



OPERATIONS COMMITTEE

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Agenda Report

File #: 2024-3450

Agenda Date: 2/7/2024

Agenda Item No: 7.

FROM: Robert Thompson, General Manager
Originator: Lan C. Wiborg, Director of Environmental Services

SUBJECT:

BIOSOLIDS HAULING SERVICES - SPECIFICATION NO. S-2020-1208BD CONTINGENCY INCREASE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve an additional contingency increase of 3.25% to the unit price per wet ton for Denali Water Solutions, LLC (Denali) for Biosolids Hauling for an overall contingency of 23.25% per wet ton, for a new unit price of \$19.14 per wet ton of biosolids plus fuel surcharges, with the total annual amount not to exceed \$600,000 per year effective March 1, 2024, through December 31, 2024; and
- B. Approve an annual unit price contingency increase of 5% for each of the two optional remaining one-year renewal periods that are based on a good faith estimate from Denali.

BACKGROUND

Currently, Denali serves as the exclusive hauling service provider for the Orange County Sanitation District (OC San), responsible for transporting biosolids to the Inland Empire Regional Composting Facility (IERCF) in Rancho Cucamonga and other fail-safe management sites. On March 24, 2021, the Board of Directors authorized the execution of Denali’s contract, which was based on a one year contract with four one-year renewal periods. We are now in the process of renewing our third optional annual renewal period. In December 2022, Denali and OC San renewed its Biosolids Hauling Contract at a mutually accepted unit price increase of 20% based on escalating labor and fuel costs. In December 2023, Denali proposed a 3.25% increase through the end of calendar year 2024. The proposed increase was evaluated by staff and deemed acceptable based on market conditions, labor, and inflation. Moreover, the proposed increase is comparable to other hauling service options.

However, the existing contingency fund was fully utilized by the December 2022 renewal. Thus, staff is requesting additional funds to cover a 3.25% increase in the third renewal year, bringing the total contingency to 23.25%.

It is anticipated that Denali will be seeking a unit price increase of up to 5% for each of the remaining two one-year renewal options that are based on a good faith estimate provided by Denali. Thus, staff

is also requesting Board approval of an annual unit price contingency increase of 5% for each of the two optional remaining one-year renewal periods.

RELEVANT STANDARDS

- Ocean Discharge Permit, NPDES CA0110604 Attachment G - Biosolids
- Resolution No. OCSD 13-03 Biosolids Recycling Policy
- Support Biosolids Management Program, low-cost management option
- Ten Tenets of OC San's Biosolids Management Plan

PROBLEM

There is no remaining contingency to cover the proposed renewal rate increase. Denali is currently the only direct hauler under contract with OC San to transport biosolids to IERCF and alternative management facilities, thus limiting OC San's biosolids hauling options.

PROPOSED SOLUTION

Approve a contingency increase to renew the contract with Denali and maintain biosolids management diversity and sustainability. In addition, staff is in the process of putting together a RFP to procure additional hauling options and ensure competitive pricing in the future.

TIMING CONCERNS

OC San was able to renew the contract at the current hauling rate for the first two months of the term. The proposed 3.25% increase will take effect from March 1, 2024, through the end of the contract cycle (December 31, 2024).

RAMIFICATIONS OF NOT TAKING ACTION

If the current contract is not renewed, OC San would not have a way to deliver biosolids to IERCF and alternative management sites since Denali is currently the only direct hauling service available under contract. In addition, OC San would not be able to utilize this biosolids management option which would reduce our ability to operate efficiently to maximize the cost benefit for utilizing this local facility.

PRIOR COMMITTEE/BOARD ACTIONS

December 2022 - Approved an additional 10% unit price per ton contingency (for a total of 20% unit price per ton contingency) for Denali Biosolids Hauling Services Specification No. S-2020-1208BD contract renewal to collect and haul OC San's biosolids to the IERCF and alternative sites for the period between January 1, 2023 through December 31, 2023.

March 2021 - Approved a Service Contract to Denali Water Solutions, LLC to collect and haul OC San's biosolids from Reclamation Plant No. 1 and/or Treatment Plant No. 2 to the IERCF and alternative sites if needed for the period beginning May 12, 2021 through December 21, 2022, for the unit price of \$15.45 per ton of biosolids, plus fuel surcharges, for a total amount not to exceed

\$600,000 per contract term, with four (4) one-year renewal options; and approved a 10% unit price per ton contingency.

ADDITIONAL INFORMATION

N/A

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted in the FY 2023-24 Budget (Line item: Section 5 Page 5).

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A