



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: May 14, 2018

Approved

Date

5/25/18

SUBJECT: PARAMETERS FOR REQUEST FOR PROPOSALS FOR RESIDENTIAL SOLID WASTE SERVICES

RECOMMENDATION

Direct staff to:

1. Initiate development of a Request for Proposals (RFP) to solicit and award agreements for residential solid waste services that would begin July 1, 2021; services will include collection and processing of solid waste, recyclables, and organic materials for each of the two service districts for single-family residences and a citywide district for multi-family residences, and City Facilities;
2. Establish term of 15 years for the new agreements;
3. Include the following in the Request for Proposals:
 - a. Living wage and employee retention requirements consistent with Council's Living Wage Policy;
 - b. Solicit ideas for the new system to be flexible to address evolving recycling markets; while continuing to meet zero waste goals;
 - c. Solicit ideas for the new system to support Climate Smart San José and reduce greenhouse gas emissions;
 - d. Include optional services for emergency response support;
 - e. Solicit ideas for providing larger garbage carts to single-family residents and exploring updated customer rate structures;
 - f. Performance standards that would address leveraging technology and providing ease of use for enhanced customer service, material recovery and marketing, service delivery, environmental compliance, and vehicle standards;
4. Complete waste characterization studies to inform the RFP;
5. Explore using City staff for Junk Pick-Up services and customer outreach; and
6. Procure residential street sweeping and Public Litter Cans services separately from residential waste services.

OUTCOME

This recommendation would direct staff to initiate a procurement process for San José residential solid waste services with the parameters included in this memorandum. A procurement process will provide the opportunity to innovate the residential solid waste program in ways that address emerging State and local regulations and priorities, uncertain recycling markets, and obsolete contractual terms and hauler service districts.

BACKGROUND

The Environmental Services Department (ESD) provides recycling and garbage services to more than 320,000 residential households from both single-family and multi-family dwellings through contracted service providers. This system is one of the largest privatized solid waste systems in the nation, with an annual budget of approximately \$115 million.

On March 28, 2017, Council directed staff to initiate negotiations with all existing Recycle Plus residential solid waste contractors to pursue new agreements that would replace the existing agreements, which will expire June 30, 2021, and return to Council with the results of the negotiations. As detailed in the June 5, 2018 Council Memorandum “Actions Related To Negotiations of Recycle Plus Residential Solid Waste Agreements and China’s Policy On Importing Recyclable Material,” staff’s evaluation is that these negotiations were unsuccessful due to legal and policy considerations related to disparate pricing for different service districts, higher overall pricing than expected, uncertain recycling markets, obsolete hauler districts, and the current contractors’ concern and disagreement over significant contractual terms.

ANALYSIS

Council’s direction on the recommendation in this report would establish the framework for an RFP for residential solid waste services that would begin July 1, 2021. Initiating an RFP process gives the City the opportunity to update program parameters to better meet the needs of residents and emerging priorities related to recent State requirements and local goals such as Climate Smart San José. Some key parameters planned for the RFP include:

1. **Living Wage:** Require full San José Living Wage in all contracts. Under the current Recycle Plus system, only a Modified Living Wage is practical (as covered in December 19, 2017 City Council meeting, Item 7.1 “Wage Standards for Residential Garbage & Recycling Contracts” and June 5, 2018 Council Memorandum “Modified Living Wage for Residential Garbage & Recycling Contracts”). An RFP provides the opportunity to require full Living Wage for future contractors.
2. **Employee Retention:** Require the successful proposers to retain employees of the former contractors.

3. **Recycling Markets:** Solicit ideas for the new system to be flexible to address evolving recycling markets while continuing to meet zero waste goals, including a process to amend “recyclable materials” list for the purposes of collection and/or performance standards.
4. **Innovative Program Operations:** Solicit ideas for innovation from proposers for collection and processing approaches, which could potentially modify current approaches in the Recycle Plus system, such as commingled recyclables collection and mixed waste processing. With State regulations for organics evolving quickly and recycling markets uncertain, new, flexible approaches may be needed for collection and processing. The RFP will encourage proposers to form partnerships with cutting edge entities to address challenges of diverting various materials.
5. **Climate Smart:** Align the future program with Climate Smart San José. Require green fleets, which could include the use of electric trucks (already being piloted in some local cities).
6. **Updated Hauler Districts,** including:
 - a. Establishing new single family dwelling (“SFD”) hauler districts to address changes in the City’s housing growth and population since the districts were first established, to more evenly distribute households, and to establish similar travel distances to facilities (thus reducing travel times, a major cost driver for haulers).
 - b. Contracting a single SFD service provider per district to maximize economies of scale to help control the impact on ratepayer costs. Having a single service provider per district also allows for easier performance comparison between contractors, creates a sense of competition to help drive high performance, and offers capability to use one service provider as a back-up in an emergency.
 - c. Continuing Multi-family and City Facilities services as citywide services.
7. **Larger Garbage Carts:** Provide appropriately-sized carts to decrease contamination and increase recovery of organics. This could also include moving to a flat customer rate for single-family services, regardless of garbage cart size.
8. **Improved Customer Service:** Online self-service options to improve customer experience, including better technology to submit service requests and for data sharing between contractors and City.
9. **Junk Pickup:** Include as an optional contractor service in RFP to allow the City to explore bringing Junk Pickup in-house. The program could potentially be more efficient and flexible under City operations, including changing how pickups are scheduled (i.e., instead of by appointment, set out on collection day without appointment).
10. **Emergency Response:** Contractor emergency response support would be an optional service. Similar provisions in the current agreements were successfully utilized during the 2017 flood event.
11. **Outreach and Public Education:** Bring outreach in-house to allow for consistent messaging. City can leverage existing outreach resources and partnership opportunities to ensure adequate outreach that effectively engages customers.

12. **Contractor Performance Standards:** Update performance standards in the current Recycle Plus contracts to include consistent citywide material recovery standards (City Auditor's recommendation for future contracts). Include enhanced quality of performance standards to motivate responsive customer call centers and reliable solid waste collection.
13. **Contractor Annual Compensation Adjustment:** Update the current methodology to include Bay Area indices published by the Bureau of Labor Statistics, as appropriate. Would address contractor concerns that annual adjustments in current agreements do not sufficiently address rising local costs.
14. **15-year Term:** This is a typical term for solid waste contracts to account for the amortization and lifespan of fleets and facilities.
15. **Disposal:** To the extent allowed under the City's disposal agreement, the City would offer access to disposal capacity under the City's disposal agreement (the existing agreement is with International Disposal Corporation at the Newby Island Landfill) help control disposal costs. If allowed, this option would allow successful proposers to take disposed materials (such as processing residue) to the disposal facility at the City's negotiated rate.

Street sweeping services that are currently included in a Recycle Plus agreement will be procured separately for services beginning July 1, 2021. When the contract was initially procured in 2006 the Recycle Plus program funded the service. Following legal changes, Recycle Plus no longer funds the program, Stormwater fund 446 provides the funding instead. Staff will return to Council with a service delivery strategy for the street sweeping services currently under contract. Similarly, Public Litter Can (PLC) service is currently included in a Recycle Plus agreement and will be procured separately to allow for consolidation and timely implementation of additional services. Staff will return to Council with a service delivery strategy for PLC service.

Next Steps

The RFP process for services of this scope should begin immediately to accommodate essential elements of a comprehensive approach that includes sufficient time for the following:

- Public and stakeholder engagement;
- Conduct waste characterizations;
- RFP document development, including draft agreements;
- Response time for proposers;
- Evaluation of proposals;
- Finalizing new agreements and service transition.

To allow sufficient time for new contractors to establish potential new infrastructure in the City, staff estimates that this process would have to be completed by September 2019 (Table 1 summarizes the approximate timeline for the RFP).

Table 1: RFP Timeline

Steps	Period	Completion Date
Receive Council direction, conduct initial planning, coordination	1 month	June 2018
Conduct stakeholder engagement and waste characterizations. Draft, approve, and release RFP/draft agreement	3 months	September 2018
Proposals due	3 months	January 2019
Evaluate proposals	3 months	April 2019
Prepare and issue Notice of Intent to Award	1 month	May 2019
CEQA Study Execute agreements /begin transition	3 months	September 2019
Start new services	22 months	July 1, 2021

To help inform and refine new program parameters, staff plans on conducting public stakeholder engagement via surveys, presentations, and/or workshops to gain a better understanding of the concerns and feedback about services from residents, property owners, and other community stakeholders. Staff plans on using on-line outreach tools, including social media, to promote participation in the stakeholder engagement process. Staff will also use data and feedback already gathered in a 2018 residential services survey and from the negotiations with the current contractors.

To help inform approaches to recycling markets and program operations, staff plans to conduct waste characterizations in the next six months to inform the RFP, so that proposers understand the composition of the material currently collected.

EVALUATION AND FOLLOW-UP

If Council approves the recommendation, staff will initiate an RFP process for residential solid waste services starting on July 1, 2021 and return to Council in 2019 with recommendations to award contracts to successful proposers. Staff will evaluate the need for consultant support for the procurement process and will return to Council for additional direction, as needed.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the June 5, 2018, City Council Meeting.

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Department of Transportation.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation/input associated with this action.

COST SUMMARY/IMPLICATIONS

There are no cost implications to the City as a result of approving this recommendation. Staff anticipates submitting a budget proposal for Council consideration during the 2019-2020 budget process for costs related to proposer selection and service transition.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

KERRIE ROMANOW

Director, Environmental Services Department

For questions, please contact Shikha Gupta, Interim Deputy Director, Environmental Services Department at (408) 975-2520.