TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS

DATE: NOVEMBER 21, 2005 CMR:403:05

SUBJECT: APPROVAL OF AMENDMENT NO. 1 TO THE ANNUAL ENTERPRISE CONTRACT WITH OFFSET ENVIRONMENTAL SERVICES (FORMERLY KNOWN AS OFFSET AGRI INDUSTRIES, INC.) TO EXTEND THE TERM OF THE CONTRACT, IN AN AMOUNT NOT TO EXCEED $125,000 PER YEAR FOR THE TRANSPORTATION AND RECYCLING OF THE ASH FROM THE PALO ALTO REGIONAL WATER QUALITY CONTROL PLANT

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to execute an amendment (Attachment A) to the annual contract with Offset Environmental Services (formerly known as Offset Agri Industries, Inc.) to extend the term of the contract for up to three years, in an amount not to exceed $125,000 for the first year for the transportation and recycling of the ash from the Palo Alto Regional Water Quality Control Plant (RWQCP).

2. Authorize the City Manager or his designee to negotiate and execute one or more change orders to the contract with Offset Environmental Services for related, additional but unforeseen work which may develop during the project, the total value of which shall not exceed $12,500 per year.

3. Authorize the City Manager or his designee to exercise the option to renew the contract for the second and third year provided the proposed cost of the renewal contract does not exceed the Consumer Price Index, for all urban consumers (San Francisco - Oakland – San Jose, CA), the contractor is responsive to the City's needs, and the quality of the contractor's work is acceptable during the prior year(s) of the contract.

DISCUSSION

Project Description

The work to be performed under this contract is to transport and reuse the ash from the RWQCP. The RWQCP operates two sludge incinerators. The incinerators generate approximately four to five tons of ash per day. The RWQCP encourages the recycling of the ash wherever its use is beneficial for the preservation of the environment, financially and technically feasible, and consistent with legal requirements. The reuse of ash is consistent with the RWQCP long-term goal to take a leadership role in promoting beneficial reuse and environmental enhancement. The RWQCP currently markets the ash for agricultural reuse.
Selection Process
The RWQCP has sought diligently in the last several years for reuse alternatives for the ash. Requests for proposals (RFP) for ash handling and reuse services have been sent numerous times to many potential reuse companies in the last six years, and have yielded no response except from Offset Environmental Services. The company has not increased its fee, except to cover the increasing cost of fuel to transport and reuse the ash as soil amendment. The RWQCP is unable to find any other reuse company for its unique product at this time, and therefore has requested an exemption from competitive solicitation, which was approved by the City Manager per PAMC section 2.30.360. Staff asked for the 3-year exemption, because Offset Environmental Services was the only bidder in the last two RFP’s, and staff does not believe much will change in the near future. If staff finds an alternative contractor, the RWQCP would like to have both alternatives available. The RWQCP could then contract with both, and be able to select the most economical method. Staff recommends that Council amend the contract with Offset Environmental Services while the RWQCP continues to seek other alternatives. A change order authority in the amount of $12,500 per year (10% of the contract) is requested.

RESOURCE IMPACT
Funds for the first year of the contract have been appropriated in the FY 2005-2006 Wastewater Enterprise Funds. Funds for years two and three are contingent upon Council approval of the budget for each subsequent year.

POLICY IMPLICATIONS
Recommendations of this staff report are consistent with city policies.

ENVIRONMENTAL REVIEW
Approval of the Ash Handling and Reuse services is categorically exempt for the purposes of the California Environmental Quality Act (CEQA) under section 15304 of the CEQA Guidelines.

ATTACHMENTS
Attachment A: Amendment No. One (includes Certification of Nondiscrimination)

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