

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: JASON NUTT, ASSISTANT CITY MANAGER  
SUBJECT: EIGHTH AMENDMENT TO PROFESSIONAL SERVICES  
AGREEMENT NO. F001238 WITH R3 CONSULTING GROUP  
INC.

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Transportation and Public Works Department that the Council, by resolution, approve the Eighth Amendment to Professional Services Agreement Number F001238 with R3 Consulting Group Inc., of Roseville, California, to perform a detailed rate review of Recology's January 1, 2024, rate application in an amount not to exceed \$70,000, for which the City anticipates seeking reimbursement from Recology, for a total contract amount not to exceed \$448,910.

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EXECUTIVE SUMMARY

The City of Santa Rosa desires to extend professional services agreement No. F001238 with R3 Consulting Group Inc. (R3) to perform a detailed rate review of Recology's January 1, 2024, rate application. R3 is uniquely qualified to conduct this review due to their experience conducting complex detailed rate reviews and particular understanding of Santa Rosa's Solid Waste Collection Services Agreement (CSA) and Recology's operations in Sonoma County.

The CSA allows for Recology or the City to request a detailed rate review every third year during the CSA's term. The City of Santa Rosa requested this detailed rate review. A detailed rate review is an in-depth analysis of Recology's revenue and expenses in relation to the CSA.

BACKGROUND

The City entered into the Professional Services Agreement with R3 to aid in procuring a new solid waste agreement in an amount not to exceed \$150,000. Since the initial agreement, the City has entered into seven amendments for a total amount not to exceed \$378,910.

- The First Amendment to the Agreement in an amount of \$49,000 to provide additional negotiation assistance and CSA contract management services;
- The Second Amendment in an amount of \$27,000 to provide on-call assistance during the transition to Recology and contract management training and support;
- The Third Amendment in an amount of \$20,500 to extend on-call assistance, contract management training/support and preparation of a refuse rate index (RRI) workbook;
- The Fourth Amendment in an amount of \$20,500 to provide contract management assistance, preparation of a refuse rate index workbook and provide analysis of Recology's annual rate application;
- The Fifth Amendment in an amount of \$37,390 to extend on-call contract management assistance, preparation of a refuse rate index adjustment workbook and review of Recology's annual rate increase application;
- The Sixth Amendment to extend the Agreement's time of performance to allow R3 to complete all the required services and tasks with no additional monetary compensation; and
- The Seventh Amendment in an amount of \$74,520 to provide an evaluation of the City's zero waste program and funding options, review and analyze the construction and demolition franchise program, examine, and provide recommendations on recyclable materials revenue and processing elements distribution within franchised solid waste collection service rates, extend on-call assistance contract management support and perform an analysis of Recology's annual rate increase application.

#### PRIOR CITY COUNCIL REVIEW

- July 12, 2016 – Original Agreement
- Amendment One through Amendment Three approved by City Manager pursuant to Award Authority
- March 26, 2019 – Fourth Amendment
- Fifth and Sixth Amendment approved by City Manager pursuant to Award Authority
- July 8, 2022 – Seventh Amendment

#### ANALYSIS

The purpose of this detailed rate review is to evaluate the reasonableness of any cost-of-service allocations that have developed among Recology's various lines of business.

R3 will request financial information from Recology and review the completeness of Recology's Rate Application, per the terms and conditions of Section 4.05 and Exhibit 3 of the CSA. The rate review process will include, but not be limited to:

- Review and assessment of the reasonableness of Recology's identified non-allowable expenses.

- Review and assessment of the reasonableness of Recology's revenue and expense allocations to the City's franchise.
- Review of the reasonableness of the forecasted costs for the upcoming year.
- Review of the accuracy of Recology's calculated rate adjustment, including the proper application of Contractor's operating ratio.

#### FISCAL IMPACT

Funds for this amendment, in an amount not to exceed \$70,000, will be paid from the General Fund and the City anticipates seeking reimbursement in full by Recology Sonoma Marin.

Per Section 4.06.4 Recology Sonoma Marin shall reimburse the City for all costs associated with the detailed rate review.

#### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

#### NOTIFICATION

Not applicable.

#### ATTACHMENTS

- Resolution / Exhibit A - Eighth Amendment to Professional Services Agreement No. F001238 with R3 Consulting Group Inc.

#### PRESENTER

Joey Hejnowicz, Zero Waste Coordinator, Transportation & Public Works