



CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

333 West Ocean Boulevard • Long Beach, CA 90802 • (562) 570-6711 FAX (562) 570-7650

February 18, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive a report on the results of the Request for Proposals (RFP) and Proposition "L" analysis related to contracting for street sweeping services; direct the City Manager to proceed with a meet-and-confer process with the impacted recognized employee organization (IAM); and direct the City Manager to return to the City Council within 30 days for further direction. (Citywide)

DISCUSSION

Consistent with the Adopted Budgets for FY 13 and FY 14, several City services have been under review for potential contracting as cost saving measures. Street sweeping services is one of these services.

Overview of Services

The City's street sweeping operation is managed by the Environmental Services Bureau of the Public Works Department. In 2012, City staff swept 156,537 curb miles and 119 million square feet of surface area at City facilities. Currently, the City provides once per week sweeping of all streets; sweeping is performed Tuesday through Friday. To minimize neighborhood parking impacts, opposite sides of the street are swept on different days. Various public parking lots and City facilities are swept at least weekly. Street medians and alleys are swept upon request. Each year, the City provides sweeping support to at least nine special events, including the Long Beach Grand Prix (GP).

The City's sweeping operation collects approximately 10,700 tons of debris annually. Debris is transferred from sweepers into roll-off boxes and transported to a local transfer station. All debris is diverted from the waste stream.

All streets have posted parking restrictions to facilitate the street sweeping operation. In most areas of the City, sweeping areas have four-hour parking restricted time zones. A few smaller areas have one- to two-hour time zones. Cars are required to be removed from streets during those time periods. Parking Control Checkers follow the sweepers and cite vehicles that obstruct the street sweeping efforts. Parking control was not included in the RFP as potential outsourcing and it is the City's intention to continue parking enforcement of street sweeping areas using City staff.

There are 19 full-time and 1.2 part-time positions (FTEs) budgeted within the street sweeping operation, all of which are in the General Fund (GP). Additionally, 4.0 full-time positions are associated with the maintenance of the street sweeping fleet. These positions are budgeted in the Fleet Services Fund (IS 386), but are supported by charges to the General Fund for street sweeping vehicle maintenance.

Request for Proposals

A Request for Proposals (RFP) for street sweeping services (currently provided by City staff) was developed in August and September 2013. The RFP used existing service levels and practices, but also contained options for alternative service levels. These options included street sweeping without debris collection and disposal, street sweeping with a two-hour window, and street sweeping on a five-day per week schedule as opposed to the current four-day per week schedule. The RFP also provided the proposers the opportunity to purchase the equipment and vehicles in the City's street sweeping fleet.

The contract term associated with the RFP is 10 years. This length of term is common in the industry and is necessary in order for the contractor to recoup the substantial initial investment required for equipment costs. The contract provides for automatic annual CPI increases.

The RFP was released on October 4, 2013. The Director of Public Works and Human Resources personnel met with the potentially impacted employees on October 8, 2013 to apprise them of RFP process.

The RFP was advertised in the Press-Telegram on October 8, 2013, and 5,123 potential bidders specializing in street sweeping were notified of the RFP opportunity. Of those proposers, 39 downloaded the RFP via our electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 30 local, minority and women's business groups.

Two proposals were received on November 22, 2013. Of those bidders, none were Minority-owned Business Enterprises (MBEs), none were Women-owned Business Enterprises (WBEs), none were certified Small Business Enterprises (SBEs), and none were Long Beach businesses (Local). The proposals were reviewed for conformance with the terms of the RFP, references were checked, and financial statements were reviewed and deemed appropriate.

Local Business Outreach

In an effort to align with our outreach goal, Long Beach businesses are encouraged to submit bids/RFPs for City contracts. The Purchasing Division assists businesses with registering on the Bids Online database to download bid/RFP specifications. Through outreach, 553 Long Beach vendors were notified to submit proposals, of which three downloaded and none

submitted. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

Proposal Evaluation

The two firms submitting proposals were interviewed by a panel on December 16, 2013. The interview panel consisted of the Directors of Public Works, Financial Management, and Human Resources, the Acting Deputy Director of Fleet Services and Business Relations, and the General Superintendent of Operations for the Environmental Services Bureau. The panel unanimously selected Athens Services (Athens), of the City of Industry, CA (not an MBE, WBE, SBE, DBE or Local), as the preferred provider based on demonstrated competence, experience in the performance of comparable engagements, expertise and availability of key personnel, and cost proposal.

Athens has been providing street sweeping services for over 26 years and currently provides street sweeping services for 26 municipalities in Southern California, six of which they transitioned from a staff operation to contractor operation. Athens also provides residential refuse collection services to 21 municipalities. In total, the company employs more than 1,300 people in Southern California.

Comparative Cost Analysis and Proposition "L" Finding

Management Partners was asked to analyze the proposal of the recommended vendor and determine whether the findings required by Charter §1806 can be made. To that end, Management Partners conducted tests for effectiveness, efficiency and cost savings by comparing current and proposed street sweeping services and associated costs. A copy of their report is attached.

Athens provides street sweeping to a number of cities in southern California, including Newport Beach, Santa Ana, Pomona, Azusa, Glendora, and Irwindale. City staff contacted several of these other agencies to verify the quality of Athens' services and overall performance. Because the proposed sweeping services are identical to those currently being provided, and because the recommended vendor has an established track record of successfully providing such services, a finding can be made that contracting for street sweeping with Athens meets the test for effectiveness as required by Charter §1806.

A cost analysis, summarized in the chart below, was prepared with financial data provided by the Department of Financial Management and verified by Management Partners. The analysis found that the annual street sweeping costs under the City's current service delivery approach are \$5,393,790, while the annual cost for contracting the service is \$4,528,988.

HONORABLE MAYOR AND CITY COUNCIL

February 18, 2014

Page 4

Category	City Cost	Contractor Cost
VARIABLE COSTS		
Salaries and Benefits	\$1,794,229	
Disposal (street sweeping debris)	\$372,619	
Materials and Supplies	\$55,596	
Technology Services Support	\$1,918	
Liability Insurance	\$48,276	
Fleet Services (Maintenance)	\$1,122,689	
Fleet Vehicle Replacement	\$987,196	
Vendor Contract Price		\$3,517,721
Total Variable Costs	\$4,382,523	\$3,517,721
FIXED COSTS		
PERS Unfunded Liability	\$72,987	\$72,987
Ongoing Technology Costs	\$72,292	\$72,292
Ongoing Fleet Services	\$858,644	\$858,644
Ongoing Disposal	\$7,344	\$7,344
Total Fixed Costs	\$1,011,267	\$1,011,267
TOTAL ANNUAL COST	\$5,393,790	\$4,528,988
ESTIMATED ANNUAL SAVINGS (PROP. "L")		\$864,802
ALLOCATION TO OTHER FUNDS		\$444,958
TOTAL ANNUAL GENERAL FUND SAVINGS		\$1,309,760
ONE-TIME GENERAL/FLEET FUND SAVINGS		\$1,771,702

As shown in the chart above, the savings to the General Fund would be \$1,309,760. This includes the savings due to the redistribution of various overhead charges totaling \$444,958 from the General Fund to other funds. This is a result of the normal allocation of overhead charges using historical Fleet fund methodology to all funds, including the General Fund.

From a Proposition "L" perspective, and as shown in the chart above, contracting with Athens Services for street sweeping would save a minimum of \$864,802 annually in all funds, though the savings to the General Fund would be greater. Contract negotiations for items such as rental fees for use of the City's yard may result in greater annual savings. Additionally, one-time General/Fleet Fund savings will result from Athens' proposed purchase of the City's existing sweeping and related trash collection vehicles for \$700,000, as well as from the release of \$1,071,702 in accrued capital replacement funds for street sweeping equipment. These savings are discussed more fully in the Fiscal Impact section of this report.

City staff will continue to provide parking enforcement for street sweeping operations, and would be tightly coordinated with the Contractor. As such, there are no anticipated impacts to parking citation revenue as a result of contracting the services. It is also important to note that the proceeds from the sale of the equipment and vehicles in the City's street sweeping

fleet to the contractor would be one-time revenues and, as such, do not influence the comparative cost analysis.

Contract Award and Implementation

If, at a future time, the City Council were to approve moving forward with a contract, City Management recommends awarding the contract to maintain current service levels. Once the operation commences, and upon City Council direction, staff would negotiate going from a four-hour window to a two-hour window. The contract term would commence on October 1, 2014 to coincide with the new fiscal year, and to provide sufficient preparation and transition time. The City Manager may elect to delay the implementation of the debris collection and disposal function, or not award it at all. This is dependent on the negotiation process and the availability of alternate means for accomplishing the function. Delay will result in lower short-term savings, but may result in higher long-term savings.

Prior to the transition, Athens staff, at no cost to the City, will learn the routes and debris collection procedures by shadowing City staff. It is currently envisioned that Athens would assume all street sweeping responsibilities on the first day of the contract.

Athens intends to purchase the City's existing fleet of street sweepers and associated vehicles. As the existing equipment is nearing the end of its useful lifecycle, Athens indicates that replacement equipment will be acquired and put into service by Athens during the term of the contract. Athens also intends to use portions of the City's "Temple & Willow" yard, and City LNG and CNG fueling facilities. Supplemental agreements for these purposes are anticipated to be negotiated.

The total initial annual contract amount includes the base bid of \$3,517,721, plus an optional 5 percent (\$175,886) contingency, if necessary and if funds are available, to provide for non-scheduled, supplemental and emergency functions to ensure public safety and sanitary conditions. This type of contingency is not for any normal service that would be provided during a normal year and it is, therefore, not included in the cost comparisons.

Quality Assurance

Assuring that a contractor can provide street sweeping services efficiently and effectively is of paramount importance. To that end, a number of controls have been established. These include requirements for a robust customer service program, 24-hour emergency response and communication protocols, the submittal of reports, and regular meetings with City management staff. The City will also implement an Inspection Rating System to verify the successful completion of work. Additionally, the contractor will be required to outfit all vehicles with a GPS device, and utilize a GPS software system that is capable of demonstrating real-time location, speed, and path of travel. In the event work is not completed successfully, payment deductions can and will be exacted. Lastly, the contractor will provide a supervisor, dedicated to the City of Long Beach, to ensure services are provided as specified. Existing management staff within the Environmental Services Bureau will manage the contract, ensuring that Athens meets all requirements and expectations.

Staff Impacts

Presently, there are 19 full-time employees (15 in Street Sweeping and 4 in Fleet Services) that would be displaced by the Contract. As was a requirement of the RFP, Athens has agreed to offer employment to all displaced and qualified City employees. Furthermore, Athens will bring these employees on at their current salary rate. In the event a displaced employee does not wish to work for the contractor, the Human Resources Department will provide for an appropriate transfer or transfer-for-training opportunity within the City organization. Every employee will be offered an alternate City position.

On February 10, 2014, Ray Rivera, Western Territory Grand Lodge Representative of the International Association of Machinists and Aerospace Workers (IAM), was notified by mail of the plans to present a report of the RFP process and Proposition "L" analysis at the February 18, 2014 City Council meeting, as well as the requirement to meet-and-confer before moving to the next step.

This matter was reviewed by Deputy City Attorney Linda Vu on February 10, 2014 and Financial Management Director John Gross on February 10, 2014.

TIMING CONSIDERATIONS

City Council action on February 18, 2014 is requested to conduct the meet-and-confer process and return to the City Council for further consideration.

FISCAL IMPACT

Contracting out sweeping and associated sweeping debris disposal to Athens will save the General Fund \$1,309,760 on an annualized basis. This savings is based on the cost analysis by the Budget Office and the conclusion by Management Partners that the cost analysis compares the same service levels and suitable management oversight. There is no implementation or transition cost expected.

The \$1,309,760 General Fund savings, based on FY13 actual costs, consists of the following: \$987,196 in annual avoided costs from having to replace the aging street sweeping fleet and \$322,564 in cash savings to the General Fund. The overall City savings is less, but substantial at \$864,802, which does not include \$445,958 in General Fund savings due to the reallocation of costs to other City operations and funds.

Additionally, there will be a one-time General/Fleet Fund savings \$1,071,702 because the funds previously allocated for replacement of street sweeping and debris disposal vehicles will be available for reprogramming. The City will also receive one-time revenue of \$700,000 from the sale of unneeded vehicles to the vendor for a total one-time savings of \$1,771,000.

The cost of the contract, in the estimated amount of \$3,693,607 in the first year, would be paid from the budget resources currently associated with the staff-provided street sweeping operation. This amount includes the option of adding up to 5 percent (\$175,886) above the base contract amount of \$3,517,721. These funds are budgeted in the General Fund (GP) in

HONORABLE MAYOR AND CITY COUNCIL

February 18, 2014

Page 7

the Public Works Department (PW). Annual CPI adjustments will increase the contract cost in future years.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
CITY MANAGER

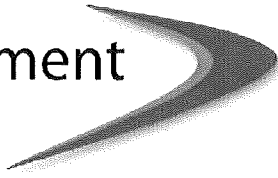
PHW:GH

Attachment



JOHN GROSS
DIRECTOR, FINANCIAL MANAGEMENT

Management Partners



To: Mr. Patrick H. West, City Manager
Ms. Suzanne Frick, Assistant City Manager

From: Cathy Standiford, Partner

Subject: Proposition L Analysis – Proposed Street Sweeping Contract

Date: January 29, 2014

In an effort to achieve a financially sustainable budget the City of Long Beach has been exploring a variety of strategies to reduce the cost of providing public services. One of these strategies is to contract with the private sector for services currently being provided by City employees. In October 2013 the City issued a request for proposals (RFP) for street sweeping services. The proposals have been evaluated by City staff and Athens Services has been identified as the recommended vendor.

City Charter Section 1806 (commonly referred to as "Proposition L") states that the City may not approve and authorize contracts with private vendors for the performance of such services unless the City Council is able to make two findings. They are:

1. "That the work or services to be contracted for can be performed by a private contractor as efficiently, effectively and at an estimated lower cost to the City than if said work or services were performed by employees of the City; and
2. "That the performance of said work or services by a private contractor will not be detrimental or adverse to the best interests of the citizens of the City."

Management Partners was asked to analyze the proposal of the recommended vendor and determine whether the findings required by Charter §1806 can be made. To that end we have conducted tests for effectiveness and efficiency and cost savings by comparing current and proposed street sweeping services and associated costs. Although the Athens Services proposal also includes options for enhanced services, should the City desire them, we focused our effectiveness analysis on street sweeping services comparable to those currently being provided by the City. The results of our analyses are detailed below.

Effectiveness Test: Comparison of Existing and Proposed Services

Effectiveness is defined as being adequate to accomplish a purpose by producing the intended or expected result. In the context of street sweeping, effectiveness is measured by determining whether the services will be at least the same as those currently being received by Long Beach residents and businesses. To ascertain whether the contractor's services as proposed are as

effective as those being provided by City personnel, Management Partners compared existing street sweeping services with those in the proposal submitted by Athens.

At the beginning of the RFP process management staff members of Long Beach’s Environmental Services Bureau, which is responsible for managing the current street sweeping operation, identified the existing services and associated service levels (i.e., frequency and quantity of service) being performed by City staff. We verified with City staff that services and service levels have not changed since 2012 when we first reviewed them. These service levels were described in the RFP as shown in Table 1.

Table 1. Existing Long Beach Street Sweeping Services

Service Item and Description	Quantity
#1: Street Sweeping Routes Includes Residential/Arterial – weekly Includes Medians – upon request Includes Downtown Shoreline – weekly Includes Caltrans Sweeping – weekly	150,063 annual curb miles
#2: Sweeping of Beach Parking Lots/Ocean Boulevard Medians Frequency – varied	3,137 annual curb miles
#3: Alley Sweeping Frequency – upon request	3,337 annual curb miles
#4: Sweeping City Yard Twice weekly	310,671 square feet
#5: Sweeping Gas and Oil Yard Weekly	415,600 square feet
#6: Sweeping of SERRF Facility Twice Daily, Monday through Friday	125,959 square feet
#7: Hourly Rate for Special Sweeping Emergency Response No minimum	Assume 10 hours Include sweeper and operator
#8: Hourly Rate for Special Sweeping Non-emergency response Includes Special Events. No minimum	Assume 157 hours Include sweeper and operator

In addition to specifying the services to be provided, the RFP contained maps (referred to as “Scope of Work Attachments”) identifying the specific locations and routes for each type of service.

Table 2 is an excerpt from the street sweeping proposal submitted by Athens Services. It includes the pricing for each service based on the existing service levels defined in the RFP. Table 2 shows that Athens Services has proposed to provide street sweeping services identical to those currently being provided by Long Beach personnel.

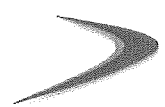
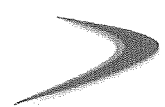


Table 2. Street Sweeping Services Proposed by Athens Services

Service Item and Description	Quantity	Unit Price	Costs Proposed By Athens Services
#1: Street Sweeping Routes Includes Residential/Arterial – weekly Includes Medians – upon request Includes Downtown Shoreline – weekly Includes Caltrans Sweeping – weekly	150,063 annual curb miles	\$22.26 per curb mile	\$3,340,402.38
#2: Sweeping of Beach Parking Lots/Ocean Boulevard Medians Frequency – varied	3,137 annual curb miles	\$25.60 per curb mile	\$803,047.20
#3: Alley Sweeping Frequency – upon request	3,337 annual curb miles	\$27.83 per curb mile	\$92,868.71
#4: Sweeping City Yard Twice weekly	310,671 square feet	\$140.00 per occurrence	\$14,560.00
#5: Sweeping Gas and Oil Yard Weekly	415,600 square feet	\$180.00 per occurrence	\$9,360.00
#6: Sweeping of SERRF Facility Twice Daily, Monday through Friday	125,959 square feet	\$80.00 per occurrence	\$41,600.00
#7: Hourly Rate for Special Sweeping Emergency Response No minimum	Assume 10 hours Include sweeper and operator	\$120.00 per hour	\$1,200.00
#8: Hourly Rate for Special Sweeping Non-emergency response Includes Special Events. No minimum	Assume 157 hours Include sweeper and operator	\$80.00 per hour	\$12,560.00
#9 – Optional Savings – Contractor to use City’s Yard Facility		\$0.48 curb mile	(\$75,137.76)
TOTAL PROPOSED COST		Add items #1-8 and subtract #9	\$3,517,720.53

Athens Services provides street sweeping to a number of cities in southern California, including Newport Beach, Santa Ana, Pomona, Azusa, Glendora and Irwindale. City staff contacted several of these other agencies to verify the quality of Athens Services’ services and overall performance. Because the proposed sweeping services are the same as those currently being provided and because the recommended vendor has an established track record of successfully providing such services, a finding can be made that contracting for street sweeping with Athens Services meets the test for effectiveness as required by Charter §1806.



Efficiency Test: Comparison of Costs and Estimated Cost Savings

Efficiency is defined as the ability to accomplish a job with a minimum expenditure of time and effort. In the local government context, a primary measure of efficiency is the cost associated with the performance of a service or function. To determine whether a contract with Athens Services for street sweeping would be more efficient, Management Partners obtained detailed budget and financial information from the Financial Management Department. We also met with City staff to ensure we understand the costs attributable to street sweeping and how they were derived.

The following data were provided by the City's Financial Services Department based on actual expenditures from the 2013 fiscal year and were verified by Management Partners. Costs to lease vehicles, which are due for replacement, have been added back to reflect the City's annual cost of providing the service.

Cost information was generated based on actual expenses from the City's financial system and FY 2013 preliminary audited financial statements, with the exception of costs associated with the lease-purchase of the City's 20 Pelican sweepers. Actual costs were not reflected in the preliminary audited statements because the lease on the existing sweepers ended in FY 2012. We worked with the Financial Management Department to estimate lease-purchase costs based on current market rates, assuming a six-year lease period (the approximate life of the Pelican sweepers).

Management Partners reviewed and verified the cost information provided by the City, with two exceptions. First, we noted that the actual FY 2013 expenditures reflect salary and benefit costs from a reduced staffing level. There are 20.2 approved and funded positions in the City's street sweeping operation. However, there were at least two full-time funded vacancies during some or all of FY 2013. (There are currently four full-time vacant positions.) Workload associated with these vacancies was being met with overtime, which would be reflected in the salaries and benefits information provided by the City. However, if all vacant positions had been filled, we would anticipate actual salary and benefits costs to be higher. This would result in greater estimated cost savings under a contract arrangement. In addition, we are unable to validate the ongoing fleet overhead costs associated with Fleet Services and suspect they also may be overstated.

For purposes of comparison, specific street sweeping costs have been grouped into two categories. "Variable costs" are those that the City would no longer be responsible for under a contract arrangement. Examples of variable costs include employee salaries and benefits, materials and supplies, fleet maintenance charges, and the cost to purchase or lease street sweeping vehicles. "Fixed costs" are those that would continue to be borne by the City even if street sweeping were to be contracted, such as unfunded liability for retirement benefits, some overhead, and debt service. To ensure an equivalent comparison, fixed costs were added to the proposal amount bid by Athens Services.

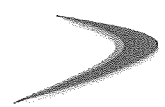


Table 3 compares the current annual costs for Long Beach to provide street sweeping with the costs proposed by Athens Services. It shows that annual street sweeping costs under the City's current service delivery approach are \$5,393,790, while the annual cost for contracting the service is \$4,528,988.

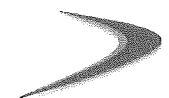
Table 3. Comparison of Annual Street Sweeping Costs

Category	City Cost	Contractor Cost
VARIABLE COSTS		
Salaries and Benefits	\$1,794,229	
Disposal (street sweeping debris)	\$372,619	
Materials and Supplies	\$55,596	
Technology Services Support	\$1,918	
Liability Insurance	\$48,276	
Fleet Services (Maintenance)	\$1,122,689	
Fleet Vehicle Replacement	\$987,196	
Vendor Contract Price		\$3,517,721
Total Variable Costs	\$4,382,523	\$3,517,721
FIXED COSTS		
PERS Unfunded Liability	\$72,987	\$72,987
Ongoing Technology Costs	\$72,292	\$72,292
Ongoing Fleet Services	\$858,644	\$858,644
Ongoing Disposal	\$7,344	\$7,344
Total Fixed Costs	\$1,011,267	\$1,011,267
TOTAL ANNUAL COST	\$5,393,790	\$4,528,988
ESTIMATED ANNUAL SAVINGS		\$864,802

Table 3 shows that contracting with Athens Services for street sweeping would save a minimum of \$864,802 annually. This is considered to be a minimum estimated cost savings because of the variances between actual and budgeted salary and benefits costs previously described, and because certain terms and conditions such as rental fees for the use of the City's yard will be discussed during contract negotiations and may result in greater annual savings.

Although it is not directly relevant to the comparison of service costs, one of the consequences of contracting for street sweeping is that approximately \$444,958 in fixed costs currently charged to the City's General Fund will be redistributed to other City funds. This results in an annual difference in General Fund street sweeping costs of \$1,309,760. Of this, \$987,196 is in the form of avoided costs for the replacement of street sweeping vehicles.

In addition to the estimated annual savings of \$864,802, Athens Services has proposed to pay \$700,000 to purchase the City's existing sweeping and related trash collection vehicles. The



City's vehicle acquisition fund has accumulated \$1,071,702 in charges associated with street sweeping services. Together, this means that contracting would result in \$1,771,702 in one-time "revenues" that could be reallocated for other vehicle needs or be used for General Fund purposes.

Because contracting for street sweeping will result in estimated annual savings of \$864,802 in addition to one-time revenue benefits of \$1,771,702, a finding can be made that contracting with Athens Services for street sweeping meets the tests for efficiency and cost savings pursuant to Charter §1806.

Conclusion

Based on our analysis, the following findings can be made regarding the contracting of street sweeping services with Athens Services.

1. The work or services to be contracted can be provided by the recommended vendor as efficiently and effectively and at an estimated lower cost to the City than if the work or services were performed by employees of the City; and
2. The performance of street sweeping services by the recommended vendor will not be detrimental or adverse to the best interests of the citizens of the City.

Management Partners appreciates the opportunity to conduct this Proposition L analysis for Long Beach. We would be happy to answer any questions you may have.

