



MEMORANDUM

TO: City Council

FROM: Shannon Sweeney, City Engineer/interim Public Works Director

SUBJECT: Consideration of an Award of Contract to SP Maintenance Services, Inc. for Street Sweeping Services

DATE: December 12, 2023

SUMMARY OF ACTION:

Award a contract for street sweeping services in substantially final form throughout the City for two years in the amount of \$221,220 per year, authorize the City Manager to award two one-year extensions upon favorable performance, at the City's discretion, and approve a budget amendment of \$51,010 to address the anticipated budget deficit from the increase in contract costs through the end of FY 2023-24.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The FY 2023-24 budget includes \$119,000 (\$90,000 from Streets, and \$29,000 from Public Works Administration) for street sweeping services. The existing street sweeping contract ends on December 31, 2023. Through the end of the existing contract, approximately \$59,400 (\$9,900 per month for six months) will have been spent. Street sweeping will cost \$110,610 for the months of January through June of this fiscal year, if this contract is approved. The new contract will result in a budget shortfall of approximately \$51,010.

These services will cost \$221,220 per year in years 1 and 2, and if the available extensions are exercised, \$227,776 in year 3 and \$234,332 in year 4.

City staff evaluated the option of bringing these services in-house at this time to reduce the financial impact but determined that the City does not have adequate staff or the necessary equipment to perform this task in-house.

RECOMMENDATION:

1) Award a contract for street sweeping services to SP Maintenance, Inc. for the next 2 years in the amount of \$442,440 (\$221,220/year); 2) Authorize the City Manager to approve extensions for year 3, at \$227,776, and year 4, at \$234,332, upon favorable performance in the City Manager's discretion; 3) Approve a budget amendment of \$51,010 to address the anticipated budget deficit from the increase in contrast costs

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through the end of FY 2023-24; and 4) Find that these services are exempt from the California Environmental Quality Act (CEQA) under the Class 4 exemption, which applies to minor public or private alterations in the condition of land, water, and/or vegetation where the project does not involve removal of healthy, mature, scenic trees except for forestry and agricultural purposes. (State CEQA Guidelines, § 15304.)

BACKGROUND:

Sweeping of City streets and parking lots provides the following benefits:

- Contributes to the clean and aesthetically pleasing character of the City;
- Helps keep trash and pollution out of waterways such as the creeks;
- Reduces maintenance by removing trash and debris before they enter the storm drain system; and
- Is a requirement of the City's stormwater permit.

The existing street sweeping contract expires on December 31, 2023. The City does not have the specialized equipment or staff to perform these services in-house.

An Invitation to Bid was developed and posted on the City's website and sent to five perspective bidders. Two bids were received by the bid due date of November 21, 2023, 2:00 PM. Bid results ranged from \$904,548 to \$1,364,107 for four years of service (Attachment 2). The higher bid was received from the City's current vendor. That vendor submitted a letter on April 12, 2022, indicating that we should anticipate a larger than normal increase in service in the future because they are experiencing "higher than normal costs."

ANALYSIS OF ISSUES:

Significantly higher costs were expected, due to higher fuel costs, staff wage increases, recent regulatory equipment requirements, and inflation. Additional streets associated with new development have also been added since the previous contract was established. The street sweeping schedule will be updated with streets associated with new development prior to the start of the new contract.

The proposed monthly cost of the recommended contract, \$18,435, is significantly greater than the existing monthly cost of \$9,900. However, the proposed monthly cost is closer to staff estimated costs to bring the service in-house at \$16,328 per month, which would include purchase of a new sweeper at \$800,000, depreciated over the equipment's anticipated life span of seven years, and 56 hours a month of staff time, using a fully burdened rate of \$121.50, per the City's User Fee Study.

When considering the difficult-to-quantify costs associated with performing these tasks in-house, such as unanticipated maintenance costs, increased liability, and administrative issues, the proposed contract is reasonable. Local agencies of similar size contract out this service, while some larger cities perform this service in-house.

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Year 2 has no inflation factor over Year 1. Years 3 and 4 increase by less than 3% per year.

City staff reached out to the local agencies listed as references. The City of Pismo Beach responded favorably regarding service and responsiveness. Staff is awaiting responses from the other two references.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Approve staff's recommendations, which includes authorizing the City Manager to proceed with the year 3 and year 4 extensions as appropriate;
2. Approve the contract with Council-directed modifications, which could include approval for only the first two years (which would require staff to reevaluate street sweeping services options after that time);
3. Bring services in-house;
4. Reject all bids and restructure project; this is not recommended since existing services end December 31, 2023, and this alternative would leave the City with no street sweeping services for some period of time; or
5. Provide other direction to staff.

ADVANTAGES:

Proceeding with the staff's recommendation will maintain continuity in street sweeping services, particularly during the rainy season when such services are most important. Authorizing the City Manager to approve extensions for years 3 and 4 reduce staff time in rebidding the project or writing staff reports to bring the topic back to City Council. The cost increases year-over-year are reasonable. Attempting to perform the task in-house would result in owning an expensive piece of equipment that is used only part-time (approximately 720 hours or 35% of the year).

Quality control provisions included in the scope of work include re-sweeping streets within 24 hours at no cost to the City if contract standards are not met. This provision of the contract can be applied if a resident's street is missed or if an inordinate amount of debris remains after this paper passes through.

DISADVANTAGES:

New contract prices are significantly higher than existing contract prices. This increase in cost was not initially budgeted for this year. General funds are needed to make up the difference in cost.

ENVIRONMENTAL REVIEW:

These services are exempt from the California Environmental Quality Act (CEQA) under the Class 4 exemption, which applies to minor public or private alterations in the condition of land, water, and/or vegetation where the project does not involve removal of healthy,

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mature, scenic trees except for forestry and agricultural purposes. (State CEQA Guidelines, § 15304.)

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachments:

1. Proposed Agreement
2. Bid Opening Log Sheet