19-807 **Agenda Date: 12/10/2019**

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on Agreement with Mission Trail Waste Systems for Exclusive Franchise for the Collection and Transportation of Garbage, Organics, and Commercial Recyclables

EXECUTIVE SUMMARY

The State has passed legislation that requires cities to implement organics recycling programs to minimize methane emissions from landfills. Staff has evaluated potential organics collection program options that are to be considered and incorporated into an exclusive franchise agreement with Mission Trail Waste Systems (MTWS) for the collection and transportation of garbage, organics and commercial recyclables. Staff is requesting direction from Council on which organics collection program options (split-cart food scraps recycling program or mixed waste processing) to include in the successor agreement and Council approval of the successor agreement with MTWS.

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 their 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 new organics recycling programs 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 and serviced by MTWS. In October 2017, residents in the pilot program were provided with new split-carts 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.

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. On November 13, 2018, Council directed staff to enter into successor agreement negotiations with MTWS.

MTWS and staff negotiated pricing for three organics collection program options that would satisfy SB 1383 requirements. The three organics collection options are as follows:

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
2. provision of organics container to all single-family and townhouse customers to collect combined yard waste, food scraps and food-soiled paper
3. maintain the existing garbage container for single-family and townhouse customers and deliver its' contents to a mixed waste processing facility to recover food scraps and food-soiled paper

One of the obstacles the City is facing is that it does not have permitted mixed waste processing capacity, thus limiting the ability to provide option 3. On September 17, 2019, staff provided Council with an update on successor agreement negotiations and received direction on specific organics collection program options to pursue and bring back for consideration at a future meeting. At the meeting Council directed staff to:

- finalize terms with MTWS to incorporate the expansion of the existing pilot split-cart food scraps recycling program to all single-family and townhouse customers with no change to current yard waste program into the agreement and;
- enter negotiations with GreenWaste Recovery, Inc. (GWR) for mixed waste processing capacity, which if successful, would enable the City to present the option of using 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.

DISCUSSION

Staff and MTWS have reached a proposed agreement on terms for an agreement that would take effect on July 1, 2020 and expire June 30, 2036. The significant terms are outlined in the attached Term Sheet. The Santa Clara City Code (SCCC) Chapter 8.25 specifies the process for granting refuse contracts. Section 8.25.220 states that the Council may notice and provide a public hearing to review an application for a refuse contract. Section 8.25.250 permits the Council to grant a refuse contract following the consideration of an application at a public hearing.

The proposed agreement stipulates three years of compensation increases, which are dependent on how the single-family and townhouse residential organics are collected. Staff is requesting direction from the Council on specific organics collection programs to incorporate into the Agreement, authorization for the City Manager to execute the Agreement after the specific organics collection programs are incorporated, and a subsequent Budget Amendment. The agreement is not subject to prevailing wage and will include language to that effect.

Single-Family and Townhouse Residential Organics Collection

Staff and MTWS have a tentative agreement on pricing to provide containers, collection, and transportation to a disposal or recycling facility for two options for the Council to consider:

Option 1 - Expansion of the split-cart food recycling program (with one compartment for organics and

one compartment for garbage) to all single-family and townhouse customers. This option includes a redesign of the split-cart containers that will include the divider built into an insert to increase container durability, rather than being a separate piece with additional connections. Food-soiled paper (pizza boxes, paper plates and wrappers, napkins, etc.) would be added to the list of items accepted in the organics compartment of the container. Some modifications would be made to the divider position to increase the garbage capacity and reduce the organics waste capacity; however, customers would still see a reduction in the garbage capacity of the container although the overall capacity of the container would remain the same. If this option is selected it will be rolled out to customers on July 1, 2021.

Advantages:
- lowest cost
- feeding animals is a higher and better use of organics than composting
- yard waste without food scraps and food-soiled paper is a higher grade of compost

Disadvantages:
- carts have a larger footprint, weigh more, and have experienced durability issues
- loss of garbage capacity
- more public outreach and education needed to make behavior change

Option 2 - Maintain the existing garbage container for single-family and townhouse customers and deliver the contents to a mixed waste processing facility to recover food scraps and food-soiled paper. This option is contingent upon prior Council approval of an agreement with GWR. GWR will commence mixed waste processing services on January 1, 2021. Customers in the pilot food scraps collection area will be provided with new garbage carts in December of 2020 and transition service in January 2021.

Advantages:
- can be implemented using existing containers (no additional containers needed)
- no additional sorting by residents and least amount of public outreach needed
- highest quantity of materials diverted from the landfill

Disadvantages:
- highest cost
- lower quality of organics waste material recovered

Change in Compensation to MTWS

Staff is seeking direction from Council on which single-family and townhouse residential organics collection option to implement in order to finalize the successor agreement. Below is a summary of the compensation increases to MTWS for each organics single-family and townhouse collection option, which does not include processing or disposal costs, and are thus not representative of the actual increases in customer rates. Information regarding estimated rate impacts are described further down in this report.

	Option 1 - organics in a split-cart (source separated)	Option 2 - organics in a garbage cart (mixed waste processing)
July 1, 2020	+ 4.5%	+ 6.0%
July 1, 2021	+ 8.0%	+ 9.0%
July 1, 2022	+ 7.0%	+ 9.0%

Commercial Business and Multi-Family Organics Collection

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 food-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). The ability to implement Option B would not require customers to add a container, but is contingent on having an agreement in place with GWR. MTWS would have the ability to continue to market its commercial business food scraps recycling program at rates that equate to approximately 80 percent of the garbage rate for the corresponding level of service under Option B.

The compensation paid to MTWS for commercial business and multi-family organics collection is tied to the single-family and townhouse organics collection option that is implemented (Option 1 or 2). The commercial business and multi-family organics collection program does not need to mirror the single-family and townhouse collection program. Council could potentially select both Option 1 - organics in a split-cart and Option B - mixed waste processing of the contents of the garbage container or vice versa.

New Services in the Successor Agreement

Under the agreement, MTWS will be required to maintain a compressed natural gas (CNG) fleet. The agreement 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 Recycling'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 Compensation 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 and a 2 percent floor. MTWS will continue to provide commercial recycling services and be responsible for the marketing of the recyclables so the City will not pay additional processing costs.

Estimated Impacts to Single-Family and Townhouse Customer Rates

The previous discussion covered the compensation paid to MTWS 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 also more expensive to process loads of garbage through a mixed waste processing facility to remove food scraps and food-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 single-family and townhouse customers through the first three years (effective July 1, 2019) of negotiated compensation increases with MTWS. For 32-gallon garbage cart customers that comprise approximately 50 percent of the residential customer service base, Option 2 would be approximately $5.00/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.

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 estimated 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: *Organics in split -cart (source separated)*	$36.59	$43.00	$49.50	$52.50	+ 43%
Option 2: *Organics in garbage cart (mixed waste processing)*	$36.59	$45.10	$53.9	$57.50	+ 57%

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*: *Organics in split-cart (source separated)*	$25.35	$29.80	$34.30	$36.40	+ 44%
Option 2*: *Organics in garbage cart (mixed waste processing)*	$25.35	$31.30	$37.40	$39.90	+ 57%

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

Estimated Impacts to Commercial Business and Multi-Family Customer Rates
As mentioned earlier in the report, there are two organics collection program options for Council to consider for commercial businesses and multi-family dwellings. Option A requires customers to

subscribe to an additional container to source separate organics. Option B does not require any additional containers or sorting on the part of customers and contents of the garbage container are taken to a mixed waste processing facility to capture the organic materials for composting.

After the first three years of negotiated compensation increases under the agreements, Option B would be an estimated $17.90 less expensive than Option A for commercial business customers that subscribe to a 3-cubic yard dumpster serviced one time per week and $160.00 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: *Commercial source separated organics in additional container*	$261.60	$357.90	$399.40	$427.50	+ 63%
Option B: *Commercial mixed waste processing of garbage (no additional container)*	$261.60	$322.00	$384.20	$409.60	+ 57%

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: *Commercial source separated organics in additional container*	$349.60	$592.20	$660.90	$707.50	+ 102%
Option B: *Commercial mixed waste processing of garbage (no additional container)*	$349.60	$430.30	$513.50	$547.50	+ 57%

Community Outreach
Following the September 17 update to Council on solid waste collection agreement negotiations, the

Department of Public Works conducted two community meetings to inform the public about upcoming changes to organics collection programs. Staff presented an overview of the organics collection options being considered along with the estimated pricing of each and invited input from attendees. The community meetings were publicized on the City's website, social media accounts, channel 15 cable network, and flyers were posted at City Hall, the Senior Center, Community Recreation Center, and all libraries.

All six residents who attended the October 21 community meeting indicated a preference toward expansion of the split-cart food scraps recycling program. At the October 24 community meeting two residents indicated a preference for the split-cart food scraps recycling program and one resident indicated a preference for mixed waste processing of the contents of the garbage container.

The community meetings were not well-attended despite the outreach attempts so Staff launched a survey on the City's website to gauge customer preference between Option 1 (source separated organics in a split-cart container) and Option 2 (mixed waste processing of contents of existing garbage containers). The survey was open from November 4 to November 22 and was publicized using the same tools that were used for the community meetings. Below is a summary of the 643 responses.

Organics collection option	Number of responses in favor	Percentage of responses in favor
Option 1: *Organics in split-cart (source separated)*	238	37%
Option 2: *Organics in garbage cart (mixed waste processing)*	405	63%

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

The agreement will result in increased compensation paid to MTWS for the collection and transportation of garbage, organics and commercial recyclables. The estimated annual compensation paid to MTWS for collection services (does not include any related organics processing costs following collection) will increase from approximately $13.26 million in FY 2019/20 to $13.86 million in FY 2020/21 if Option 1 is selected, and $14.06 million if Option 2 is selected.

The tables below show the estimated annual compensation increases to MTWS for collection services for the first three years of the successor agreement for both Option 1 and Option 2. The changes in compensation to MTWS will be incorporated into Solid Waste Customer rates that will be presented to the City Council for consideration during the spring of 2020.

Option 1 - expansion of pilot split-cart food scraps recycling program

Effective date	Estimated Annual compensation paid to MTWS
July 1, 2019	$13,260,000
July 1, 2020	$13,860,000
July 1, 2021	$14,970,000
July 1, 2022	$16,020,000

Option 2 - mixed waste processing of contents of garbage container

Effective dateEstimated Annual compensation paid to MTWS	
July 1, 2019	$13,260,000
July 1, 2020	$14,060,000
July 1, 2021	$15,330,000
July 1, 2022	$16,710,000

A subsequent budget amendment to FY 2020/21 Solid Waste Operating Fund's refuse collection charges and garbage collection, disposal and recycling expenditures will be necessary and dependent on which collection options are selected by the City Council following consideration of this report. Staff estimates that a budget amendment of $600,000 in appropriations and revenues for Year 1 of the successor agreement will need to be added to the Solid Waste Fund in the FY 2020/21 Adopted Operating Budget if Option 1 is selected, or $800,000 of Option 2 is selected. The budget amendment for the selected option will be submitted at a later date.

R3 Consulting, Inc. will be performing a solid waste rate study that will factor in cost increases associated with all new successor and mixed waste processing agreements. The annual compensation increases as a result of the new agreements will be incorporated into customer rates beginning July 1, 2020 to enable the Solid Waste Fund to maintain cost recovery.

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 or at the public information desk at any City of Santa Clara public library. Notice of the Publication was published in the November 27, 2019 edition of the Santa Clara Weekly to satisfy the 10-day noticing requirement.

ALTERNATIVES

1. Direct staff to incorporate Option 1 - expansion of the pilot split-cart food scraps recycling program to all single-family and townhouse customers into the agreement with Mission Trail Waste Systems.
2. Direct staff to incorporate Option 2 - maintain the existing garbage container for single-family and townhouse customers and deliver the contents to a mixed waste processing facility to recover food scraps and food-soiled paper into the agreement with Mission Trail Waste Systems. This option is contingent upon prior Council approval of an agreement with GreenWaste Recovery, Inc. for mixed waste processing services.
3. Direct staff to incorporate Option A - source separated organics in a new separate container for commercial business and multi-family customers into the agreement with Mission Trail Waste Systems.
4. Direct staff to incorporate Option B - mixed waste processing of garbage with no additional container required for commercial business and multi-family customers into the agreement with Mission Trail Waste Systems. This option is contingent upon prior Council approval of an agreement with GreenWaste Recovery, Inc. for mixed waste processing services.
5. Approve and authorize the City Manager to finalize and execute an Agreement with Mission Trail Waste Systems for Exclusive Franchise for the Collection and Transportation of Garbage, Organics and Commercial Recyclables containing the terms outlined in the Term Sheet that incorporates the organics recycling programs selected by Council.

RECOMMENDATION

Alternatives: 2, 4, 5

2. Direct staff to incorporate Option 2 - maintain the existing garbage container for single-family and townhouse customers and deliver the contents to a mixed waste processing facility to recover food scraps and food-soiled paper into the agreement with Mission Trail Waste Systems. This option is contingent upon prior Council approval of an agreement with GreenWaste Recovery, Inc. for mixed waste processing services;
4. Direct staff to incorporate Option B - mixed waste processing of garbage with no additional container required for commercial business and multi-family customers into the agreement with Mission Trail Waste Systems. This option is contingent upon prior Council approval of an agreement with GreenWaste Recovery, Inc. for mixed waste processing services; and
5. Approve and authorize the City Manager to finalize and execute an Agreement with Mission Trail Waste Systems for Exclusive Franchise for the Collection and Transportation of Garbage, Organics and Commercial Recyclables containing the terms outlined in the Term Sheet that incorporates the organics recycling programs selected by Council.

Reviewed by: Craig Mobeck, Director of Public Works
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS:

1. Term Sheet