




**Item #3. – 19-804: Direction to Finalize Terms for Successor Collection Agreements with Recology and Mission Trail Waste Systems and Authorization to Enter Negotiations with GreenWaste Recovery for Processing Services**

September 17, 2019



**Study Session Overview**

1. Background
2. Tentative agreement terms – Recology
  - Direction to Complete Negotiations
3. Tentative agreement terms - Mission Trail Waste Systems
  - Select Option 1 or Option 2 and Direction to Complete Negotiations
4. Possible option – mixed waste processing
  - Direction to Negotiate with GreenWaste
5. Estimated rate impacts to customers
6. Receive feedback from City Council

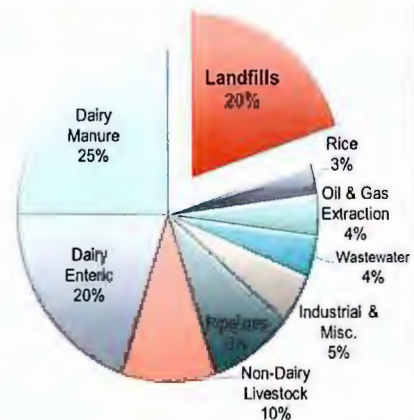
**POST MEETING MATERIAL**



## Regulatory Background

- Assembly Bill 1826 (2014)
  - Requires commercial customers to divert organics materials from landfills
- Senate Bill 1383 (2016)
  - 50% reduction of organic waste disposal by 2020 from 2014 level
  - 75% reduction of organic waste disposal by 2025 from 2014 level
  - Mandates cities to implement organic waste diversion programs

Methane Emission Sources  
for California, 2013



## Pilot Food Scraps Recycling Program

- October 2017 – 4,800 residents provided with a new split-cart container
  - Food scraps separated from garbage
  - Food scraps processed at Sustainable Alternative Feed Enterprises to become additive to animal feed
- Advantages
  - Lowest cost option
  - No additional container for townhouse customers
  - Feeding animals is a better & higher use of food scraps than composting
- Disadvantages
  - Loss of capacity in garbage portion of container
  - Durability of containers



## Pilot Food Scraps Recycling Program Customer Satisfaction Survey Results

- 1,254 responses / 26% response rate
  - 57% satisfied or somewhat satisfied
  - 35% unsatisfied or somewhat dissatisfied
  - 8% undecided



## Current Agreements

- Recology (expires 12/31/21)
  - Residential recycling program
  - 2019 Amendment to extend term and modify rates
- Mission Trail Waste Systems (MTWS) (expires 12/30/21)
  - Residential garbage & organics
  - Commercial garbage & recycling at all properties not zoned for "Industrial" use
- Republic Services/BFI (expires 12/31/24)
  - Landfill disposal and green waste composting services
  - Food scraps and food soiled paper could be added to green waste for additional cost







## **Successor Agreements**

- November 13, 2018 – Council directed staff to enter into successor agreement negotiations with Recology and MTWS with these main goals:
  - Increase landfill diversion to 75% or greater
  - Comply with SLCP regulations and other State laws
  - Minimize hauler profit
  - Base future price escalations on documentable costs and industry best practices
  - Develop flexible revenue structure from recyclable materials



## **Tentative Agreement Terms for Recology Successor Agreement**



## Tentative Agreement Terms for Recology

- 15-year term through June 30, 2036
- New Renewable Diesel Trucks
- Free Recycling Bags for all MFD units
- Route Growth – Increase routes from 6.5 to 7
- Recyclables Processing – Secured by Recology or City
- More Reporting – In line with current State Laws



## Recology: Financial Impacts

Date	Compensation Increase	Unit per Month Compensation	Increase Over Prior Year
July 1, 2019 (Current)	4.5% CPI increase	\$4.54	\$0.20
July 1, 2020 (Negotiated)	14.3% increase	~\$5.14	~\$0.60
July 1, 2021 (Negotiated)	12.5% increase	~\$5.72	~\$0.58
July 1, 2022 (Negotiated)	12.8% increase	~\$6.48	~\$0.76



## **Recology: Annual Adjustments**

- **Annual Escalation starting July 1, 2023**
  - Water/sewer/trash CPI (5% max / 2% min) and percentage change in number of annual “lifts”
- **Change in compensation methodology**
  - Current tariff generally static (CPI only, no multiple tips/week)
  - Proposed change to fixed annual compensation (effective July 1, 2020). Fixed annual compensation will not include recyclables processing as of January 1, 2022.



## **Recology: Comparison & Reasonableness**

- **Proposed FY 22/23 monthly cost per unit of ~\$6.48 compares favorably**
  - Recent proposals for similar service to San Jose are almost double
  - Actual Recology San Mateo costs per unit nearly double (not inclusive of recyclables processing)
  - CPI escalated estimates of 2008 recycling proposals are generally above proposed compensation to Recology (without adjustment for China Sword Policy)
  - MTWS requesting cost adjustment with other clients





## Recology: Comparison to Market

Comparison of FY 22/23 Monthly Cost per Unit



## Recology: Comparison to Market

Comparison of FY 22/23 Monthly Cost per Unit  
(With 5% Adjustment for China Sword)





## Tentative Agreement Terms for Mission Trail Waste Systems Successor Agreement



### **Tentative Agreement Terms for MTWS**

- 15-year term through June 30, 2036
- New CNG Trucks
- Roll-off and C&D
- New Program Manager – MTWS education, reporting and compliance liaison to City
- On-call Bulky Item Collection Program – New alternative
- City Roll-off Boxes – Up to 100 boxes (30 C.Y.) per year
- More Reporting – In line with current State laws
- Annual CPI Adjustments Start July 2023 – 5% max / 2% min





## **MTWS: Residential Organics Options**

- **Option 1 – Split-Cart Organics Program**
  - Expands split-cart pilot program City-wide, includes food soiled paper
  - All residential and townhome customers receive split garbage/organics cart
- **Option 2 – Mixed Organics Program**
  - Includes food scraps and food soiled paper into residential green carts
  - All townhome customers (22% of City) need green cart service (\$11.24/mo.)

**Staff needs Council direction tonight to proceed with Option 1 or Option 2.**



## **MTWS: Possible Third Option**

- **Option 3 – Mixed Waste Processing Program**
  - Includes food scraps and food soiled paper in garbage containers
  - All garbage processed at a facility to remove organics

**Staff needs Council direction tonight to move forward negotiating with GreenWaste on the possibility of Option 3. If negotiations are successful, then staff would bring this Option back to Council at a subsequent meeting. At that time Council can consider replacing the selected Option made tonight (Option 1 or 2).**



## MTWS Compensation Increase Residential

	7/1/2020	7/1/2021	7/1/2022
<b>Option 1</b>			
Organics in split-cart	4.5%	8%	7%
<b>Option 2</b>			
Organics in Clean Green	4.5%	9%	9%
<b>Option 3</b>			
Organics in Garbage	6%	9%	9%



## MTWS: Commercial/Multi Family Organics Options

- **Option A – Third Cart for Organics**
  - Requires all non-exempt commercial and multi-family customers to subscribe to MTWS organics collection
  - Minimum 64-gallon service level for third cart, collected once weekly, at current rate of \$61.68/month
- **Option B – Mixed Waste Processing Program**
  - Includes food scraps into garbage containers
  - All garbage processed at a facility to remove organics
  - Organics third cart not required – commercial businesses and multi-family could still voluntarily subscribe to MTWS



## Use of a Mixed Waste Processing Facility



### **Mixed Waste Processing of Garbage**

- SLCP regulations compliance by processing garbage container contents to remove organics prior to landfilling
- Residential customers - containers for garbage, green waste, and recycling
- Multi-family & commercial customers - containers for garbage and recycling
- Benefits include:
  - No additional organics container for multi-family & commercial customers
  - Less source separation for customers
  - Less customer outreach and education required
- No access to permitted mixed waste processing through current agreement with Republic/BFI





## **Request for Information (RFI)**

- Posted RFI on BidSync - four responses
  - PGL Holdings, LLC (PGLH)
    - Related company to MTWS
    - Secured land in Santa Clara to construct a new site, doesn't have permits
    - Would not be ready to process waste until at least 2025
  - Waste Solutions Group of San Benito (WSGSB)
    - Operates John Smith Landfill in Hollister
    - No permitted mixed waste processing capacity or plans to attain it



## **RFI (continued)**

- Waste Management of Alameda County (WMAC)
  - Operates Davis Street Transfer Station in San Leandro
  - 33 miles from Santa Clara
    - ❖ Outside 10 mile travel radius in tentative agreement with MTWS
    - ❖ Increased green house gas (GHG) emissions
  - Pending commitments to other jurisdictions, could expand permitted capacity and begin processing City's garbage in 2023
- GreenWaste Recovery, Inc. (GWR)
  - Operates material recovery facility in San Jose (5 miles from Santa Clara)
  - Permitting an expansion to enable them to begin processing the City's garbage by 2021
  - Zanker Recycling (related company) provides composting and construction & demolition recycling services
  - Opportunity to secure disposal services after Republic Services/BFI contract



## Estimated Rate Impacts to Customers



### Single-Family 32-Gallon Bundled Rate Estimates

	7/1/19 (current)	7/1/2020	7/1/2021	7/1/2022	Change (19–22)
<b>Option 1</b>					
Organics in split-cart	\$36.59	\$43.00	\$49.60	\$52.60	43.8%
<b>Option 2</b>					
Organics in Clean Green	N/A	\$43.00	\$49.80	\$53.20	45.4%
<b>Option 3</b>					
Organics in Garbage	N/A	\$43.30	\$54.20	\$57.80	58.0%

(Includes garbage, Clean Green, recycling, clean up campaign, and household hazardous waste charges)



## Townhouse 32-Gallon Bundled Rate Estimates

	7/1/19 (current)	7/1/2020	7/1/2021	7/1/2022	Change (19–22)
<b>Option 1</b>					
Organics in split-cart	\$25.35	\$29.80	\$34.40	\$36.50	44.0%
<b>Option 2</b>					
Organics in Clean Green	N/A	\$41.10	\$47.60	\$50.80	100.4%
<b>Option 3</b>					
Organics in Garbage	N/A	\$30.00	\$37.50	\$40.00	57.8%

(Includes garbage, Clean Green, recycling, clean-up campaign, and household hazardous waste charges)



## Commercial 3-Cubic Yard (Once Weekly) Bundled Rate Estimates

	7/1/19 (current)	7/1/2020	7/1/2021	7/1/2022	Change (19–22)
<b>Option A</b>					
Source separated organics in additional container	\$261.60	\$358.70	\$401.30	\$429.50	64.2%
<b>Option B</b>					
Mixed waste processing of garbage (no additional container)	N/A	\$309.50	\$387.40	\$413.00	57.9%

(Includes 3-cubic yard dumpster for garbage and a 96-gallon cart for recycling serviced once a week, with Option A containing 64-gallon food scraps cart serviced once per week beginning January 1, 2021)





## Multi-Family 3-Cubic Yard (Once Weekly) Bundled Rate Estimates

	7/1/19 (current)	7/1/2020	7/1/2021	7/1/2022	Change (19–22)
<b>Option A</b>					
Source separated organics in additional container	\$349.60	\$593.20	\$663.70	\$710.40	103.2%
<b>Option B</b>					
Mixed waste processing of garbage (no additional container)	N/A	\$413.60	\$517.60	\$551.80	57.8%

(Includes 3-cubic yard dumpster for garbage and single-stream recycling for a 20-unit apartment complex serviced once a week, with Option A containing a 1-cubic yard food scraps dumpster serviced once per week beginning January 1, 2021)



## Staff Recommendations

- (Alt. 1) Direct staff to finalize terms with Recology for residential recycling
- (Alt 3 or 4) Direct staff to finalize terms with Mission Trail Waste Systems (MTWS) for an exclusive agreement for collection and transportation of garbage, organics and commercial recyclables that incorporates:
  - Option 1 (Alt 3) – expansion of the existing pilot split-cart food scraps recycling program to all single-family and townhouse customers
  - OR**
  - Option 2 (Alt 4) – organics container at all single-family and townhouses to collect yard waste, food scraps and food-soiled paper.



## Staff Recommendations

- (Alt. 6) Direct staff to enter negotiations with GreenWaste Recovery, Inc. for mixed waste processing, recycling, transfer, and disposal services of garbage, organics, and commercial recyclables. If negotiations are successful, incorporate into MTWS for Council consideration at a subsequent meeting , Option 3 (in lieu of Option 1 and 2) - continuation of single-compartment garbage and yard waste services with the contents of the garbage container processed to remove organics at a mixed waste processing facility.



Questions from City Council?



# City of Santa Clara

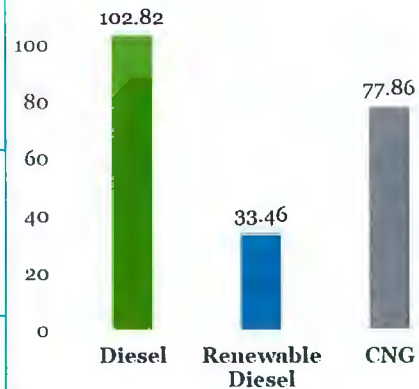
The Center of What's Possible



City of  
Santa Clara  
The Center of What's Possible

## Recology: Fuel Life-cycle Emissions

Fuel Type		
Diesel	Ultra low sulfur diesel based on average crude oil supplied to CA refineries and average CA refinery efficiencies.	102.82
Renewable Diesel	Conversion of tallow to renewable diesel from Australia-sourced tallow in Singapore plant, shipped to Los Angeles tanker.	33.46
CNG	CA natural gas via pipeline; compressed in CA.	77.86







## Other Single-Family Organics Collection Options

- 3 containers (garbage, yard waste and food scraps/soiled paper, recycling)
  - Townhouse customers consisting of about 22% of the single-family home customer base do not currently subscribe to yard waste collection and would need an additional container
  - Contents of green container are composted
- 3 containers (garbage, yard waste, recycling)
  - Food scraps/solid paper removed from garbage container at a material recovery facility and sent to composting facility



## Multi-Family and Commercial Business Collection Options

- 3 containers – (garbage, recycling, food scraps/soiled paper)
  - Most complexes do not have adequate space to store additional containers
- 2 containers – (garbage, recycling)
  - Food scraps/soiled paper removed from garbage container at a material recovery facility and sent to composting facility
  - No behavior change or further contamination of recycling stream

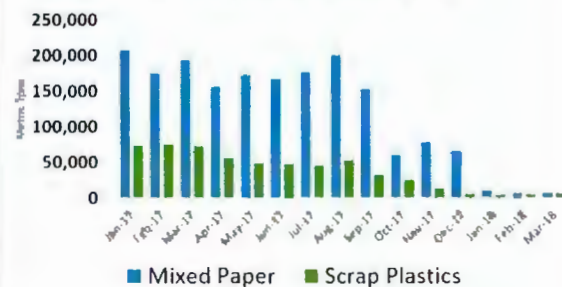




## July 10, 2018 Study Session

- Overview of draft Short-Lived Climate Pollutant Regulations (SLCP) required by SB 1383
- Provided information on China's National Sword policy and the declining markets for recyclable commodities

U.S. Exports to China of  
Scrap Plastics & Mixed Paper



Data from U.S. Census Bureau/U.S. International Trade Commission courtesy of ISRI



## Residential Organics Service – Option 1

Date	Compensation Increase	32-Gallon Unit per Month	Increase Over Prior Year
July 1, 2019 (Current)	4.0%	\$18.91	\$0.73
July 1, 2020 (Negotiated)	4.5%	\$19.77	\$0.86
July 1, 2021 (Negotiated)	8.0%	\$21.36	\$1.59
July 1, 2022 (Negotiated)	7.0%	\$22.86	\$1.50



## Residential Organics Services – Option 2

Date	Compensation Increase	32-Gallon Unit per Month	Increase Over Prior Year
July 1, 2019 (Current)	4.0%	\$18.91	\$0.73
July 1, 2020 (Negotiated)	4.5%	\$19.77	\$0.86
July 1, 2021 (Negotiated)	9.0%	\$21.55	\$1.78
July 1, 2022 (Negotiated)	9.0%	\$23.49	\$1.94



## Residential Organics Service – Option 3

Date	Compensation Increase	32-Gallon Unit per Month	Increase Over Prior Year
July 1, 2019 (Current)	4.0%	\$18.91	\$0.73
July 1, 2020 (Negotiated)	6.5%	\$20.14	\$1.23
July 1, 2021 (Negotiated)	9.0%	\$21.96	\$1.82
July 1, 2022 (Negotiated)	9.0%	\$23.94	\$1.98





## Recology: Operating Cost Increases

Analysis of Increase Components (Annual)		
FY 22/23 over FY 19/20	Percent Increase	Dollar Increase
New Trucks Annual Depreciation	~4%	~\$90,000
Increase from 6.5 to 7 routes	~7%	~\$160,000
Annual CPI Increases (FY 20/21 - FY 22/23)	~14%	~\$350,000
Service Delivery Variance (Actual over CPI)	~22%	~\$555,000
<b>Total</b>	<b>~47%</b>	<b>~\$1,155,000</b>



## MTWS: Operating Cost Increases

Analysis of Increase Components (Annual)		
FY 22/23 over FY 19/20	Percent Increase	Dollar Increase
Annual CPI Increases (FY 20/21 - FY 22/23)	~11%	~\$2,010,000
New Trucks Annual Depreciation	~9%	~\$1,600,000
Other Service Additions	~1%	~\$250,000
Program Manager Position and Supplies	~1%	~\$200,000
<b>Total</b>	<b>~22%</b>	<b>~\$4,060,000</b>



## Receive Feedback from City Council