



**CITY OF GLENDALE, CALIFORNIA
REPORT TO THE CITY COUNCIL**

AGENDA ITEM

Report: Update and Direction Regarding Commercial Solid Waste Franchise Contracts

1. Motion (i) adjusting franchise zone boundaries, (ii) assigning exclusive zones, and (iii) authorizing the City Manager or his designee to complete negotiations and finalize the franchise agreements for the Solid Waste Franchise Collection Services for Commercial and Multi-Family Residential of five units or greater with Athens Services, Southland Disposal Company, NASA Services, Inc., and Waste Resource Technologies, Inc. for their respective exclusive collection zones, subject to future Council review and approval.

COUNCIL ACTION

Item Type: Action Item

Approved for _____ April 20, 2021 _____ **calendar**

ADMINISTRATIVE ACTION

Submitted by:

Yazdan T. Emrani, P.E., Director of Public Works

Prepared by:

Daniel Hardgrove, Assistant Director of Public Works

Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

Approved by:

Roubik R. Golanian, P.E., City Manager

RECOMMENDATION

Staff respectfully recommends that City Council approve the attached Motion (i) adjusting the franchise zone boundaries, (ii) assigning the exclusive zones, and (iii) authorizing the City Manager or his designee to complete negotiations and finalize for Council review the franchise agreements for the Solid Waste Franchise Collection Services for Commercial and Multi-Family Residential of five units or greater with Athens Services, Southland Disposal Company, NASA Services, Inc., and Waste Resource Technologies, Inc. for their respective exclusive collection zones, subject to future review and approval by the Council.

BACKGROUND/ANALYSIS

haulers operating in Glendale, informing them of the City's intention to implement a franchise system for the collection and removal of solid waste from commercial establishments and multi-family residential properties. This notification letter was issued in accordance with Public Resources Code Section 49520, which states that if a solid waste collection company has been lawfully providing services for more than three years; the company may continue to do so for up to five years after the City provides notice of its intention to implement a franchise system.

At the September 26, 2017 special meeting, Council directed staff to issue a Request for Proposals (RFP) for commercial solid waste collection services under an Exclusive Franchise Zone System.

On August 12, 2019, the Public Works Department in coordination with our consultant, SCS Engineers, developed and released the RFP to provide Commercial and Multi-Family Solid Waste Collection Services with submitted proposals due back to the City on October 23, 2019.

The City received nine proposals. A preliminary Proposal Responsiveness review was conducted by the City's consultant. One of the nine proposals was determined to be unresponsive. The eight remaining proposals that met the minimum requirements of the RFP were then reviewed and evaluated by the selection committee for a technical review based on the technical review criteria set forth in the RFP, with the goal of identifying the proposers who would be the best fit for the City's needs and who are perceived to be capable of delivering the greatest level of service to the City's commercial and multi-family businesses and property owners.

At the January 28, 2020 meeting, Council directed staff to meet with the eight proposers for a more in-depth discussion of the proposals and to seek clarification and additional information, as necessary. Concurrent to the selection committee's discussions with proposers, staff reached out via email and telephone in an effort to contact the professional references provided by the proposers. Staff developed a pre-established set of specific questions that were posed uniformly to each of the references provided. The questions were designed to be able to qualitatively rate each proposer based upon the answers received by responsive reference agencies.

Based upon the preliminary Proposal Responsiveness review, the results of the Technical Review, as well as the qualitative analysis of the subsequent discussions held with the remaining proposers, and the feedback received from their responsive professional references, the selection committee determined a ranking for all eight proposers relative to their overall ability to meet the City's objectives and deliver the greatest value to the City's ratepayers.

On July 7, 2020, Council approved a motion authorizing staff to meet and negotiate the terms of the engagement, including costs, as well as perform site visits with the recommended four top ranked firms: Athens Services, Southland Disposal Company, NASA Services, Inc., and, Waste Resource Technologies, Inc. for consideration of franchise of the City's Commercial and Multi-Family Solid Waste Collection Services.

Subsequent to the adoption of the motion short-listing the proposers, staff met with each of the four proposers and conducted price negotiations, including negotiation to ensure continuity of equivalent rates across all four zones. These negotiations involved a few iterations and follow ups, and the resultant product of this effort has been an equalized cost of service for all zones. The attached Maximum Rate Table (Exhibit 1) describes respective costs for commercial refuse, organics and recycling services based upon size of container and frequency of collection per week, and the Miscellaneous Service Charges (Exhibit 2) summarizes the maximum rates for other miscellaneous services that are to be included in the franchise program. These maximum rates are subject to annual adjustments that take into account changes in CPI, fuel costs, and tipping fees.

During the month of October 2020, staff also conducted site visits to each of the Material Recovery Facilities (MRFs) utilized by the four proposers to ensure they possess a robust resource for the processing and diversion of recyclable and organic materials.

After a thorough consideration of the selection committee's evaluation and scoring, professional reference analysis that occurred in determining the top four proposers, and as a result of the subsequent negotiations with the short list of approved proposers and site visits to the respective hauler's MRFs, staff respectfully requests the authorization to negotiate final contracts for the City's Commercial and Multi-Family Solid Waste Collection Services with Athens Services, Southland Disposal Company, NASA Services, Inc., and Waste Resource Technologies, Inc. for their four exclusive collection zones as set forth below.

Prior to offering the zones to the four vendor finalists, staff recommends the slight adjustments of the zone boundaries to make the overall value of each zone more equitable. The revised boundaries are as follows:

- Zone A – Northwest Quadrant
 - North – Verdugo Mountains
 - West – City Boundary
 - South – Doran St: San Fernando Rd easterly to Brand Blvd **or** MTA Railroad Tracks easterly to Brand Blvd
 - East –
 - Maryland Av: Kenneth Rd southerly to Ventura Freeway
 - Ventura Freeway: Maryland Av westerly to Brand Blvd
 - Brand Blvd: Ventura Freeway southerly to Doran St
- Zone B – Northeast Quadrant
 - North – City Boundary
 - West –
 - Maryland Av: Kenneth Rd southerly to Ventura Freeway
 - Ventura Freeway: Maryland Av westerly to Brand Blvd
 - Brand Blvd: Ventura Freeway southerly to Wilson Av
 - South – Wilson Av: Brand Blvd easterly to City Boundary
 - East – City Boundary
- Zone C – Southwest Quadrant
 - North – Doran St: San Fernando Rd easterly to Brand Blvd **or** MTA Railroad Tracks easterly to Brand Blvd
 - West – City Boundary
 - South – City Boundary
 - East –
 - Brand Blvd: Doran St southerly to San Fernando Rd
 - San Fernando Rd: San Fernando Rd southeasterly to Glendale Av
 - Glendale Av: Northeasterly to City Boundary Corner
 - City Boundary
- Zone D – Southeast Quadrant
 - North – Wilson Av: Brand Blvd easterly to City Boundary
 - West – Brand Blvd: Wilson Av southerly to San Fernando Rd
 - South –
 - San Fernando Rd: Brand Blvd southeasterly to Glendale Av
 - Glendale Av: Northeasterly to City Boundary Corner
 - City Boundary
 - East – City Boundary

A map of the new zone boundaries is shown in Exhibit 3.

Based on the foregoing analysis, it is staff’s assessment that all four franchisees are qualified to perform the required services, as identified in the RFP, for any of the City’s four zones. Staff recommends using the current quantity and estimated revenues of the accounts held by each of the four finalists within the City of Glendale to determine the assignment of zones, based on the highest amount of estimated revenue per zone. The number of accounts held in Glendale are, in order from greatest: (1) Athens Services, (2) Southland Disposal Company, (3) NASA Services, Inc. and (4) Waste Resources Technologies, Inc.

The estimated projected value for refuse and recycling of each for the four zones is shown in the table below. It should be noted that these are estimated revenues based on the last updates collected by the City in February 2020. Furthermore, these may not be reflective of any recent changes in the levels of service for any of the subject accounts.

Zone	Number of Accounts	Monthly Revenue	Annual Revenue
A	1292	\$320,066	\$3,840,792
B	1183	\$332,243	\$3,986,916
C	1021	\$289,277	\$3,471,324
D	1233	\$298,316	\$3,578,792

As a result of this analysis, staff has the following recommendations for award of zones to each of the four finalists:

- Zone A – Southland Disposal Company
- Zone B – Athens Services
- Zone C – Waste Resources Technologies, Inc.
- Zone D – NASA Services, Inc.

Concurrent to the evaluation of the commercial franchise proposals, staff retained a consultant to conduct a franchise fee study to analyze and ensure that Franchise and AB 939 fees that are to be collected from selected Franchisees would reflect the value of the Franchises granted and accurate costs to the City for administering these respective programs and regulatory mandates.

FISCAL IMPACT

The costs associated with these contracts will be between the Franchisees and their customers. However, the City will experience fiscal impacts related to discontinuing the provision of commercial waste management services with in-house resources, the enactment of new franchise fees, the adjustment of AB 939 fees and the alteration of other waste management fees as determined by a subsequent rate study.

The City’s commercial waste management operation would be discontinued once the franchise agreements are executed. Generally, the revenue fees charged for this operation is offset by the costs of providing commercial waste management services. The Refuse Fund (5300) currently includes an annual \$1,150,000 transfer to the General Fund for the revenues generated through bin rentals. However, the Franchise Fees collected may offset this transfer revenue in the General Fund in the future years for customers that will now be serviced by these new vendors.

Franchise fees are commonly charged by California municipalities and are expected to have a reasonable relationship to the value of the franchise rights conveyed and the costs associated with to various City services that support the commercial waste

management services such as street sweeping, storm water trash capture, street tree trimming, and litter abatement. Franchise fee revenue is conveyed to the City's General Fund (1010).

AB 939 fees are collected from commercial haulers to pay for the City's costs of preparing, adopting and implementing an integrated waste plan. Unlike franchise fees, the City is currently charging all private commercial haulers AB 939 fees equal to 20 percent of gross receipts. The budgeted amount of revenue for AB 939 fees in FY 2020-21 is \$2,300,000; however, the actuals may fall short of this amount due to the economic downturn. AB 939 fees are conveyed to the City's Refuse Fund (5300).

The consultant R3 Consulting Group, Inc. (R3) was hired by the City to determine the valuation of the future franchise fees and AB 939 fees as a result of the proposed commercial franchising. In their analysis, R3 determined that maximum potential valuation is \$1,736,467 for franchise fees and \$3,402,831 for AB 939 fees. As part of the final contract negotiation process, staff will apportion the franchise fees based on the methodology in the study taking into account the revised zone boundaries.

ALTERNATIVES

The alternatives relating to the proposed Resolution are as follows:

Alternative 1: Approve the attached Motion (i) adjusting the franchise zone boundaries, (ii) assigning the exclusive zones, and (iii) authorizing the City Manager or his designee to negotiate the final contracts for Solid Waste Franchise Collection Services for Commercial and Multi-Family Residential of five units or greater with Athens Services, Southland Disposal Company, NASA Services, Inc., and Waste Resource Technologies, Inc. for their respective exclusive collection zones established for the City, subject to future Council review and approval.

Alternative 2: Do not approve the recommended Motion.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance N. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any other person with more than 10 percent interest in the company proposed in this Agenda Item Report:

Full Name	Title	Business Address	City	State	Zip
Ron Arakelian, Jr.	C.E.O.	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Michael Arakelian	Secretary	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746

Ron Arakelian, III	Executive Officer	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Adam Arakelian	Executive Officer	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Greg Loughnane	Executive Director	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Kevin Hanifin	Executive Director	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Paul Holt	C.F.O.	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Gary Clifford	Executive VP	Athens Services, 14048 Valley Blvd	City of Industry	CA	91746
Arsen Sarkisian	President	NASA Services, Inc., 1100 S. Maple Ave	Montebello	CA	90640
Nick Sarkisian	V.P.	NASA Services, Inc., 1100 S. Maple Ave	Montebello	CA	90640
Ella Sarkisian	Treasurer	NASA Services, Inc., 1100 S. Maple Ave	Montebello	CA	90640
Robert M. Arsenian	Owner	Southland Disposal Company 1525 Fishburn Ave.	Los Angeles	CA	90063
Tommy Gendal	COO and Exec. VP	Waste Resource Technologies Inc, 850 East 111 th St.	Los Angeles	CA	90059

EXHIBITS

Exhibit 1 – Maximum Rate Table

Exhibit 2 – Miscellaneous Service Charges

Exhibit 3 – Franchise Zone Map