



Agenda Report

19-1272

Agenda Date: 12/10/2019

REPORT TO COUNCIL

SUBJECT

Public Hearing: Action on an Agreement with GreenWaste Recovery, Inc. for Solid Waste Processing, Transfer, Transport, Recycling and Disposal Services

EXECUTIVE SUMMARY

The agreement with GreenWaste Recovery, Inc. (GWR) secures permitted mixed waste processing capacity that enables the contents of customer's existing garbage containers to be processed to separate organic material from the garbage. The organic material will be sent to a composting facility and provides an additional program option to comply with State mandated organics recycling requirements. Along with Agenda Report 19-807 being heard separately, Council will be asked to provide direction on which organics collection programs to incorporate into an agreement with Mission Trail Waste Systems (MTWS). The options to mixed waste process the contents of existing garbage containers to separate organic material for composting without requiring customers to add an additional organics container for single-family, townhouse, commercial business and multi-family customers cannot be implemented unless the agreement with GWR is approved.

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 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 MTWS.

In order to achieve compliance with the SB 1383 regulations and after over a year of study, two organics collection options have been identified. One of the options is to maintain the existing garbage container for customers and deliver the contents to a mixed waste processing facility to recover food scraps and food soiled paper. However, the City does not have an agreement with a material recovery facility that has permitted mixed waste processing capacity, thus limiting the option

of processing garbage container contents to remove organic waste for recycling.

Staff posted a Request for Information (RFI) on BidSync from July 31 to August 14 to see if any additional service providers were potentially interested and able to provide mixed waste processing services. Four companies responded to the RFI. On September 17, 2019, after being presented a summary of the responses to the RFI, Council directed staff to enter negotiations with GreenWaste Recovery, Inc. (GWR) for mixed waste processing, recycling, transfer, and disposal services of garbage, organics, and commercial recyclables.

DISCUSSION

GreenWaste Recovery, Inc. (GWR)

GWR operates a material recovery facility located at 625 Charles Street in San Jose that is only 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.

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 are opportunities to secure composting and landfill disposal services after the City's agreement with Republic Services/BFI expires on December 31, 2024.

Under the subject agreement, GWR will provide mixed waste processing services for garbage delivered to their material recovery facility by MTWS beginning in January of 2021 (following the completion of the facility expansion) to recover organic material and recyclables. After processing, GWR will deliver the organic material to Z-Best composting facility for composting. GWR will transport the residual garbage for disposal at Newby Island Landfill under the City's existing disposal agreement with Republic Services/BFI through December 31, 2024. The City is responsible for paying Republic Services/BFI the disposal cost, which is currently \$49.76/ton.

The agreement provides future flexibility for garbage disposal, recyclable processing and processing yard waste. The City will have the option to have GWR dispose of residual garbage processed through its material recovery facility beginning in 2025 at the rates specified in the agreement. The agreement also secures long-term processing of residential curbside recyclables at rates that will fluctuate with market prices and contamination levels and the City can also exercise an option to process and compost yard waste at a later date.

The term of the agreement will start on January 1, 2021 and will expire on June 30, 2036, which aligns with the expiration of the tentative agreement with MTWS. Staff evaluated the potential for a five-year agreement, but the cost per ton for the shorter term was \$45/ton more for processing of commercial garbage and \$51/ton more for residential garbage. The five-year term is significantly more expensive than the longer term because GWR is seeking to secure long-term commitments from customers to support the facility expansion.

The agreement is not subject to any prevailing wage requirements. The City's outside consultant, Contractor Compliance and Monitoring, Inc., stated that prevailing wage applies to workers who perform construction repair, demolition or maintenance work on projects funded by agencies, but GWR's workers will only be processing the garbage. Based on this, prevailing wage does not apply

and the City Attorney's Office has concurred with this assessment. The City of San Jose, which delivers approximately 50 percent of the incoming material to GWR, has also determined that the materials processing operation is not a prevailing wage contract.

Tentative Agreement with Mission Trail Waste Systems (MTWS)

Staff and MTWS have reached a tentative agreement on terms for an agreement that would take effect on July 1, 2020 and run through June 30, 2036. 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 split-cart food scraps 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. 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.

Option 1 can be implemented under the existing terms and conditions of the tentative agreement with MTWS and does not require any additional agreement with a processing facility. The City would need to enter into an agreement with GWR for mixed waste processing services in order to implement Option 2.

The table below shows a summary of the compensation increases to MTWS for each option, which does not include processing or disposal costs. The percentage increases only represent collection costs and do not take costs associated with processing and recycling of the organic materials collected into account.

	Option 1 - expansion of pilot split-cart program	Option 2 - mixed waste processing contents of existing garbage container
July 1, 2020	+ 4.5%	+ 6.0%
July 1, 2021	+ 8.0%	+ 9.0%
July 1, 2022	+ 7.0%	+ 9.0%

The percentage increases for single-family and townhouse customers shown above would be applied to MTWS' compensation for commercial business and multi-family customers as well. Staff has identified two potential organics collection program options for commercial business and multi-family customers that utilize a dumpster for their garbage service:

- A. provision of a separate organics container for food scraps and food soiled paper for all commercial business and multi-family customers; or
- B. maintain the existing garbage container for all commercial business and multi-family customers and deliver the contents to a mixed waste processing facility to recover food scraps and food soiled paper.

If Option A is selected, customers that are not already subscribed to organics recycling services

would need an additional container to participate in the program. Option A can be implemented under the existing terms and conditions of the tentative agreement with MTWS and does not require any additional agreement with a processing facility. Option B would not require customers to add a container, but the City would need to enter into an agreement with GWR for mixed waste processing services to implement this option. MTWS would be authorized to continue to market its commercial food scraps recycling program under the terms of the agreement with GWR.

Under Agenda Report 19-807, staff will request direction from Council on which organics collection program options it would like to incorporate into the MTWS successor agreement, which will follow consideration on whether or not to approve the subject agreement with GWR.

Estimated Impacts to Customer Rates

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 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. Additionally, non-recyclable materials remaining after processing still need to be landfilled.

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, 2020) of negotiated compensation increases with MTWS. At the compensation increases negotiated with MTWS, by July 1, 2022 current estimates of rates for 32-gallon garbage cart customers (which 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: <i>Organics in split-cart (source separated)</i>	\$36.59	\$43.00	\$49.50	\$52.50	+ 43%
Option 2: <i>Organics in garbage cart (mixed waste processing)</i>	\$36.59	\$45.10	\$53.90	\$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*: <i>Organics in split-cart (source separated)</i>	\$25.35	\$29.80	\$34.30	\$36.40	+ 44%
Option 2*: <i>Organics in garbage cart (mixed waste processing)</i>	\$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 successor agreements (effective July 1, 2022), 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: <i>Commercial source separated organics in additional container</i>	\$261.60	\$357.90	\$399.40	\$427.50	+ 63%
Option B: <i>Commercial mixed waste processing of garbage (no additional container)</i>	\$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: <i>Commercial source separated organics in additional container</i>	\$349.60	\$592.20	\$660.90	\$707.50	+ 102%
Option B: <i>Commercial mixed waste processing of garbage (no additional container)</i>	\$349.60	\$430.30	\$513.50	\$547.50	+ 57%

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

Services will not commence until January 1, 2021. It is estimated that if both Option 2 and Option B are selected, the funds paid to GWR during the first six months of the subject agreement will be \$2,450,000. 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 under Agenda Report 19-807 following consideration of this report. The budget amendment will be submitted at a later date.

Below is a summary of the potential budget amendment scenarios if the subject agreement is approved by the City Council.

Option 2 & Option A: \$785,000
Option 1 & Option B: \$1,665,000
Option 2 & Option B: \$2,450,000

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. 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. Approve and authorize the City Manager to execute an agreement with GreenWaste Recovery for solid waste processing, transfer, transport, recycling, and disposal services.
2. Do not approve and authorize the City Manager to execute an agreement with GreenWaste Recovery for solid waste processing, transfer, transport, recycling, and disposal services.
3. Authorize the City Manager to make minor modifications to the Agreement, if necessary.

RECOMMENDATION

Alternatives 1 and 3;

1. Approve and authorize the City Manager to execute an agreement with GreenWaste Recovery for solid waste processing, transfer, transport, recycling, and disposal services; and
3. Authorize the City Manager to make minor modifications to the Agreement, if necessary.

Reviewed by: Craig Mobeck, Director of Public Works

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Agreement with GreenWaste Recovery, Inc.
2. City Attorney Memo regarding Prevailing Wage