPA jurisdictions that will be financially affected by the subtraction of the City of Salinas. The list of items will include but is not limited to, a review of the following:

- Bond debt;
- Financial assurances for JCLF and the three closed landfills, including costs associated with:
  - environmental liabilities;
  - closure; and
  - post-closure.
- Capital investments purchased by the SVSWA, including:
  - Equipment;
  - JCLF;
  - Sun Street Transfer Station; and
  - Currently closed landfills.

### **Task 2.4      Summary Report**

Following the analysis of items in Task 1 through Task 2.3, in conjunction with City staff, R3 will draft a plan of action for the City to meet its obligations to its rate payers and SVSWA, and address compliance with CalRecycle mandates. This will include the cost-benefit analysis of direct-haul, use of Madison Lane Transfer Station, potential withdrawal from SVSWA, staffing needs related to AB 939 program requirements, and the impact on franchised services. We anticipate our Task 2.4 Summary Report will include:

- Summary of City obligations and options to meet regulatory requirements of AB 939, AB 341, AB 1594, AB 1826, SB 1383;
- Matrix of alternatives and estimated impacts of continuing to be part of the SVSWA and/ or withdrawing from the SVSWA;

- Summary of programmatic and financial obligations and recommended plan of action for the City to meet them;
- Cost/savings analysis of:
  - Direct haul;
  - Withdrawal from the SVSWA;
  - Up-front costs; and
  - On-going costs;
- Checklist of City requirements and step-by-step process associated with the potential withdrawal from the SVSWA; and
- Action Plan Timeline.

### **Task 2 Deliverables**

- Draft and Final Summary Report of the results of Task 1 – Task 2.3; and
- Meetings as necessary with City Staff, Republic, and CalRecycle.

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## **Task 3 Revised /Amended Franchise Agreement**

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### **Task 3.1 Corrective Plan of Action**

Building on the Performance Review conducted in 2018, R3 will work with the City (and Republic) to implement corrective actions needed for Republic to address the identified problem areas (overweight loads, excessive driver hours, lack of staffing, etc.) outlined in the 2018 Performance Review. The 2018 Performance Review results will be used to set the foundation for a Republic created Corrective Plan of Action to the City. Any Corrective Plan of Action must contain a targeted completion date for all addressed items.

### **Task 3.2 Propose Agreement Revisions / New Agreement**

The current Agreement will be revised to incorporate industry standards, including but not limited to:

- Term;
- Use of facilities;
- Recent legislation (i.e., AB 1594, AB 1826, SB 1383);
- Updated reporting requirements;
- Specific diversion requirements;
- Flow control;
- Addition/revision of liquidated damages; and

- Inclusion of a contract extension payment, reimbursement, or Vehicle Impact Fee to account for the costs associated with road repairs and maintenance due to the degradation of city streets by commercial vehicles.

R3 will assess the opportunities and challenges of a contract extension payment, reimbursement, and/or Vehicle Impact Fee by exploring:

- Options for assumption, payment, or reimbursement of the City's financial obligations of leaving the SVSWA; and
- Addition of a service for a Citywide "Clean Team", including street sweeping services, homeless encampment clean-ups, litter abatement, graffiti abatement, etc.

R3 will also address factors that may impact collection services, but are indirectly tied to the Agreement, such as the impact(s) of a potential withdrawal from the SVSWA. As noted above, these could include . Household Hazardous Waste (HHW) drop locations and direct haul vs. utilizing Madison Lane Transfer Station to transfer solid waste collected by Republic.

Additionally, we will revise the Agreement to reflect the post-collection facility selection following completion of Task 1, and any additional changes from the outcome of Task 2. R3 will also assess the implications of self-haul tonnage through Madison Lane Transfer Station and/or satellite drop off locations within the City and a review of post-collection tonnage capacity permits at Madison Lane Transfer Station to ensure that the facility can adequately support additional tonnage inflow.

The following items will also be discussed for potential inclusion in an updated Franchise Agreement:

- Protective measures against the current decline in the recycling revenue market due to China's National Sword Policy;
- Ensuring current and future regulatory requirements of AB 939 and other mandates are met and maintained by:
  - Assigning responsibility for adhering to those regulation requirements; and
  - Direct reporting by the City or City-designated party.
- Collection and disposal or beneficial use of agricultural culls.

Conversely, based on the findings of the 2018 Performance Review and the analyses in Task 1, the City may wish to explore early termination of the current Agreement with Republic for performance lapses, and R3 will assess options for the City to do so. R3 will utilize the contract compliance findings from the 2018 Performance Audit as a basis for potential breach due to Republic's failure to adhere to the mandated requirements of the current Agreement. This avenue will require a review of the findings with the City Attorney to determine the viability of the City's departure from the current Agreement. Contract separation may necessitate a review of Republic's capital investments to determine the costs of replacing the hauler.

### **Task 3 Deliverables**

- DRAFT of revisions (with tracked changes) to the current Franchise Agreement for City review, including supporting memorandums and calculations to support the revisions;
- Phone and/or in-person meeting(s) to discuss proposed changes with City; and

- Negotiation assistance for City in discussions with Republic.

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## Task 4 Management of Franchise Agreement

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### Task 4.1 Contract Management Guide

The City would greatly benefit from a contract management guide (Guide) for managing its exclusive collection contract with Republic. R3 will prepare this Guide using the contract compliance checklist previously developed for Performance Reviews and incorporate any new requirements developed during Task 2. Prior to finalizing the Guide, R3 will seek review from the City and Republic, and incorporate any necessary modifications. The Guide will include, at a minimum, the following:

- Introduction on how to use the Guide;
- Summary of City and Republic's solid waste responsibilities, as laid out in the contract;
- A calendar of compliance / reporting requirements and details;
- Terms and conditions for assessing liquidated damages; and
- Other monitoring details, as requested by the City.

***Note: the Guide will be updated to reflect the results of Task 2 and 3.***

The final Guide will be provided to both the City and Republic in the form of an electronic spreadsheet and as a PDF file. City staff will be able to use this guide to either manage the contract internally, or through the use of a third party, and ensure that terms and conditions are met in a timely manner.

Additionally, the following items will be included in the Guide:

- Checklist of procedures; and
- Requirements of regulatory obligations.

Once finalized, the Guide will be referenced in the updated Franchise Agreement and integrated into the Agreement as an attachment. Please note that Task 4.1 is a compilation of the responsibilities previously held by SVSWA.

### Task 4 Deliverables

- Guidelines document:
  - Checklist of management procedures;
  - Regulatory action items; and
  - Reporting forms and templates.

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## Task 5 Memorandum of Understanding (MOU) and General Consulting Solid Waste Services

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R3 will assist the City in implementation of the Memorandum of Understanding (MOU) between MRWMD and the SVSWA, and provide general solid waste management consulting services to the City, as requested.

## Schedule

Table 1 below includes the tentative project schedule.

**Table 1  
Tentative Schedule**

<b>Task # and Description</b>	<b>Start Date</b>	<b>End Date</b>
Task 1: Post-Collection Facility Options	March 6, 2019	May 15, 2019
Task 2: SVSWA Options and Summary Report	March 6, 2019	August 15, 2019
Task 3: Revised /Amended Franchise Agreement	March 6, 2019	October 15, 2019
Task 4: Management of Franchise Agreement	Under Contract	June 30, 2020
Task 5: MOU Support and General Solid Waste Consulting Services	As Needed	



## Proposed Cost

Table 2 is a not-to-exceed cost estimate of \$169,950 to undertake Tasks 1 - 3, as outlined above. Table 3 includes a not-to-exceed cost estimate of \$49,935 to undertake Tasks 4- 5, as outlined above. Tasks 4 - 5 are partially contracted through Purchase Order No. 2019-00003317, dated 12/28/18. The project cost includes labor, travel, and project expenses, and includes the work and deliverables as listed for each task. R3 will invoice the City of Salinas on a monthly basis only for actual work completed. We would be happy to discuss changes to our scope or budget as may be needed to align with the City of Salinas' needs. ***Please note that the City should require Republic to pay for Task 3, Republic is required to pay for Task 4, and the City should consider requiring Republic to pay for Tasks 1 and 2 due to the importance to Republic if its long-term viability of remaining the City's franchised hauler.*** Attachment 1 includes a breakdown by staff, hours and costs by tasks.

**Table 2**  
**Project Costs – Tasks 1 - 3**

Task	Cost
Task 1: Post-Collection Facility Options	\$39,935
Task 2: SVSWA Options and Summary Report	\$45,095
Task 3: Revised /Amended Franchise Agreement	\$84,920
<b>Totals Tasks 1 - 3</b>	<b>\$169,950</b>

**Table 3**  
**Project Costs – Tasks 4 and 5**

Task	Cost
Task 4: Management of Franchise Agreement (FY 2019/20)	\$24,920
Task 5: MOU Support and General Solid Waste Consulting Services	\$25,015
<b>Totals Tasks 4 - 5</b>	<b>\$49,935</b>

## Billing Rates

**Table 4**  
**Billing Rates**

<b>Classification</b>	<b>Hourly Rate<sup>1</sup></b>
Principal	\$215 per hour
Project Director	\$215 per hour
Senior Project Manager	\$190 per hour
Project Manager	\$175 per hour
Senior Project Analyst	\$160 per hour
Senior Administrative Support	\$160 per hour
Project Analyst	\$145 per hour
Associate Analyst	\$130 per hour
Administrative Support	\$115 per hour

<sup>1</sup> We charge 150% of the above hourly rates for expert witness services including deposition, testimony, etc.

## Payments

Unless otherwise agreed in writing, fees for work completed will be billed monthly at the first of each month for the preceding month and will be payable within 30 days of the invoice date.

**Attachment 1**

Table 2 -- Project Costs for Tasks 1 - 3								
Tasks	R. Tagore-Erwin (Principal)	G. Schultz (Principal)	W. Schoen (Sr Manager)	R. Calkins, C. Baxter, N. Lessa (Sr Project Analyst)	C. Wilson, N. Tagore-Erwin (Project Analyst)	J. Barile (Admin Support)	Cost	Hours
	\$215	\$215	\$175	\$175	\$145	\$115		
<b>1</b> <i>Post-Collection Facility Options</i>	85		10	78	40	4	\$39,935	217
<b>2</b> <i>SVSWA Options and Summary Report</i>	122	8	48	48		3	\$45,095	229
<b>3</b> <i>Revised / Amended Franchise Agreement</i>	240	24	8	84	80	4	\$84,920	440
<b>Totals Tasks 1 - 3</b>	<i>Hours</i>	447	32	66	210	120		<b>875</b>
	<i>Costs</i>	\$96,105	\$6,880	\$11,550	\$36,750	\$17,400	\$1,265	\$169,950

Table 3 -- Project Costs for Tasks 4 and 5								
Tasks	R. Tagore-Erwin (Principal)	G. Schultz (Principal)	W. Schoen (Sr Manager)	R. Calkins, C. Baxter (Sr Project Analyst)	C. Wilson, N. Tagore-Erwin (Project Analyst)	J. Barile (Admin Support)	Cost	Hours
	\$215	\$215	\$175	\$175	\$145	\$115		
<b>4</b> <i>Management of Franchise Agreement</i>	50			22	68	4	\$24,920	144
<b>5</b> <i>Memorandum of Understanding (MOU) and General Solid Waste Consulting Services</i>	78			40	7	2	\$25,015	127
<b>Totals Tasks 4 - 5</b>	<i>Hours</i>	128	0	0	62	75		<b>271</b>
	<i>Costs</i>	\$27,520	\$0	\$0	\$10,850	\$10,875	\$690	\$49,935