

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: May 14, 2018

Approved



Date

5/25/18

**SUBJECT: ACTIONS RELATED TO NEGOTIATIONS OF RECYCLE PLUS
RESIDENTIAL SOLID WASTE AGREEMENTS AND CHINA'S POLICY
ON IMPORTING RECYCABLE MATERIAL**

RECOMMENDATION

- a) Accept staff's report discussing the negotiations with the current Recycle Plus haulers and providing information on staff's evaluation that the negotiations were unsuccessful;
- b) Direct staff to end negotiations with the current Recycle Plus haulers;
- c) Adopt a resolution authorizing the City Manager to waive the contractor disincentives for not meeting the required diversion rates for calendar year 2018, if by December 31, 2018 the City Manager determines that the Recycle Plus haulers are unable to meet their required diversion rates because of China's "National Sword" policy on the import of recyclable materials;
- d) Direct staff to return with recommendations on future waivers as part of the budget process for 2019-2020 if necessary because of the continuing impacts of China's "National Sword" policy.

OUTCOME

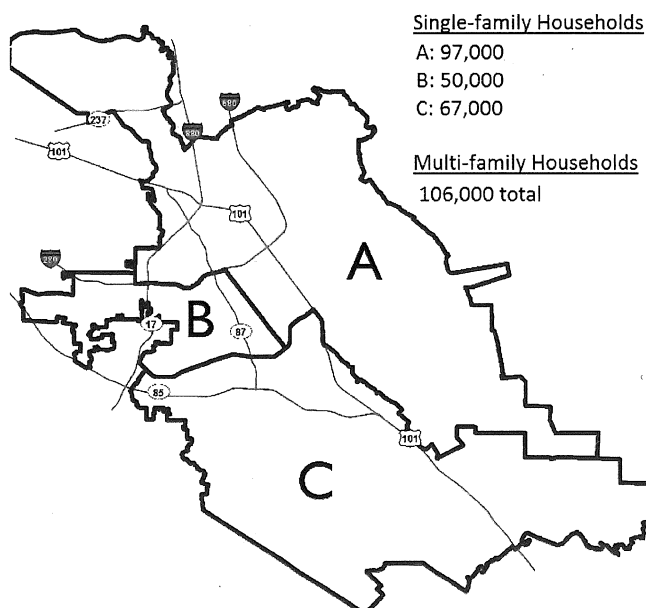
This recommendation would direct staff to stop negotiations with the Recycle Plus residential solid waste haulers for continuing services under similar program framework. Recommendations related to pursuing a competitive procurement process are outlined in a separate June 5, 2018 Council memorandum: "Parameters for Request for Proposals for Future Residential Solid Waste Services."

This recommendation would also authorize the City Manager to waive the contractor disincentives for calendar year 2018, if by December 31, 2018 the Recycle Plus haulers are unable to meet required diversion rates due to China's "National Sword" policy on the import of recyclable materials.

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 four contracted service providers: California Waste Solutions (CWS), Garden City Sanitation Inc. (GCS), Green Team of San José (GreenTeam), and GreenWaste Recovery (GreenWaste). Since 2007, CWS and GCS have served residential Districts A and C, representing 75 percent of single-family households. GreenTeam has served residential District B, representing 25 percent of single-family households since 2002, and all multi-family households since 1993. Since 1991, GreenWaste has provided yard trimmings and street sweeping services in various service districts, expanding citywide in 2007. GreenWaste also provides garbage processing, starting in 2008 and expanding citywide in 2017. Combined, this system is one of the largest privatized solid waste systems in the nation with an annual budget of approximately \$115 million.

All the service providers were obtained several years ago through competitive procurement processes (GreenTeam and GreenWaste in 2000, GCS and CWS in 2006). In 2010, the agreements were renegotiated and replaced with new contracts, made coterminous to all expire in 2021. The figure below illustrates the three residential service districts and estimated households. These service districts were established over 25 years ago.



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, including potential enhancements and contractual costs impacts. The negotiations were guided by the Zero Waste workplan presented to the Transportation and Environment (T&E) committee in March 2017 (<http://www.sanjoseca.gov/DocumentCenter/View/66492>).

Staff and consultants specializing in solid waste program parameters and contracts (HF&H Consultants) have collaborated with haulers since April 2017 to negotiate future Recycle Plus residential solid waste services. Multiple negotiation sessions were held with each hauler to discuss service options, potential enhancements, and costs. These discussions gave staff the opportunity to hear the concerns and needs of haulers and to explore new ideas to enhance the quality of service to residents. The haulers provided ideas for future service changes and voiced concerns about issues such as recycling market uncertainty, contamination, diversion requirements, and methodology for annual compensation adjustments. In addition to the time spent negotiating, the haulers devoted significant resources over the last year preparing multiple iterations of cost proposals, demonstrating their dedication in attempting to finding a negotiated solution beneficial to San José ratepayers.

ANALYSIS

Staff and consultants negotiated with the existing residential haulers to explore future pricing for basic services and service enhancements that they could offer San José residents, along with related cost impacts. Negotiations were guided by zero waste strategies presented to the T&E committee on March 6, 2017:

1. Reduce Per Capita Waste to Landfill
2. Ease of Use
3. Competitive Rates
4. Increase Types of Materials Beneficially Reused
5. Increase Commercial and Residential Hauler Role in Collecting Illegally Dumped Materials

Staff also used recommendations from the City Auditor's Curbside Recycling report (submitted to Council on May 22, 2015) to inform negotiations. This included developing a standard diversion calculation and applying it consistently across all service districts and revamping the outreach approach for the program. While a new recycling processing standard to replace the existing diversion calculation was developed collaboratively during negotiations, not all contractors were satisfied with the final proposed standard.

Ensuring a high-quality customer experience citywide was also another primary goal of negotiations. While the Recycle Plus contractors were open to improved customer service standards, staff and contractors did not completely agree on the specifics of the standards, and some contractors added costs for the new standards, while other contractors did not.

Maintaining and improving the Recycle Plus Program's high waste diversion was a key driving factor of negotiations. Since negotiations began, a new State regulation (SB 1383) has also been under implementation. This mandate sets aggressive requirements related to organics diversion and brings into question if the current Recycle Plus program would comply with State regulations in the future. Due to the limited program modifications possible while negotiating under the current program framework and the uncertain implementation measures of this law, it was not possible to develop a program framework that would meet, with certainty, potential new regulations.

China's Policy on Importing Recyclable Material and Diversion Requirements

In addition to emerging State regulations, there have been significant developments in recyclables markets, as China implemented their "National Sword" policy starting on March 1, 2018. This policy, which is detailed in the Council Information Memorandum "[China Recycling Waste Ban](http://files.constantcontact.com/7a210436601/d557351a-2efd-4c89-bbba-3fa05a196861.pdf)", December 4, 2017 (<http://files.constantcontact.com/7a210436601/d557351a-2efd-4c89-bbba-3fa05a196861.pdf>), restricts the imports of paper, cardboard, and plastics. This memo detailing the impacts China's policy on the recycling industry was published prior to the implementation of the import restrictions in March 2018. More recently, beginning May 4, 2018, China halted its pre-inspection program of US exports (essentially halting imports of all US recyclables) and is requiring full inspection of loads already destined for China. As of the writing of this memorandum, China is expected to halt the pre-inspection program for at least 30 days.

In the United States, China's policy is having the biggest effect on recyclers in the western states. Exports to China have been relatively inexpensive to ship and prices offered for the commodities were relatively high in recent years. The immediate impacts of the ban have led to Oregon recyclers sending 9,548 tons of recyclable material to landfill since October 1, 2017, or approximately 6% of all material collected in curbside and drop-off programs statewide. In California, many municipalities have standing restrictions on disposing recyclables, which may need to be reevaluated considering China's new policy.

Many recycling contractors in the State have indicated that their ability to process material to the new market standards may be challenging, or even soon impossible, and that new contractor and municipal contractual arrangements should be pursued. On May 8, 2018, the State Department of Resources Recycling and Recovery (CalRecycle) responded to growing concerns in a letter to local governments and industry about the impacts of China's import policies (Attachment A). CalRecycle noted that local jurisdictions must meet certain diversion requirements under State law, and are subject to enforcement if these diversion requirements are not met. However, CalRecycle recognizes the impact of international policies on global recycling markets and will consider "whether a good faith effort was made by the jurisdiction to meet [diversion] requirements."

In the immediate term, it is clear that recycling market conditions will continue to shift down to unprecedented levels because of China's "National Sword" policy. During negotiations and elsewhere, San José residential recycling processors, CWS and GreenWaste, informed staff that

May 14, 2018

Subject: Residential Solid Waste Agreements

Page 5

they are having difficulty selling material and sometimes doing so at a loss, once shipping costs are included. The haulers' quarterly sales reports show that prices for materials, such as mixed paper, have dropped from over \$160 per ton in March 2017 to a net loss of \$3 per ton in March 2018.

Staff recognizes that its contract disincentives may create an unforeseen financial burden on its recycling haulers that could disrupt the collection of recyclable material. Therefore, staff recommends authorizing the City Manager to waive contract disincentives related to calendar year 2018 diversion standards, if by December 31, 2018 the Recycle Plus Haulers are unable to meet required diversion rates because of China's "National Sword" policy.

This does not remove the diversion requirements in the Recycle Plus agreements, but would recognize that meeting such requirements may be impossible in the short term given the disruption created by the National Sword. In addition, waiting until the end of the calendar year to execute any waiver will allow the City and the Recycle Plus haulers to explore alternatives and allow the City and the haulers to make a good faith effort to meet its diversion requirements.

Cost Impacts

Prices offered by haulers for new contracts, with terms from 2019 through 2033, were higher than anticipated. A summary of the proposed pricing for continuing Recycle Plus base services and the negotiated optional enhancements is included with this memo as Attachment B. The pricing submitted by the Recycle Plus contractors to continue services beyond the June 30, 2021 current contract term, with similar program parameters and contract terms, would have an anticipated single-family rate impact of 17.8% and an anticipated multi-family rate impact of 2.0%. The reasons provided by contractors for the cost increase included: fleet replacements, uncertain recycling markets and quality of recyclables collected, labor costs, and State regulations. In addition, at least one contractor stated that the annual compensation adjustment in the current contracts does not reflect local labor or operating cost considerations, and that new contractual terms are needed to accommodate recycling market uncertainty.

In addition to discussing continuing current services beyond the current contract term, staff and haulers pursued program enhancements that were included in Council's direction on March 28, 2017 to negotiate with Recycle Plus haulers. While implementing some potential negotiated contract enhancements (such as a new recycling processing standard and shifting outreach responsibilities from the haulers to the City) would reduce the customer rate impact somewhat, adding other negotiated enhancements (including larger garbage carts, new customer service performance standards, and enhanced garbage processing) would increase the potential rate increase significantly, resulting in a total estimated customer rate impact of 25.5% for single-family homes and 5.9% for multi-family. Descriptions and associated costs of negotiated enhancements are summarized in Attachment B. An enhancement discussed early in negotiations that did not reach fruition was the food scraps program piloted by GCS from 2016-2018. Due to cost, suboptimal pilot results (uncertainty around increased diversion and customer convenience), and different operational approaches for different areas in the city, staff and haulers could not reach agreement on a workable citywide program.

The pricing offered by the Recycle Plus contractors creates an uneven cost distribution amongst hauler districts that raises legal concerns about a single Recycle Plus rate for different service districts. Currently, the contractor household costs in Service Districts B and A/C are similar (\$35.32 for District B and \$33.63 for District A/C), and virtually identical when additional overhead costs are included. However, the new proposed pricing for standard services would result in a significantly more disparate per household cost, \$36.00 for District B and \$42.06 for District A/C. With such a large cost differential, the City would need to consider implementing different rates structures based on service districts, instead of maintaining a citywide Recycle Plus customer rate, to comply with State requirements on property-related fees. While having different customer rates for different areas of the City is possible, it would likely raise concerns from the public if someone paid 20% more for the same service than their neighbor across the street.

There is also concern that the hauler districts that were originally established 25 years ago do not account for changes in the City's growth and population. Since the current program was implemented in 2002, San José's population has grown from approximately 900,000 to over one million and the City also incorporated multiple County pockets containing thousands of homes, adding to existing collection routes, many of which were already at capacity. Additionally, the household growth since 2002 has been inconsistent between the service districts, with District A adding more single-family homes (+11.7%) than the other districts (District B +8.0% and District C +3.1%). The current collection day boundaries within the three districts are no longer in balance and would benefit from being redrawn to reduce the number of trips made within a week to more efficiently collect solid waste in the future.

Need for New Solid Waste Procurement and System Redesign

Staff is recommending not renewing the current contracts for the following reasons:

1. Negotiations did not meet Council-directed goals;
2. Proposed contractor costs are higher than anticipated and are not definitively lower than a procurement process could achieve;
3. The current Recycle Plus system is not flexible enough to address a changing regulatory landscape or uncertain recycling market conditions;
4. The major shift in cost distribution amongst hauler districts raises legal concerns about continuing with a citywide Recycle Plus customer rate with different service districts potentially having uneven costs; and
5. Service districts that were originally established 25 years ago do not account for changes in the City's growth and population and result in less efficient service delivery.

Based on the above analysis, staff recommends initiating a procurement for new services beginning July 1, 2021, as outlined in the June 5, 2018 Council Memorandum "Parameters for Request For Proposals for Future Residential Solid Waste Services".

EVALUATION AND FOLLOW-UP

If directed, staff will stop negotiations with the current Recycle Plus haulers. With Council approval, Staff will initiate a procurement process for residential solid waste services starting on July 1, 2021 as outlined in the June 5, 2018 Council Memorandum "Parameters for Request for Proposals for Future Residential Solid Waste Services".

Staff will continue to monitor the impacts, and State and Federal responses to the evolving recycling commodity markets, and will collaborate with Recycle Plus contractors to explore future arrangements as the uncertain market situation further unfolds. If necessary, staff will return with recommendations on future waivers as part of the budget process for 2019-2020.

POLICY ALTERNATIVES

Alternative #1: Maintain existing Recycle Plus program and pursue new contracts starting July 1, 2021 at the proposed pricing from Recycle Plus contractors; establish different customer rates for single-family districts.

Pros: Retain contractors that are familiar with the City.

Cons: Different customer rates depending on where residents live may be required to comply with State law. Cannot readily make needed program modifications that could be done through a procurement process.

Reason for not recommending: Through negotiations with existing contractors, the pricing offered raises concerns for maintaining a single, citywide rate. Current program structure does not accommodate uncertain recycling markets, annual compensation adjustments, and emerging State law. The results of negotiations did not meet Council direction to staff in March 28, 2017 memo.

Alternative #2: Continue negotiating new contracts with current contractors that provide citywide services and initiate a procurement process for non-citywide services.

Pros: Less complex procurement process.

Cons: Could result in staggered agreement termination dates in the future and inconsistency with the service approach between the current services and services obtained via the procurement.

Reason for not recommending: Does not allow for complete system redesign to incorporate full Living Wage and to address emerging legislation and industry challenges.

Alternative #3: Do not authorize the City Manager to waive disincentives on diversion targets for 2018 if they cannot be met because of the China "National Sword" policy.

Pros: Keeps with contractual diversion standard requirements.

Cons: Does not account for changes in global recycling markets and places a financial burden on Recycle Plus haulers that could further disrupt recycling collection and processing.

Reason for not recommending: The current uncertain recycling markets have created challenges of a magnitude not expected under the current contract terms for the recycling contractors.

PUBLIC OUTREACH

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

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.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment and Not a Project, File No. PP17-007, Preliminary direction to staff and eventual action requires approval from decision-making body.

/s/

KERRIE ROMANOW
Director, Environmental Services Department

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

Attachments:

- A. State Agency CalRecycle's National Sword Letter
- B. Recycle Plus Services Cost Proposal Summary



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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May 8, 2018

In light of recent changes to China's import policies, I'm writing to share an update on California's recycling markets, answer questions regarding jurisdiction compliance, emphasize the importance of health and safety at solid waste facilities, and discuss what lies ahead. On May 4th, China stopped accepting any imports of recyclable materials from the United States for one month. This decision follows China's implementation of its National Sword policy on March 1st, banning the imports of 24 categories of scrap materials including low grade plastics and unsorted mixed paper, and setting strict contamination standards for allowable bales of recyclable material. The exporting of recyclable commodities to China, primarily our traditional curbside materials, has historically been a key component of California's recycling infrastructure. Approximately two thirds of curbside collected material is exported to foreign markets. In 2016, 62 percent of the exported recyclable materials were sent to China. However, China's implementation of National Sword is a major disruption in recycling commodities markets, a signal that California can no longer be primarily reliant on exports to manage our recyclable materials.

These new policies provide California with an opportunity to take a couple of important steps: first, to reduce our waste, and second, to work together to build infrastructure and domestic markets to successfully and responsibly manage our recyclable materials. Each of these will take investment and collaboration across state and local governments, the solid waste industry, manufacturers, and rate-payers. These are critical steps to improve the environment and economy here in California and beyond, although they will take time.

We're already witnessing the effect of China's new policy. Material flow is significantly disrupted and the economics of recycling are unfavorable for many recyclable commodities, challenging what recycling means to Californians.

This letter is intended to address concerns I have been hearing from local governments and industry about the impacts of China's import policies. I would like to reassure local governments that we have existing statutory policies to address the impact of markets when determining whether or not a jurisdiction has made a good faith effort to implement its diversion programs for compliance with AB 939. I am aware that facilities are having a hard time moving recyclable materials and are keeping them on site in significant quantities. If facilities are temporarily storing materials for longer periods, public health and safety should be their number one priority. Finally, looking toward the long-term, we will need more domestic infrastructure to manufacture products using California's recycled content feedstock. This valuable infrastructure will not only support the domestic recyclable commodities market but also support SB 1383's goal to reduce disposal of organic waste by 75 percent.



Let me expand on these points.

Considering Market Factors When Evaluating Jurisdiction Performance

Given shifting markets for recyclable commodities, it is important to clarify that CalRecycle takes market conditions into consideration when evaluating a jurisdiction's compliance with the following state recycling laws; AB 939, mandatory commercial recycling, and mandatory organics recycling. I have heard many stakeholders express concerns that CalRecycle will not take market factors – e.g., the precipitous drop in ability to get collected materials to market at an adequate price or even at all – into consideration when we evaluate jurisdiction programs. Jurisdictions are concerned that this could lead to potential penalties for situations that jurisdictions cannot control. This is not what statute dictates. Specifically, under existing statute, regulations, and policy, CalRecycle already takes market conditions into consideration when determining “good faith effort” in evaluating each jurisdiction's program implementation. CalRecycle recognizes that over the short term, lack of markets is not indicative of a jurisdiction's efforts to implement its programs fully. Additionally, a jurisdiction's achievement of its 50 percent requirement is not determinative for assessing compliance. Instead, CalRecycle's jurisdictional review focuses on program implementation and includes the assessment of barriers a jurisdiction is facing, including a lack of markets.

The following is an overview of the applicable statutes, regulations, and policies utilized when evaluating a jurisdiction's performance. I am providing you with this level of detail because it is descriptive of how we have reviewed jurisdiction program implementation in the past and how we will continue to do so in light of National Sword.

California Public Resources Code [41825\(e\)\(3\)](#) establishes that CalRecycle must consider the enforcement criteria included in its enforcement policy, known as the Countywide Integrated Waste Management Plan (CIWMP) Enforcement Policy Part II. This is the guiding process for determining compliance for a number of programs. CalRecycle periodically revises this policy to incorporate the goals of new statutes, as it did for [AB 341](#) and [AB 1826](#). Staff uses the criteria delineated in the policy to determine the extent to which a jurisdiction has implemented, or shown a good faith effort to implement, its selected diversion programs. Staff also uses the identified criteria to assist local jurisdictions who may need help in identifying why implementation of diversion programs is failing to achieve the results expected, or is failing to meet the diversion requirements. We want jurisdictions to be successful in implementing diversion programs.

The [CIWMP Enforcement Policy Part II](#) specifically includes consideration of markets for [AB 939 Source Reduction and Recycling Element \(SRRE\)](#), [Mandatory Commercial Recycling](#) (AB 341) and [Mandatory Commercial Organics Recycling](#) (AB 1826) compliance review. The following are some of our current review processes and the factors we consider when determining if a jurisdiction has met their diversion goals.

AB 939 review: As part of the review process, CalRecycle investigates the extent to which a jurisdiction has tried to meet the diversion requirements through its selected diversion programs, and the reasons it has failed to implement some or all of those diversion programs. Staff uses the criteria in the Enforcement Policy to assess the specific conditions that may have prevented a jurisdiction from meeting its 50 percent equivalent per capita disposal target, and whether a good faith effort was made by the jurisdiction to meet the requirements. The analysis for a jurisdiction that is not meeting its 50 percent target includes considering availability of markets and specific criteria can be found here: [CIWMP Enforcement Policy Part II, pages 4 and 11.](#)

Mandatory Commercial Recycling (MCR) and Mandatory Commercial Organics Recycling (MORe) review: CalRecycle also reviews jurisdictions' implementation of their MCR and MORe

programs. If a jurisdiction has not been able to implement a commercial recycling program that is appropriate for the jurisdiction and meets the needs of its businesses, CalRecycle looks at a number of factors in assessing whether the jurisdiction has made a good faith effort to implement these programs. These factors include the impact of markets and the efforts the jurisdiction has made to investigate local and regional marketing options and recycling opportunities with the private sector. More specifics can be found in the [CIWMP Enforcement Policy Part II, page 22 re: MCR and 28-29 re: MORE](#), and [PRC 42649.3\(i\)\(5\)](#) and [42649.82\(h\)\(6\)](#) and 14 California Code of Regulations §18839.

Health and Safety Considerations Associated with Storage

We understand that National Sword is causing back-ups and longer storage times of processed recycled materials at solid waste facilities and recycling centers. Solid waste facility operators can [discuss potential permitting options](#) or request a Solid Waste Local Enforcement Agency to grant a temporary waiver of storage restrictions. The waiver would allow additional amounts of recyclables and longer timeframes to store recyclables at the solid waste site as long as the additional storage does not create public health and safety or environmental issues. The [process for requesting and processing a temporary waiver](#) is found in state solid waste regulations. In addition, public health and safety is a priority at solid waste facilities and recycling centers. Several industry sources have published best management practices for the storage of baled recyclable materials. We've provided a synopsis of these practices below:

Have a Storage Management Operations Plan describing procedures for receiving, storing, and shipping baled recyclables.

- Unload baled recyclables by forklift and stack in a specific storage area in a configuration that provides for long-term stability. If applicable, stacked bales may be overlapped or staggered to improve the stability of the stacks. Height of the bales should be no greater than four bales high.
- The bale storage area should allow forklift operators to safely move materials and allow for the safe loading of trailers that are picking up bales of materials.

To prevent contact with storm water, and to control vectors and nuisance, the following may be employed:

- Limit bale contact with the ground (e.g., on pallets and/or tarps)
- Maintain facility cleaning, housekeeping and litter control
- Remove putrescible material, if observed
- Maintain heavy equipment to ensure no oil or fuel leakage occurs; clean up spills or leaks immediately
- Establish a first in/first out material handling process
- Where necessary, place berms or other structures to divert storm water from coming into contact with bales

Fire Hazard Mitigations:

- Consult with your local fire district to employ fire hazard mitigations
 - Keep adequate heavy equipment available on-site: (e.g., front loaders, bulldozers, water trucks, bobcats), fire hoses, dedicated fire pump and water tanks, and fire extinguishers.
 - Identify a maximum size of the storage area including length/width/height.
 - Maintain appropriate spacing between piles and the perimeter, maintain fire lanes
 - Inspect piles daily for potential fire hazards
 - Monitor pile temperatures at least once a week
- Coordinate with the Local Enforcement Agency and any local or state authorities responsible for the regulatory oversight of the facility.

For further information on best practices for storing materials, here are some additional resources from [Waste 360](#) and [Environmental Protection Authority, Victoria](#).

Reducing Waste and Increasing Domestic Infrastructure

Reducing the generation of waste before it enters the waste stream reduces costs and conserves resources. Manufacturers, consumers, and governments all have a role to play in reducing waste. For example, manufacturers can reduce unnecessary packaging on products, consumers can choose to use reusable instead of single use, disposable products, and local government can procure products with recycled content. Waste prevention has the potential to reduce reliance on foreign markets, as there is no need to export what California has not generated. We will continue to work with you and all stakeholders to develop waste prevention opportunities and policies. With that said, we will continue to generate a significant amount of materials in California. Upstream solutions will need to be paired with the development of domestic processing and manufacturing for us to successfully manage our recyclables.

Building infrastructure to handle the materials we collect now, and the even greater amounts we will need to collect when SB 1383 goes into effect, is a daunting long-term task that will take years to achieve. Given the unpredictability of the marketplace, it's even more important that state and local governments and the private sector begin making siting and investment decisions now to develop more domestic (California and the U.S.) infrastructure for manufacturers using recycled content feedstock.

As CalRecycle communicated in January, we are committed to using our [available resources](#) to help build a more robust materials processing infrastructure in California. CalRecycle currently provides funding through its greenhouse gas (GHG) grant and loan programs and Recycling Market Development Zone program (RMDZ), and we work closely with the Governor's Office of Business and Economic Development (GO-Biz) to assist manufacturers that want to site or expand their operations in the state. Over the past four years, the GHG grant program has provided \$86 million in funding to 31 recycling projects and the GHG loan program has provided \$1.5 million in funding for two projects for construction, renovation, and expansion of new in-state capacity. The RMDZ loan program has provided \$145 million in funding to 192 recycling manufacturers in the state, since inception of the RMDZ loan program in FY 1993-94. There is increasing enthusiasm from companies interested in utilizing California's waste stream to make new products such as compost, biofuels, fibers and plastics. I urge you to take advantage of these.

Another opportunity to support manufacturers using recycled content feedstock is for jurisdictions to ensure their General Plan includes these types of facilities in their land use element. Just last year the California Governor's Office of Planning and Research (OPR) completed the first comprehensive update to the General Plan Guidelines (GPG) since 2003 ([General Plan Guidelines Update, Completed August 2, 2017](#)). One of the major changes includes an expanded section addressing the need for additional recycling, anaerobic digestion, composting, and manufacturing facilities in the land use element. This new guidance provides examples for local jurisdictions to use when updating their General Plans. Additional information is on the [OPR General Plan Guidelines website](#). You can stay informed about GPG-related information by [signing up for the GPG email list](#).

Next Steps

CalRecycle will host a workshop in Sacramento in early June to encourage dialogue and share information about the impacts of China's import policies. Workshop details will be posted on our [National Sword website](#). We will use this convening as an opportunity to discuss changing market dynamics, impacts on facilities, domestic capacity for processing and manufacturing using recycled content, and to identify other short and long-term solutions to the current recycling challenges. This is not the first time the international recycling commodities market has faced a major disruption and it won't be the last. California must capitalize on these disruptions and turn them into an opportunity to strengthen our environmental resilience and our economy. This will require us to reassess product design, materials collection, and processing systems. I look forward to working with you to build a more sustainable recycling infrastructure in California.



Scott Smithline
Director

Attachment B: Recycle Plus Contractor Cost Proposal Summary

Single-Family Services	Current Rate*	Rate Start July 1, 2021*	Unit	% Change and Annual \$*	Contractor Stated Reason for Increase
CWS <i>Recycling Collection & Processing (A&C)</i>	\$9.47	\$15.99**	Per Household	68.8% \$12.9M	Labor costs, upgrading fleet to compressed natural gas, processing/disposal costs related to non-program material
Garden City <i>Garbage Collection (A&C)</i>	\$9.76	\$10.74	Per Household	10.0% \$1.9M	Labor costs, fleet replacement
GreenTeam <i>Recycling Collection & Processing; Garbage Collection (B)</i>	\$20.92	\$20.67	Per Household	-1.2% -\$147k	NA
GreenWaste <i>Garbage Processing (Citywide)</i>	\$89.90	\$89.65	Per Ton	-0.3% -\$40k	NA
GreenWaste <i>Yard Trimmings (Citywide)</i>	\$22.7M	\$25.1M	Annual	10.8% \$2.4M	Fleet replacement, MRF upgrade, regulatory costs

*All pricing in 2017-2018 dollars, to be adjusted by contractual cost of living adjustments

**CWS pricing contingent on beginning increased compensation rate immediately and altering in the near-term significant contractual terms, including: annual compensation adjustment, recycling market arrangements, diversion standard methodology (different approach than new negotiated recycling standard outlined below in "Potential Service Enhancements") and new definition and standards for acceptable contamination levels.

Multi-Family Services	Current* Annual Compensation	July 1, 2021* Annual Compensation	% Change and Annual \$*
GreenTeam <i>Collection & Recycling Processing</i>	\$15.6M	\$15.6M	0%
GreenWaste <i>Garbage Processing</i>	\$6.9M	\$7.4M	7.0% \$483k
GreenWaste <i>Yard Trimmings</i>	\$390k	\$431k	10.5% \$41k

*All pricing in 2017-2018 dollars, to be adjusted by contractual cost of living adjustments

Potential Service Enhancements

Service Enhancement	Summary	Zero Waste Strategy	Potential Phase-in Date
New Recycling Standard	- Addresses recycling market uncertainty by focusing on processing performance, removing penalties based on sales - Consistent standard (City Auditor recommendation)	Reduce Per Capita Waste to Landfill Ease of Use	2018
Larger Garbage Cart	- Flat rate for waste services - Appropriate garbage cart size for customers - Decrease contamination in recycling cart - Increase diversion of compostables	Reduce Per Capita Waste to Landfill Ease of Use Materials Beneficially Reused	2019
Outreach Transitioned to City	- City can leverage existing outreach resources and partnership opportunities to adapt to resident needs and provide consistent messaging - Allows haulers to concentrate efforts on core service delivery by eliminating public education requirements - Ratepayer savings	Reduce Per Capita Waste to Landfill Ease of Use Materials Beneficially Reused Competitive Rates	2019
Customer Service Standards	- Call Center performance standards added - Collection quality standards refined to limit missed collections and toppled carts.	Ease of Use	2019
Enhanced Processing	90%+ diversion for garbage processing - At City option, could be triggered in future - Potential approach for City's Zero Waste goal	Reduce Per Capita Waste to Landfill Ease of Use Materials Beneficially Reused	2021
Junk Pickup	- Unlimited Junk Pickup continues - Streamline hauler payment approach for administrative efficiencies	Ease of Use Illegal Dumping Reduction	2019

Potential Service Enhancements: Annual Costs and Ratepayer Impact

	Annual Cost	Anticipated Ratepayer Impact	Potential Start Date
Single-Family Enhancements			
Program Recovery Standard	-\$2.5M CWS**	-2.7%	July 1, 2019
Larger Garbage Cart (ongoing costs)*	\$9.1M	9.5%	July 1, 2019
<i>Rate flattening lost revenue</i>	\$8M	8.3%	
<i>Increased garbage processing, residue</i>	\$1.1M	1.1%	
<i>Hauler on-going cost</i>	\$239k Garden City -\$199k CWS**	0.1%	
Outreach Transitioned to City	-\$233k All Haulers**	-0.2%	July 1, 2019
Quality of Performance Standards	\$0	0%	July 1, 2019
Large Item Payment by Household	\$0	0%	July 1, 2019
Enhanced Garbage Processing	\$1M GreenWaste	1.1%	July 1, 2021
Total	\$7.6M	7.7%	

*Does not include one-time cart roll-out expense of \$4.2M

	Annual Cost	Anticipated Ratepayer Impact	Potential Start Date
Multi-Family Enhancements			
Program Recovery Standard	\$0	0%	July 1, 2019
Outreach Transitioned to City	-\$42k GreenTeam GreenWaste	-0.2%	July 1, 2019
Quality of Performance Standards	\$0	0%	July 1, 2019
Enhanced Garbage Processing	\$1M GreenWaste	4.1%	July 1, 2021
Total	\$960k	3.9%	

**CWS pricing contingent on beginning increased compensation rate immediately and altering in the near term significant contractual terms, including: annual compensation adjustment, recycling market arrangements, diversion standard methodology (different approach than new negotiated recycling standard outlined above) and new definition and standards for acceptable contamination levels.