

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL

FROM: GLORIA HURTADO, DEPUTY CITY MANAGER

SUBJECT: ASSIGNMENT OF CITY CONTRACT WITH NORTH BAY CORPORATION TO RECOLOGY SONOMA MARIN; WAIVER OF \$375,000 ASSIGNMENT FEE PAYABLE BY NORTH BAY CORPORATION UNDER COLLECTION SERVICES CONTRACT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the City Manager's Office that the Council, by resolution: 1) approve the Assignment and Assumption Agreement and Consent to Assignment with North Bay Corporation and Recology Sonoma Marin, assigning the Solid Waste Collection Services Contract with North Bay Corporation to Recology Sonoma Marin; and 2) waive the \$375,000 assignment/transfer fee set forth in section 34.01 of the Collection Services Contract.

EXECUTIVE SUMMARY

On August 30, 2017, the City received a joint letter from Recology, Inc. and The Ratto Group of Companies, Inc., requesting the City provide its consent to an assignment of the Collection Services Agreement the City currently has with The Ratto Group of Companies (Ratto) to Recology Sonoma Marin, dba Recology Santa Rosa (Recology). If assigned, Recology will be subject to the applicable terms and conditions of the agreements, and will continue to perform Ratto's obligations.

In addition, Recology and Ratto requested the City waive the \$375,000 assignment/transfer fee set forth in Section 34.01 of the February 2010 Amended and Restated Collection Services Contract between the City of Santa Rosa and North Bay Corporation.

BACKGROUND

The City and North Bay Corporation have had an exclusive franchise agreement in place for the collection of solid waste, organic waste and recyclable materials since

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2003. The agreement was last amended in 2010 and expires on December 31, 2017.

Ratto and its affiliated companies have entered into an agreement to sell substantially all of their assets to Recology, Inc. and its designated affiliates, which will continue Ratto's operations.

On August 30, 2017, the City Manager's Office received a joint letter from Recology, Inc. and Ratto, requesting the City provide its consent to an assignment of all agreements the City currently has with Ratto to Recology Sonoma Marin, dba Recology Santa Rosa, a subsidiary of Recology, Inc. (Attachment 1). Recology and Ratto have since revised their request, asking for an assignment of the Solid Waste Collection Services Contract only. Upon the assignment of this Contract, Recology Sonoma Marin will be subject to the applicable terms and conditions of the Contract, and will continue to perform Ratto's obligations.

In addition, Recology and Ratto requested the City waive the \$375,000 assignment/transfer fee set forth in Section 34.01 of the February 2010 Amended and Restated Collection Services Contract between the City of Santa Rosa and North Bay Corporation. The bases for Recology's request are: 1) the remaining contract term is only four months (now 45 days), 2) the assignment of the contract will facilitate the transition of services from Ratto to Recology Sonoma Marin, resulting in a smoother for the City and its residents, and 3) the assignment/transfer fee was purportedly intended to compensate the City for the costs of vetting a proposed assignee - a process in which the City has already engaged through RFP 16-79, and 4) Under Section 4.06.3 of the new solid waste collection services agreement, Recology Sonoma Marin paid the City a Proposal Development Fee of \$250,000 to cover the cost of the solicitation process.

PRIOR CITY COUNCIL REVIEW

None.

ANALYSIS

Article 34.01 of the February 2010 Amended and Restated Collection Services Contract between the City of Santa Rosa and North Bay Corporation states that the City must approve an assignment of the contract. It further states that if the City approves an assignment of the contract, then North Bay Corporation agrees to immediately pay City a \$375,000 assignment/transfer fee.

If the Council approves the proposed assignment agreement and fee waiver, Recology Sonoma Marin will assume all obligations formerly performed by all Ratto companies, including North Bay Corporation, effective on the date the sale of Ratto to Recology closes. The assignment will permit Recology Sonoma Marin to expedite the transfer of equipment and facilities from North Bay to Recology.

FISCAL IMPACT

There is no expenditure/cost impact to the City's General Fund from the approval of the Assignment and Assumption Agreement and Consent to Assignment.

If the request to waive the transfer fee is approved, the General Fund would not receive the \$375,000.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, title 14, section 15301 of the California Code of Regulations in that the assignment of agreements pertains to existing equipment, systems, and facilities involving negligible expansion of existing uses.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – August 30, 2017 letter requesting consent to assignment of Ratto agreements and waiver of fee
- Resolution / Exhibit A – Assignment and Assumption Agreement and Consent to Assignment with North Bay Corporation and Recology Sonoma Marin

CONTACT

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