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Title: Direction to Finalize Terms for a Residential Recycling Agreement with Recology and Exclusive Franchise Agreement for Collection and Transportation of Garbage, Organics and Commercial Recyclables with Mission Trail Waste Systems, and to Enter into Negotiation with GreenWaste Recovery, Inc. for Solid Waste Processing, Transfer, Transport, Recycling, and Disposal Services

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REPORT TO COUNCIL

SUBJECT

Direction to Finalize Terms for a Residential Recycling Agreement with Recology and Exclusive Franchise Agreement for Collection and Transportation of Garbage, Organics and Commercial Recyclables with Mission Trail Waste Systems, and to Enter into Negotiation with GreenWaste Recovery, Inc. for Solid Waste Processing, Transfer, Transport, Recycling, and Disposal Services

EXECUTIVE SUMMARY

Recology and Mission Trail Waste Systems Agreements

Staff have identified tentative terms and conditions for successor agreements with both Recology (for residential recycling) and Mission Trail Waste Systems (MTWS) (for collection and transport of garbage, organics and commercial recyclables). During this Study Session, Staff will present an overview of the terms and conditions of both agreements and requests feedback on which organics collection option should be considered in the exclusive franchise agreement. These options include implementing the split cart for organic waste Citywide (similar to the pilot project, but with a modified cart to address feedback) or placing the organics in the green waste carts. Additionally, staff is requesting any other Council feedback regarding the tentative agreements with Recology and MTWS to be brought forward for Council consideration at a subsequent meeting.

Green Waste Recovery Negotiations

Staff is also seeking feedback on entering negotiations with GreenWaste Recovery, Inc. (GWR) for mixed waste processing, recycling, transfer, and disposal services for garbage, organics, and commercial recyclables. If negotiations with GWR are successful, it could lead to another option for organics disposal, which would allow residents and commercial businesses to place certain organic waste in with their garbage and then GWR would source separate the garbage at a mixed waste

processing facility to remove the organics.

BACKGROUND

Assembly Bill 1826 (AB 1826) was passed in 2014 and requires commercial businesses to either (a) separate organic waste and subscribe to a collection service that diverts organic materials from landfills or (b) self-haul its own organic waste for recycling. Senate Bill 1383 (SB 1383) was passed in 2016 and established methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy. SB 1383 targets a reduction in the level of statewide disposal of organic waste from the 2014 level; Specifically, a 50 percent reduction by 2020 and a 75 percent reduction by 2025. The law grants the California Department of Resources Recycling and Recovery (CalRecycle) the necessary regulatory authority to achieve these organic waste disposal reduction targets.

The City will need to implement a new organics recycling program to comply with the SLCP regulations established by SB 1383. On May 9, 2017, Council authorized the implementation of a pilot residential food scraps recycling program covering approximately 4,800 households. In October 2017, residents in the pilot program were provided with a new split-cart to enable separation and recycling of food scraps, which are processed at the Sustainable Alternative Feed Enterprises (SAFE) facility to become additives to animal feed. Staff performed extensive community outreach and conducted two participant surveys to measure satisfaction with the program. The most recent survey had 1,254 responses (26 percent response rate) and showed that 57 percent of participants were satisfied or somewhat satisfied with the program, 35 percent were unsatisfied or somewhat dissatisfied, and 8 percent were undecided.

At a Study Session on July 10, 2018, staff provided an overview of the draft SLCP regulations and reviewed potential collection program options that would achieve compliance. Information was also provided on the declining value of recyclables due to China's National Sword Policy; specifically, the value of recyclable commodities decreased by 50 percent from 2013 levels due to overseas import restrictions. As a result, the City's residential recycling program service provider, Recology, requested a tariff adjustment to their compensation. Council approved an Amendment to extend the Recology agreement term to December 31, 2021, and to increase the monthly tariff by \$1.36 per household per month.

The City has an exclusive franchise agreement in place with MTWS to provide residential garbage and organics services, and commercial garbage and recycling services at all other properties not zoned for "Industrial" use that will expire on December 30, 2021. The City also has an agreement with Republic Services/BFI for landfill disposal and yard waste composting services at Newby Island Landfill that will expire on December 31, 2024. On November 13, 2018, Council directed staff to enter into successor agreement negotiations with both Recology and MTWS.

One of the obstacles the City is facing is that it does not have permitted mixed waste processing capacity, thus limiting the option of processing garbage container contents to remove organic waste for recycling. On January 29, 2019, Council adopted a Resolution to begin planning for the potential use of the Sunnyvale Materials Recovery and Transfer (SMaRT) Station. The Resolution did not bind the City to use the SMaRT Station in the future and the Report to Council stated that the City is able to pursue other materials processing options concurrently.

DISCUSSION

Tentative Agreement with Recology

Staff and Recology are finalizing the details of a tentative agreement for a 15-year term that would take effect on July 1, 2020. The tentative agreement stipulates three years of compensation increases, resulting in an increase from the current \$4.54 per unit per month cost to \$6.48 per unit per month effective July 1, 2022. Below is a summary of the compensation increases, which are inclusive of all cost-of-living adjustments.

Date	Compensation to Recology per unit per month	Change in compensation	Percentage change in compensation
July 1, 2019	\$4.54		
July 1, 2020	\$5.14	+ \$0.60	14.3%
July 1, 2021	\$5.72	+ \$0.58	12.0%
July 1, 2022	\$6.48	+ \$0.76	13.8%

Under the tentative agreement, Recology will purchase renewable diesel trucks that have comparable benefits to compressed natural gas (CNG) trucks. It also contains terms and conditions to ensure reporting is consistent with the upcoming SLCP regulations, to enact penalties for contamination and missed pick-ups, and to mandate distribution of recycling bags for multi-family dwelling units to make it easier to store and transport recyclables in a centralized container.

Future Increases

After FY 2022/23, compensation would be adjusted annually according to the Water, Sewer and Trash Collection Services Consumer Price Index. This would entail a 2 percent minimum increase, a 5 percent cap, and possible percentage adjustments in the number of containers serviced annually to capture population growth and accounts serviced multiple times per week. Recyclables processing is not included in the compensation methodology under the terms of the tentative agreement. The City will have the option to direct recyclables to a specific processor or have them processed by Recology or its processing contractor. The City will either pay for the recyclables processing or receive the revenue generated from the sale of the recyclables to a processor, depending on market conditions. This will help to alleviate future issues related to the price fluctuation in recyclables.

Tentative Agreement with Mission Trail Waste Systems

Staff and MTWS have reached a tentative agreement on terms for a 15-year agreement that would take effect on July 1, 2020. The tentative agreement stipulates three years of compensation increases, which are dependent on how the organics are collected. Staff and MTWS have a tentative agreement on pricing to provide containers, collection, and transportation to a disposal or recycling facility for two options:

1. expansion of the existing pilot split-cart food recycling program (with one compartment for food scraps and food-soiled paper and one compartment for garbage) to all single-family and townhouse customers; or
2. provision of organics container to all single-family and townhouse customers to collect combined yard waste, food scraps and food-soiled paper.

Under the tentative agreement, MTWS will be required to maintain a CNG fleet. It also contains terms and conditions for MTWS to take over the billing of all temporary drop-body debris boxes and transport the boxes to Zanker’s material recovery facility to remove recyclable materials prior to disposal at Newby Island Landfill. MTWS will also provide up to 100 debris boxes (30 cubic yards in size) per year to be deployed at the City’s direction (at no additional cost) to help residents in large developments that don’t have access to the annual Clean Up Campaign dispose of unwanted bulky

items.

Future Increases

All future percentage increases will be the same under both options. After FY 2022/23, compensation would be adjusted annually according to the Water, Sewer and Trash Collection Services Consumer Price Index. This would entail a 5 percent cap, 2 percent floor, and percentage adjustments in the number of containers serviced annually to capture population growth and accounts serviced multiple times per week, (similar to the tentative agreement with Recology). MTWS would continue to provide commercial recycling services and be responsible for the marketing of the recyclables so the City will not pay additional processing costs.

Possible Option 3- Use of Mixed Waste Processing Facility

A third option that may be possible includes the continuation of the same single-container garbage and yard waste services (that does not require customers to separate food scraps and food-soiled paper) and have the organics materials removed at a mixed waste processing material recovery facility. This option would require an additional contract with a mixed waste processing facility, which is further described below.

Staff is requesting input from Council on which option it would like to implement for the successor agreement. Below is a summary of the compensation increases to MTWS for each option, which do not include processing or disposal costs.

	Option 1	Option 2	Option 3
July 1, 2020	+ 4.5%	+ 4.5%	+ 6.0%
July 1, 2021	+ 8.0%	+ 9.0%	+ 9.0%
July 1, 2022	+ 7.0%	+ 9.0%	+ 9.0%

Estimated Impacts to Customer Rates

The previous discussion covered the compensation paid to the service providers for the collection of recyclables, garbage, and organics. There is also a processing/disposal component that gets factored into the rates that customers pay. Composting and recycling are more expensive than landfilling. It is more expensive to process loads of garbage through a mixed waste processing facility to remove food scraps and soiled paper for composting than it is to compost or recycle the same source separated materials.

The expansion of the split-cart organics collection program (Option 1) is the lowest cost option for all residential customers that utilize a cart for garbage service through the first three years (effective July 1, 2022) of negotiated compensation increases with Recology and MTWS. Option 1 is \$0.60 per month less expensive than placing yard waste, food scraps, and food soiled paper in Clean Green containers (Option 2) for single-family customers that utilize a cart for 32-gallons/week of garbage collection. However, Option 1 is \$14.30 per month less expensive than Option 2 for townhouse customers that do not currently subscribe to Clean Green service. Approximately 22 percent of the customer base that utilize a cart for garbage service are townhouse customers.

If the City were to come to terms on an agreement for mixed waste processing services, Option 3 could be implemented. Option 3 would be approximately \$5.30/month more expensive for single-family customers with Clean Green service and \$3.50/month more expensive for townhouse

customers that do not have Clean Green service than Option 1. Customers would be able to continue on with their current services but would need to pay more to have the entire contents of their garbage carts processed at a mixed waste recovery facility to remove the organics material for composting.

Below are summaries of the estimated impacts to customer rates for each collection option for single family homes.

Table 1 - Single Family Residential Options for 32-gallon Bundled Rate Estimate
(includes garbage, Clean Green, recycling, cleanup campaign, and household hazardous waste charges)

	7/1/19 (current)	7/1/20	7/1/21	7/1/22	Percentage Change (2019 - 2022)
Option 1: <i>Organics in split-cart</i>	\$36.59	\$43.00	\$49.60	\$52.60	+ 44%
Option 2: <i>Organics in Clean Green cart</i>	\$36.59	\$43.00	\$49.80	\$53.20	+ 45%
Option 3: <i>Organics in garbage cart</i>	\$36.59	\$43.40	\$54.30	\$57.90	+ 58%

Table 2 - Townhouse Residential Options for 32-gallon Bundled Rate Estimate
(includes garbage, Clean Green, recycling, clean-up campaign, and household hazardous waste charges)

	7/1/19 (current)	7/1/20	7/1/21	7/1/22	Percentage Change (2019 - 2022)
Option 1*: <i>Organics in split-cart</i>	\$25.35	\$29.80	\$34.40	\$36.50	+ 44%
Option 2 <i>Organics in Clean Green cart</i>	\$25.35	\$41.10	\$47.60	\$50.80	+ 100%
Option 3 * <i>Organics in garbage cart</i>	\$25.35	\$30.00	\$37.50	\$40.00	+ 58%

* Additional Clean Green service not required for this collection option.

There are two potential collection options for commercial business and multi-family customers that utilize a dumpster for their garbage service. The first option is for customers to place their food scraps and soiled paper in a separate organics container (Option A). If Option A is selected, customers that are not already subscribing to organics recycling services would need an additional container. The second option is to process the contents of the garbage container at a mixed waste processing facility to remove the organic material for composting (Option B). Option B would not require customers to add a container, but the City would need to enter into an agreement with a service provider for mixed waste processing services to implement. After the first three years of negotiated compensation increases under the successor agreements, Option B would be an

estimated \$16.40 less expensive than Option A for commercial business customers that subscribe to a 3-cubic yard dumpster serviced one time per week and \$158.56 less expensive for multi-family customers that subscribe to the same garbage service. One of these options will need to be implemented.

Below are summaries of the estimated impacts to customer rates for each collection option for commercial businesses and multi-family customers.

Table 3 - Commercial Business Options for 3-Cubic Yard Bundled Rate Estimate

(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 July 1, 2020)

	7/1/19 (current)	7/1/20	7/1/21	7/1/22	Percentage Change (2019 - 2022)
Option A: <i>Commercial source separated organics in additional container</i>	\$261.60	\$359.20	\$401.80	\$430.10	+ 64%
Option B: <i>Commercial mixed waste processing of garbage (no additional container)</i>	\$261.60	\$310.10	\$388.00	\$413.70	+ 58%

Table 4 - Multi-Family Options for 3-Cubic Yard Bundled Rate Estimate

(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 July 1, 2020)

	7/1/19 (current)	7/1/20	7/1/21	7/1/22	Percentage Change (2019 - 2022)
Option A: <i>Commercial source separated organics in additional container</i>	\$349.60	\$593.99	\$664.44	\$711.32	+ 104%
Option B: <i>Commercial mixed waste processing of garbage (no additional container)</i>	\$349.60	\$414.40	\$518.45	\$552.76	+ 58%

Permitted Mixed Waste Processing Capacity

Even if Council does not select Option 3 for the single-family and townhouse customers, the City will still have a need for mixed waste processing to avoid requiring commercial business and multi-family customers to subscribe to an additional organics collection service. Staff cannot implement Option 3 of single-family home collection services or avoid requiring multi-family dwellings and commercial businesses to subscribe to an organics collection service that would require an additional container without first securing access to permitted mixed waste processing capacity. Staff has participated in

an initial SMaRT Station planning meeting and met with the City's current landfill disposal services provider, Republic Services/BFI, to discuss the possibility of amending our current agreement to include mixed waste processing services. The SMaRT Station planning process is moving too slowly for the City to implement a new program in the near future and Republic Services/BFI is reserving its limited permitted processing capacity to customers for which they provide collection services, which at this time does not include the City.

Staff posted a Request for Information (RFI) on BidSync from July 31 to August 14 to see if any additional service providers are potentially interested and able to provide mixed waste processing services. All known permitted mixed waste processors in Santa Clara County were advised of the RFI posting directly. Four companies responded to the RFI, and a summary of their submittals are included below. These companies include PGL Holdings, LLC; Waste Solutions Group of San Benito; Waste Management of Alameda County; and GreenWaste Recovery, Inc. Neither Republic Services/BFI nor the Sunnyvale SMaRT Station responded to the RFI.

PGL Holdings, LLC (PGLH), a related company to MTWS, does not possess current permitted mixed waste processing capacity, but has secured a site in Santa Clara for the potential construction of a material recovery facility. PGLH has not started the permitting process, and staff estimates this could take approximately five years. Based on the submittal, PGLH would not be ready to begin accepting waste for mixed waste processing until 2025 or later, which would leave the City vulnerable to CalRecycle enforcement action if a short-term alternative organics recycling program is not implemented.

Waste Solutions Group of San Benito (WSGSB) owns and operates the John Smith Landfill in Hollister. WSGSB does not have the permitted mixed waste processing capacity that the City needs to provide Option 3 because it is a landfill and not a mixed waste processing facility. Furthermore, they did not specify a plan to obtain mixed waste processing. Based on this, it appears there is no valid means to obtain SB 1383 compliance.

Waste Management of Alameda County (WMAC) operates the Davis Street Transfer Station in San Leandro. The facility's current permitted processing capacity is devoted to the City of Oakland, but the company is seeking additional partners to expand their permitted operations. WMAC stated that it could begin processing the City's garbage to remove the organics by January 2023, pending additional commitments from other jurisdictions which have not been secured. The Davis Street Transfer Station is 33 miles from Santa Clara which is outside of the ten mile travel radius to a disposal or processing facility specified in the tentative agreement with MTWS. In order to use WMAC facilities, the City would need to arrange for transfer and transport of the waste, which would come at an additional cost and additional GHG emissions due to transporting waste.

GreenWaste Recovery, Inc. (GWR) operates a material recovery facility located at 625 Charles Street in San Jose that is five miles from Santa Clara. GWR is working through the final stages of permitting an expansion of its operations that would enable it to provide mixed waste processing capacity to the City by January 2021.

Based on all four responses to the RFI, staff believes that GWR is in the best position to provide the City with mixed waste processing services that would enable Option 3 to become viable in the near future. Staff is seeking authorization from the City Council to enter negotiations with GWR for processing capacity. GWR and its sister company, Zanker Recycling, also provide construction and demolition debris recycling, composting services, and have agreements in place for landfill disposal,

in addition to providing material processing services to recover recyclables. There could be an opportunity to secure composting and landfill disposal services after the City's agreement with Republic Services/BFI expires on December 31, 2024. If negotiations with GWR are not successful, then staff may reach out to the other service providers to see if there are any other feasible alternatives.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or as a reasonably foreseeable indirect physical change in the environment. The City will review the CEQA process and conduct, as necessary, an environmental review prior to awarding any new contracts, if required.

FISCAL IMPACT

There are no additional costs to the City other than staff time and expense.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Direct staff to finalize terms with Recology for an agreement for residential recycling services for City Council consideration at a subsequent meeting.
2. Do not direct staff to finalize terms with Recology for an agreement for residential recycling services and provide other direction.
3. Direct staff to finalize terms with Mission Trail Waste Systems for an exclusive franchise agreement for collection and transportation of garbage, organics and commercial recyclables for Council consideration at a subsequent meeting that incorporates Option 1 - expansion of the existing pilot split-cart food scraps recycling program to all single-family and townhouse customers/no change to current yard waste program.
4. Direct staff to finalize terms with Mission Trail Waste Systems for an exclusive franchise agreement for collection and transportation of garbage, organics and commercial recyclables for Council consideration at a subsequent meeting that incorporates Option 2 - provision of organics container to all single-family and townhouse customers to collect yard waste, food scraps and food-soiled paper.
5. Do not direct staff to continue negotiations with Mission Trail Waste Systems on specific terms and conditions for an exclusive franchise agreement for collection and transportation of garbage, organics, and commercial recyclables and provide other direction.

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 the Mission Trail Waste System Agreement for Council consideration at a subsequent meeting, Option 3 (in lieu of Option 1 and 2) - continuation of the same single-compartment garbage and yard waste services (that does not require customers to separate food scraps and food-soiled paper) and have the organic materials removed at a mixed waste processing material recovery facility.

RECOMMENDATION

Alternatives 1, 3 or 4, and 6:

1. Direct staff to finalize terms with Recology for an agreement for residential recycling services for City Council consideration at a subsequent meeting.

3. Direct staff to finalize terms with Mission Trail Waste Systems for an exclusive franchise agreement for collection and transportation of garbage, organics and commercial recyclables for Council consideration at a subsequent meeting that incorporates Option 1 - expansion of the existing pilot split-cart food scraps recycling program to all single-family and townhouse customers/no change to current yard waste program.

4. Direct staff to finalize terms with Mission Trail Waste Systems for an exclusive franchise agreement for collection and transportation of garbage, organics and commercial recyclables for Council consideration at a subsequent meeting that incorporates Option 2 - provision of organics container to all single-family and townhouse customers to collect yard waste, food scraps and food-soiled paper.

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 the Mission Trail Waste System Agreement for Council consideration at a subsequent meeting, Option 3 (in lieu of Option 1 and 2) - continuation of the same single-compartment garbage and yard waste services (that does not require customers to separate food scraps and food-soiled paper) and have the organic materials removed at a mixed waste processing material recovery facility.

Reviewed by: Craig Mobeck, Director of Public Works

Approved by: Deanna J. Santana, City Manager