COUNCIL AGENDA: 12/4/18
FILE: 18-1607
ITEM: 7.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: November 13, 2018

Approved D. DSyL

Date 11/19/18

SUBJECT: ACTIONS RELATED TO NEGOTIATIONS OF RECYCLE PLUS RESIDENTIAL SOLID WASTE AGREEMENTS

RECOMMENDATION

a) Consider the term sheets from Garden City Sanitation, GreenTeam of San Jose, and GreenWaste Recovery for future residential solid waste services;

b) Direct staff to develop agreements with Garden City Sanitation, GreenTeam of San Jose, and GreenWaste Recovery in accordance with the term sheets and return to Council in April 2019 with Recycle Plus agreements for residential solid waste services to begin July 1, 2019 and continue through June 30, 2036;

c) Direct staff to end negotiations with California Waste Solutions and issue a Request for Proposals (RFP) to provide Recycle Plus services for single-family recyclables collection & processing in Service Districts A & C, with the same framework as future services in Service District B, for a contract term to begin July 1, 2021 through June 30, 2036;

d) Direct staff to exclude Junk Pickup services from future residential solid waste services and return to Council with an approach for delivering this service in the future; and

e) Direct staff to continue negotiations with GreenWaste Recovery for residential street sweeping services and return to Council with a recommendation.

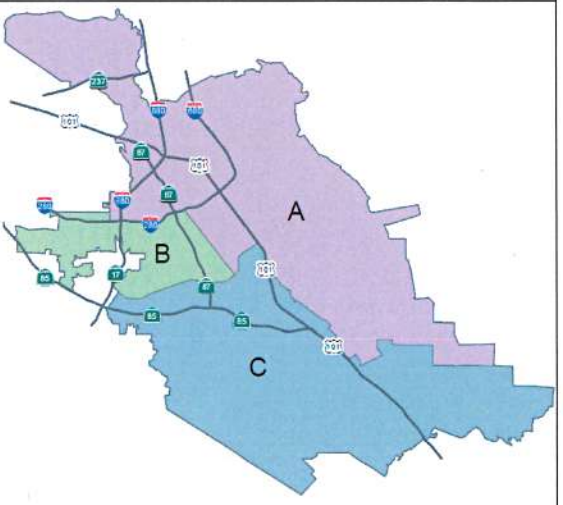
OUTCOME

Approval of this recommendation would direct staff to finalize service enhancements and cost provisions with three of the four current Recycle Plus contractors and return to Council with agreements for future residential solid waste services. Staff would also initiate a RFP process awarding a contract for single-family recyclables collection & processing in Service Districts A & C, with the same framework as future services in Service District B. Finally, staff would

return to Council at a later time with recommendations for fulfilling Junk Pickup services and residential street sweeping.

BACKGROUND

The Environmental Services Department (ESD) provides recycling and garbage services to all households in San José (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. (Garden City), Green Team of San José (GreenTeam), and GreenWaste Recovery (GreenWaste), with the following distribution of services:

Contractor	Services	Service Districts
CALIFORNIA WASTE SOLUTIONS ZERO WASTE SPECIALISTS	• Single-family recycling **District A** **District C**	
GARDEN CITY SANITATION INC.	• Single-family garbage **District A** **District C**	
GreenTeam	• Single-family garbage & recycling **District B** • Citywide Multi-family & City Facilities garbage & recycling	
greenwaste a brighter shade of green	• Citywide yard trimmings • Citywide garbage processing • Citywide street sweeping	**Single-family Households** A: 97,000 B: 50,000 C: 67,000 **Multi-family Households** Citywide:108,000

All the service providers were obtained through competitive procurement processes (GreenTeam and GreenWaste in 2000, and Garden City and CWS in 2006). The original competitively procured agreements were due to expire in 2013; however, in June 2010, following negotiations with all contactors, Council approved new agreements with all four Recycle Plus contractors with terms through June 2021.

The residential solid waste services contracts (and associated RFPs) include prevailing wage requirements for drivers of garbage and recycling trucks, yard trimming "claws", yard trimming collection vehicles, and residential street sweepers. None of the agreements require union membership or a collective bargaining agreement, but prevailing wage is also required for Material Recovery Facility workers in the CWS agreement.

On March 28, 2017, Council directed staff to initiate negotiations with all four 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 key service enhancements and cost provisions for the potential new service agreements. This was to be a first step prior to initiating a formal procurement process, because negotiations with the incumbent contractors were expected to result in streamlined service improvements and beneficial pricing, which might make a procurement unnecessary. These sorts of benefits were realized in 2010, when Council approved new agreements with the existing contractors, because they were able to leverage existing equipment and facilities and offer significant ratepayer savings over the terms of the new contracts. If this type of value to the ratepayer could not be secured and negotiations were unsuccessful with one or more of the current contractors, Council directed staff to return with a RFP process for the unfulfilled services, while finalizing negotiations with the other contractors.

The negotiations were guided by the Zero Waste workplan presented to the Transportation and Environment committee in March 2017, (http://www.sanjoseca.gov/DocumentCenter/View/66492), which included the following zero waste strategies:

1. Reduce Per Capita Waste to Landfill
2. Ease of Use
3. Competitive Rates
4. Increase Types of Materials Beneficially Reused

Staff also incorporated recommendations from the City Auditor's Curbside Recycling report (September 15, 2015 Council agenda, item 7.1) to inform negotiations. The Auditor identified areas of opportunity to enhance Recycle Plus program diversion, including standardizing the recycling diversion calculation across contracts and revamping the approach to outreach.

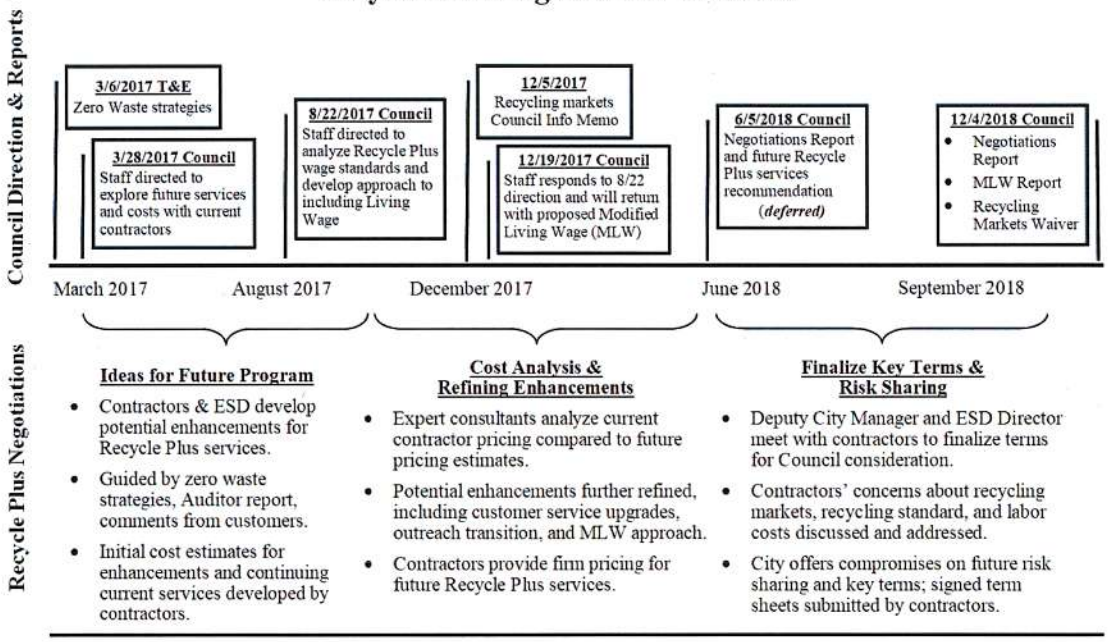
ANALYSIS

Guided by the City's zero waste strategies, City Auditor's recommendations, and customer feedback, staff has negotiated with CWS, Garden City, GreenTeam, and GreenWaste since April 2017 on future Recycle Plus residential solid waste services. Staff held a total of approximately 50 separate face-to-face meetings with the contractors to discuss service options, potential enhancements, and costs. These discussions gave staff the opportunity to hear the concerns and needs of contractors, as well as explore new ideas to enhance the quality of service to residents. With the extensive input from the contractors, staff then distilled which ideas would be most beneficial to the ratepayers and could be incorporated into a cohesive citywide program, and proceeded to reach agreement with all of the contractors on the potential service enhancements. This proved to be particularly challenging when contractors had often conflicting ideas about what contract changes they wanted to see. Once the basic contract enhancements were agreed upon, staff provided multiple opportunities for contractors to submit beneficial pricing for future

services, with parameters specifically detailed in price proposal documents that were structured the same for all contractors (including contractual term sheets, discussed below).

To finalize the services, performance standards, and costs presented in this memorandum, a Deputy City Manager and the Director of ESD worked extensively with the contractors to collaborate on key terms and to develop risk sharing provisions that could reduce costs for ratepayers and contractors. Signed contractual term sheets, which demonstrate commitment from the Recycle Plus contractors to enter into a new agreement based on the key terms summarized below, are included in Attachments A-D. The general result of the negotiations is that all contractors agreed to service enhancements and risk sharing provisions, but only three of the four provided value in the form of reasonable cost increases from their base price. The figure below provides a summary of key elements and milestones of negotiations.

Recycle Plus Negotiations Timeline



Negotiations, Phase 1: Service Enhancements and Initial Pricing (April 2017 – May 2018)

In the first phase of negotiations, staff, assisted by a consulting firm experienced in solid waste procurements and negotiations, focused on coming to agreement on key enhancements and initial pricing from the contractors. Relying on their familiarity with the residents in the districts that they serve, the contractors collaborated with staff to develop the service enhancements for customers, which are summarized in Table 1, and further detailed below.

Table 1: Service Enhancements Summary

Customer Service	• Interface with MySanJose App • On-line customer self-service • New performance standards for Call Centers • Collection quality standards refined to limit missed collections and toppled carts
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
Non-Collections Limited	• Non-collection notices (NCNs) limited to instances in which containers contain hazardous waste and overflowing garbage containers • Addresses residents' complaints about CWS' distribution of NCNs
SB 1383 Implementation	• Collaborate with City to comply with Senate Bill 1383, enacted in 2016, for decreasing organics sent to landfill and greenhouse gas emissions

Customer Service – Overall customer satisfaction is staff's high priority for Recycle Plus services now and in the future. Currently, the contracts do not have an overall measurement of customer satisfaction. Staff will work with the Office of Civic Innovation and Recycle Plus contractors to develop a process for measuring overall customer satisfaction. To simplify the customer experience and sync with technology, the contractors are agreeable to receiving service requests via the MySanJose app, with the City supporting the front end. Customers would be able to connect with the contractor easily via on-line self-service. To ensure an acceptable customer service experience for residents, performance standards will address contractor call centers and quality of collection. Disincentives associated with these standards will motivate the contractors to maintain: minimal hold times, trained customer service representatives, customer self-service options, and completion of collection services on the scheduled day without leaving behind toppled carts.

Outreach Transitioned to City – The City Auditor identified Recycle Plus outreach as an area in need of improvement. In the current Recycle Plus contracts, the contractors are solely responsible to provide outreach. This has had limited success as CWS continues to express concern about non-recyclable material in the recycling carts, even though contractually they are responsible, and compensated for, public outreach and education on this topic to influence resident knowledge of recyclables materials and what not to put in the recycling cart.

Non-Collections Limited – The risk sharing approach taken during negotiations resulted in a new recycling standard (see below) which enabled contractors to agree to limit the use of NCNs to containers with hazardous waste and overflowing garbage containers. The contractor would provide the City with photo documentation for all NCNs issued which will enable the City to issue violation notices. Distribution and parameters of Courtesy Notices would continue under the same terms.

Senate Bill 1383 Implementation – Contractors agree to collaborate with the City to comply with Senate Bill 1383, a State law enacted in 2016 that establishes methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants. The latter stages of rulemaking for this law are currently in progress and should be completed prior to Council approval of the new Recycle Plus agreement. SB 1383 implementation is slated to include requirements to reduce organic waste (i.e., food, paper, green waste) sent to the landfill.

Negotiations, Phase 2: Risk Sharing and Performance Standards (June 2018 – Present)

In response to concerns about the high cost of proposals received from some contractors and the inability to reach agreement on some key performance standards, a Deputy City Manager and Director of ESD joined forces to lead negotiations starting in June 2018. Staff responded to contractor concerns about high labor costs and recycling market instability, by developing risk sharing provisions intended to reduce costs to ratepayers. Staff also negotiated an innovative compensation schedule to addresses CWS concerns about potential costs associated with handling non-recyclable material. When staff was unable to reach agreement on the key recycling performance standard, the Deputy City Manager and Director of ESD provided the leadership needed to negotiate a standard that was agreeable to all parties. With these changes, contractors presented their pricing for the proposed services. Newly negotiated provisions are summarized in Table 2, and further detailed below.

Table 2: Risk Sharing and Performance Standards Summary

Local Labor Costs	• National indices replaced by local indices for annual compensation adjustment methodologies • All employment-related costs allowed to be included in labor component of annual compensation adjustment methodologies
New Recycling Standard	• Focus strictly on material sent to landfill from processing facilities • Same standard for all recycling contractors • Addresses China's current National Sword policy with flexibility for recycling market conditions
Recycling Compensation Rate Structure	• If feasible, implement contractor compensation structure based on composition of material collected. Contractor paid higher rate for higher percentage of non-recyclables collected. • Biannual studies evaluate material composition • Major shift in contractual relationship related to recycling contamination by moving from a flat rate to a dynamic rate per household per district based on percentage of non-recyclables collected
Recycling Markets "Safety Net"	• Contract opener if recycling markets become not reasonably available • Response to current and future uncertainty of recycling markets • Major shift in contractual relationship related to recycling markets

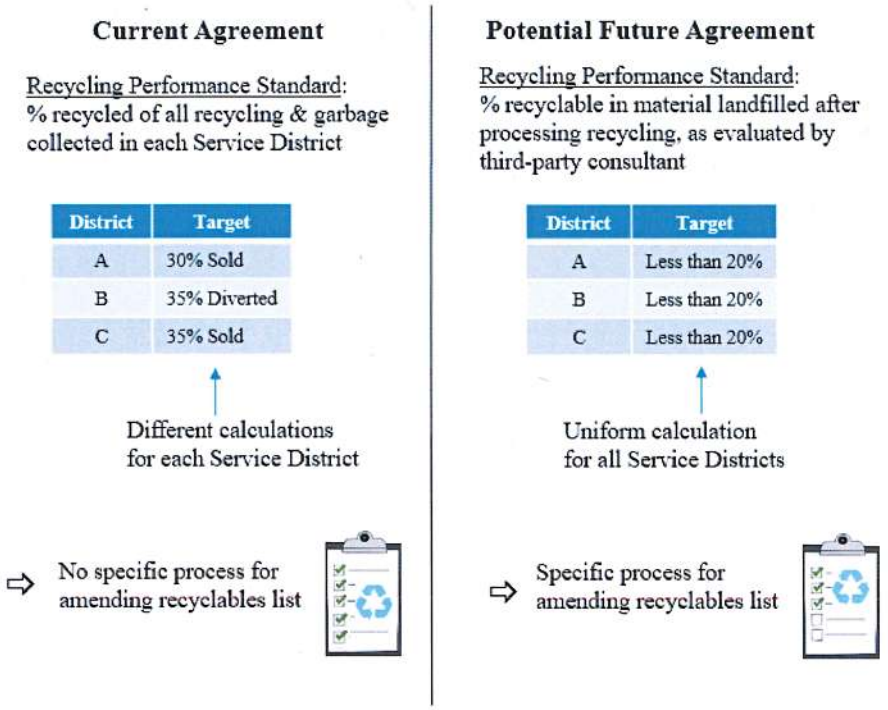
Local Labor Cost – As a risk sharing measure, contractors requested changing to a local labor index. Changes include replacing national indices with local indices for labor and CPI and allowing all labor-related costs to be included in the labor category. In addition, annual compensation adjustments would utilize annual averages for index changes (vs. current December to December comparison).

Recycling Markets "Safety Net" – Recycle Plus contractors requested a safety net provision as a risk sharing consideration due to concerns about the current trend in global recycling markets and the future uncertainty of these markets. Since the publication of a Council Information Memorandum about recycling commodity markets ("China Recycling Waste Ban", December 4, 2017), ESD has continued to evaluate the uncertainty of shifting markets and communicate with the recycling contractors about the impacts of this industry-wide concern. In response to requests from both recycling contractors, a "safety net" provision has been brought forward to provide a contract opener in the event recycling markets are not reasonably available in the future. This term is a shift from the current contractual arrangement of the contractor taking on the full risk and benefits of recycling markets, and was intended to result in better pricing.

New Recycling Standard – Staff and contractors explored several approaches throughout negotiations to incorporate the recycling contractors' feedback on an updated recycling standard. While GreenTeam was agreeable to all the recycling standard approaches under consideration, CWS did not agree with the approaches. Staff listened to CWS and addressed CWS' concerns by providing several changes to the recycling standard. With staff unsuccessful at reaching an approach that was both agreeable to CWS and within the framework of one Recycle Plus program, the Deputy City Manager and the Director of ESD worked with CWS to bring forward a new approach that addresses CWS' concerns about the amount of garbage in recycling carts in their Service Districts.

The current recycling standard measures the percentage of material recycled from the waste stream (garbage and recycling cart material). To address CWS feedback on the current recycling standard's limited flexibility to adapt to recycling market conditions, the new standard excludes from the performance calculation the amount of garbage collected and includes the opportunity to adjust the recyclables program material list to adapt to recycling markets. The new standard would instead evaluate how well recycling contractors sort the material collected in the recycling carts by calculating the amount of recyclables that were not recovered in their processing facilities and sent to landfill. For the purposes of contractor performance evaluation, the new standard outlines a formal process to amend the definition of what is recyclable based on a jointly submitted request by the recycling contractors that would propose modifications to the recyclables list. This request could include documentation such as decreases in third-party recycling market indices or unavailability of markets for specific materials (for example, CWS has noted that they have limited markets for un-bagged textiles, polystyrene and film plastics), and could be proposed once every two years to allow for ongoing flexibility during the life of a potential agreement that would last until 2036. Per the City Auditor's recommendation, this new standard methodology includes a uniform calculation across all Recycle Plus Service Districts. Figure 1 below provides a comparison of the current recycling standard and potential future recycling standard.

Figure 1: Recycling Performance Standard Comparison

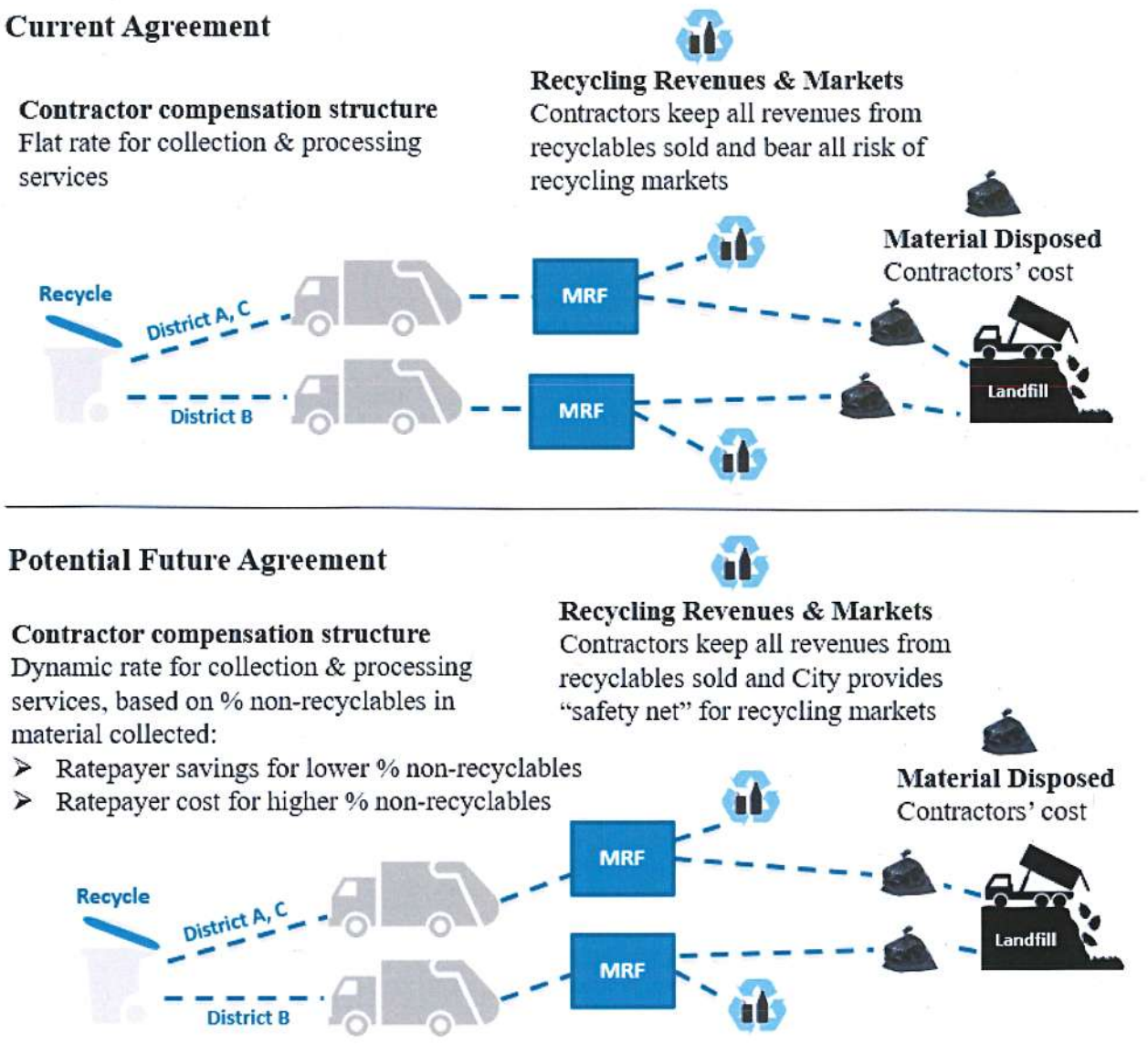


Recycling Compensation Rate Structure – Because of unresolved issues related to the contamination of recycling cart material, staff had intended to clarify during negotiations that recycling contamination was the primary responsibility of the contractors (as it is in the current agreements). However, to address CWS' concern about the amount of non-recyclables present in the recycling carts, the Deputy City Manager and the Director of ESD worked with CWS to develop a potential new recycling compensation structure that would adjust the contractor payment based on the amount of non-recyclables present in material collected. The initial concept of this type of compensation structure was provided by CWS and would operate as follows: as the percentage of non-recyclables increases, compensation would increase; and as the percentage of non-recyclables decreases, compensation would decrease. The percent of non-recyclables collected by Service District would be determined by a third-party consultant study conducted once every two years. The current baseline levels of non-recyclables collected for the pricing included in the attached term sheets reflects the results of a third-party consultant's San José recyclables characterization study in 2015.

The potential new recycling standard and compensation structure would substantially change the future contractual relationship between the City and Recycle Plus contractors (see Figure 2 below). With the current Recycle Plus agreements, contractors realize the benefits (millions of dollars annually from recyclables revenue) and the costs (handling and disposing of non-

recyclable material) of the material collected from recycling containers. Under the potential new compensation structure, the contractors would continue to retain the sales revenues related to recycling and would receive additional compensation from ratepayers as the percent of non-recyclables collected increases. Additionally, because less non-recyclables found in the recycling carts would reduce ratepayer costs, it would become more crucial that outreach provided by the City would influence resident behavior to get them to recycle better.

Figure 2: Current & Potential Recycling Cost Structure



Price Proposals

Based on the above service enhancements, performance standards and risk sharing provisions being incorporated into future services, the Recycle Plus contractors submitted price proposals for compensation beginning July 1, 2021 (with the potential of earlier compensation for CWS, detailed below). These proposals are detailed in Attachments A-D, with impacts summarized in Table 3, below.

Table 3: Price Proposals Summary

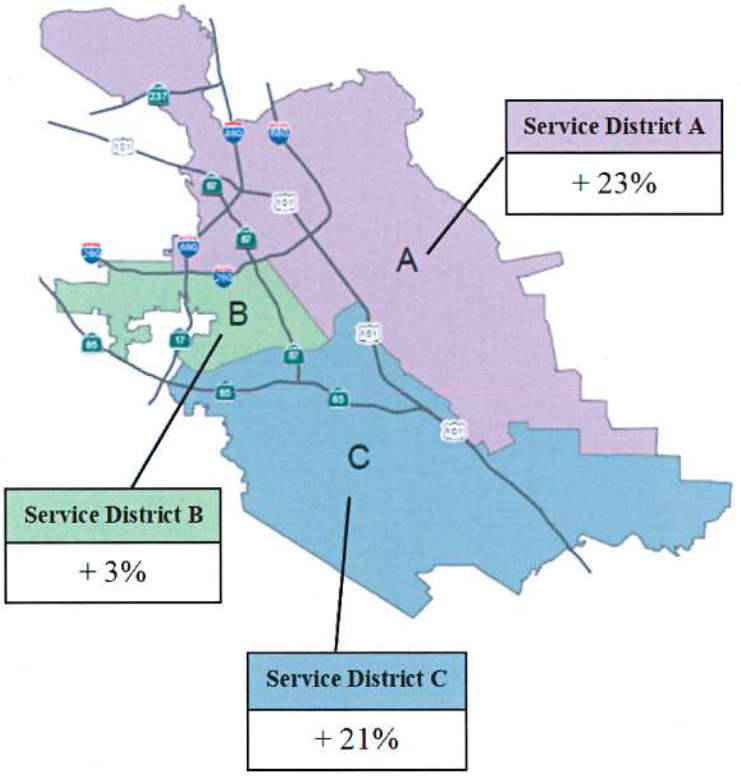
Single-Family Services	% Change from Current Competitively Bid Price	Annual Payment Change	July 1, 2021 Annual Total	Contractor's Rationale for Price Increase
CWS *Recycling Collection & Processing (A&C weighted)* *Base-level recycling composition*	**+59.5%**	+$10,530,000	$28,220,000	• Non-Program material collected & processed • Local labor costs • Fleet replacement
Garden City *Garbage Collection (A&C)*	**+8.6%**	+$1,670,000	$21,130,000	• Local labor costs • Fleet replacement
GreenTeam *Recycling Collection & Processing (B)* *Base-level recycling composition*	**-0.4%**	-$30,000	$7,760,000	NA
GreenTeam *Garbage Collection (B)*	**0%**	$0	$4,550,000	NA
GreenWaste *Garbage Processing (Citywide)*	**-0.3%**	-$40,000	$14,410,000	NA
GreenWaste *Yard Trimmings (Citywide)*	**+10.8%**	+$2,380,000	$24,500,000	• Fixed site infrastructure investments (processing & compost facilities) • Fleet replacement • Fuel taxes

Multi-Family Services	% Change from Current Competitively Bid Price	Annual Payment Change	July 1, 2021 Annual Total	Contractor's Rationale for Price Increase
GreenTeam *Recycling Collection & Processing*	**0%**	$0	$13,010,000	NA
GreenWaste *Garbage Processing*	**+7.0%**	+$480,000	$7,380,000	• Fixed site infrastructure investments (processing & compost facilities) • Fuel taxes
GreenWaste *Yard Trimmings*	**+10.5%**	+$40,000	$430,000	• Fixed site infrastructure investments (processing & compost facilities) • Fleet replacement • Fuel taxes

Note: Figures in 2017-2018 dollars, to be adjusted by contractual cost of living adjustments. Annual payments to contractors are estimates to provide scale.

The proposed pricing would cause a significant cost differential across Service Districts, and the City would need to evaluate whether implementing different customer rates based on Service Districts, instead of maintaining one citywide Recycle Plus customer rate, is needed to comply with State requirements on property-related fees. While having different customer rates for different areas of the City is possible, it could raise concerns if a property owner paid 20% more than someone in a different part of the City, especially if the service is of equal or less quality. The impact to ratepayers in each Service District is summarized in Table 4, below:

Table 4: Estimated Customer Rate Impacts Under Proposed Pricing



CWS has expressed to staff dissatisfaction with their per household compensation. Although CWS won the 2006 procurement by providing a relatively low bid price in comparison to the other contractors, staff offered a potential concession to CWS to increase compensation before the end of the term of the current contract, should CWS improve performance and meet the contractual terms in the same manner as the other contractors. Although staff provided CWS several concessions, including an unprecedented compensation structure to address non-recyclables collected and processed, CWS did not provide value to the ratepayers in the form of decreased pricing, with an ongoing offer from CWS to increase their pricing by nearly 60 percent ($10.5 million more each year, for à total of $157 million increased costs over the term). Because CWS is not offering the City sufficient benefits to extend their contract, negotiations should stop and CWS' current services put out to a competitive bid.

Recommendations for Future Contracts

In addition to the cost proposals detailed above, staff considered current contractor performance in developing final recommendations. The two main contractual measurements for performance are liquidated damages and diversion-related disincentives. Liquidated damages are assessed for a variety of breaches for non-performance, including missed collections, responding late to customers' requests, and service delays. Additional disincentives are assessed for not achieving recycling and yard trimmings targets for diverting waste from landfills. While GreenTeam has met recycling diversion targets in all years of its current agreement, CWS has not met any of their targets since 2012. GreenTeam and CWS' diversion rates and contractual targets as provided in the original bids are summarized in Table 5, while Table 6 provides a summary of associated penalties and liquidated damages assessed against all contractors since 2010.

Table 5: Single-Family Residential Recycling Rates

	CWS District A		CWS District C		GreenTeam District B	
Year	**Required**	**Actual**	**Required**	**Actual**	**Required**	**Actual**
2018	30%	23.5%*	35%	25.1%*	35%	38.4%*
2017	30%	26.5%	35%	28.0%	35%	35.9%
2016	30%	26.1%	35%	28.3%	35%	36.4%
2015	30%	23.8%	35%	27.2%	35%	36.4%
2014	30%	23.7%	35%	26.7%	35%	36.4%
2013	30%	27.9%	35%	29.9%	35%	38.0%
2012	30%	30.6%	35%	33.6%	35%	38.4%
2011	30%	29.6%	35%	34.7%	35%	37.2%
2010	30%	30.4%	35%	34.9%	35%	36.7%

*Year-to-date estimate

Table 6: Penalties Related to Performance, 2010-2017

Contractor	Diversion Disincentives	Liquidated Damages	Total for Single-Family Services
CWS	$2,168,620	$40,100	$2,208,720
Garden City	NA	$100	$100
GreenTeam	$0	$14,000	$14,000
GreenWaste	$0	$0	$0

Accept Term Sheets and Develop Agreements with Garden City, GreenTeam and GreenWaste
Key factors in making recommendations for future contracts include past performance, quality of customer service as experienced by residents in recent years, and proposed pricing. By weighing these factors, staff considers the pricing reasonable for Garden City, GreenTeam, and GreenWaste. These contractors have consistently met or exceeded their contractual obligations and have provided adequate customer service. Staff recommends continuing with these contractors and returning to Council with final agreements by early 2019 to begin upon Council approval and continue through June 30, 2036.

Reject Term Sheet and End Negotiations with California Waste Solutions
Due to a bid of nearly 60% increase in compensation, ongoing poor contract performance, and increasing complaints from residents about customer service, staff recommends rejecting CWS' bid and ending negotiations with CWS and issuing an RFP for fulfilling these services after June 30, 2021, the end date of the City's current agreement with CWS. Staff has strived to address CWS' concerns, yet CWS continues to ask for substantial contractual changes and additional compensation without sufficient ratepayer benefits that would justify extending CWS' contract, rather than pursuing better pricing and customer service in a competitive procurement process.

CWS has consistently fallen short of their contractual obligations during the current contract term. Waste diversion is a primary contractual measurement for recycling performance, and CWS has achieved the standard twice in one Service District during the term of their current agreement, or twice in 18 opportunities. As a comparison, GreenTeam met their comparable recycling target every year of the current agreement.

Moreover, CWS' approach of leaving recycling carts uncollected by issuing NCNs has caused ongoing inconveniences for residents in San José and has been a major source of service complaints, as residents have consistently shared their frustration with Council Offices and staff. Staff assessments of a sampling of NCNs issued in August 2018 showed that more than half were egregiously issued to residents (i.e., for a small block of packaging foam in the recycling cart), which further erodes customer satisfaction. In addition, as summarized below, CWS issues more NCNs than GreenTeam, causing a different customer service experience throughout the City. From January through September of this year, CWS distributed an average of over 4,000 NCNs per month, while GreenTeam distributed an average of 14 NCNs per month. Recent trends of non-collection notices are shown in Figure 2.

Figure 2: Recycling Non-Collection Notices Per Month

CWS' increased use of NCNs has resulted in many escalated calls to City staff, including Council offices, the City's customer contact center, and ESD staff. Customer difficulties in getting through to the CWS customer service center have further exasperated this problem. In an August 2018 sample of CWS wait times, City staff found it took an average of 19 minutes to speak to a CWS customer service representative. These issues have led to more than 160 escalated customer service calls to ESD contract management staff since June 2018, a multi-fold increase from normal levels and far more than the service complaints regarding other contractors. The majority of complaints about CWS surround issues of extended wait times, multiple calls attempted, call drops, and no response to voicemail messages or online inquiries. CWS was assessed liquidated damages in September 2017, the majority of which were for failure or neglect to resolve each complaint within the time set forth in the agreement.

Other Associated Services

To develop a more efficient approach to Junk Pickup services, staff will return to Council with recommendations for a service delivery strategy for Junk Pickup services currently included in the Recycle Plus agreements. Other services incorporated in the current Recycle Plus agreements that are not funded by Recycle Plus ratepayers are residential street sweeping (provided by GreenWaste) and City facilities solid waste and recycling (provided by GreenWaste and GreenTeam). Staff considers the City facilities potential pricing increase of 5% reasonable and recommends continuing to include these services in future Recycle Plus agreements.

The Department of Transportation and ESD will partner to continue negotiations with GreenWaste for residential street sweeping services. By including street sweeping services with other solid waste services, GreenWaste was able to offer competitive pricing for standard street sweeping services. Staff will further explore additional enhanced services that are in line with

recommendations from the 2016 street sweeping audit (March 7, 2016 Transportation & Environment Committee, item d.3) and return to Council with a final recommendation for street sweeping services.

Next Steps

Should Council approve this recommendation, staff will work with Garden City, GreenTeam, and GreenWaste to develop Recycle Plus agreements for future residential solid waste services and return to Council with these agreements in 2019. If during the course of finalizing agreements, it appears the 2019 completion date may not be met, the term sheets include ability to request that an existing contractor take over other Recycle Plus services at a compensation to be determined between the City and the requested takeover contractor. CWS will continue to provide services until their agreement expires on June 30, 2021.

The RFP process for single-family recycling service for Service Districts A & C would begin immediately to accommodate essential elements of a comprehensive approach that includes time for the following:

Steps	Period	Completion Date
Receive Council direction; draft, approve, and release RFP/draft agreement	1 month	January 2019
Proposals due	3 months	March 2019
Evaluate proposals	3 months	June 2019
Prepare and recommend Notice of Intent to Award at Council	1 month	July 2019
CEQA study, execute agreements, begin transition	3 months	October 2019
Start new services	20 months	July 1, 2021

To allow enough time for new contractors to establish potential new infrastructure in the City, staff estimates that this process would have to be completed by October 2019.

ESD will bring forward a budget proposal to add staff and non-personal expenditures to transition public education and community outreach from the contractors to the City.

EVALUATION AND FOLLOW-UP

Based on Council direction for Recycle Plus future services, staff will develop new agreements with Garden City, GreenTeam, and GreenWaste, and return to Council in April 2019 with agreements for future solid waste services, with term to begin upon Council approval and continue through June 30, 2036.

If Council approves the recommendation, staff will issue an RFP for single-family recycling services in Service Districts A & C, with term of July 1, 2021 to June 30, 2036, and return to Council in 2019 with recommendations to award the contract.

Staff will also return to Council with recommendations for future service delivery strategies for residential street sweeping and Junk Pickup services.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 4, 2018, City Council Meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Office, 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 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 Valerie Osmond, Deputy Director, Environmental Services Department at (408) 535-8557.

Attachments:

A. Term Sheet for Recycle Plus Future Contract: Garden City
B. Term Sheet for Recycle Plus Future Contract: GreenTeam
C. Term Sheet for Recycle Plus Future Contract: GreenWaste
D. Term Sheet for Recycle Plus Future Contract: CWS

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE
TERM SHEET FOR RECYCLE PLUS FUTURE CONTRACT

This term sheet is a summary of the proposed terms, as of the date stated in the signature block, between Garden City Sanitation ("Contractor") and staff with the City of San José ("City") Environmental Services Department ("ESD") for a future solid waste services agreement that will replace Contractor's current agreement set to expire on June 30, 2021.

ESD will present this document to the San José City Council for consideration at its regularly scheduled meeting on October 16, 2018 (subject to change), with a request for direction from the City Council asking whether to continue negotiations with Contractor in accordance with this proposal. However, this term sheet is not binding on the City, and any modification, approval or acceptance of this term sheet by the City Council is not intended to nor will it form a contract or enforceable agreement with the City. This document only represents Contractor's intention to enter into an agreement with the City under these terms. Any agreement that incorporates all or part of these terms will be subject to further input from the City Council and acceptance by the City Council as required under the San José Municipal Code and City Charter. If properly executed, any future agreement will supersede this term sheet and the existing agreement with Contractor.

A. Agreement Term

The term of an agreement for solid waste services would be expected to begin on July 1, 2019 and end on June 30, 2036.

B. Reduce Per Capita Waste to Landfill

1) SB 1383 Compliance: Contractor is aware that SB 1383, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, became law in 2016. Contractor will agree that passage of this law and the regulations required under it will not represent a Change in Law. The new agreement between the City and Contractor will provide for the program support and reporting required by SB 1383 and its regulations. If Contractor is required to provide significant changes to services in response to SB 1383 (e.g., updating container colors citywide), City and Contractor will meet to determine appropriate scope and compensation for such services. **Effective Date**: **July 1, 2019**

C. Ease of Use

2) Customer Satisfaction: Overall customer satisfaction is a high priority for Contractor now and in the future. The current agreement does not have an overall measurement of customer satisfaction. In conjunction with ESD, Contractor will develop a process for measuring overall customer satisfaction, and agrees to minimum performance standards and associated liquidated damages, incorporating those previously negotiated and included in Attachment A. Other customer service enhancements will include:

a. Performance standards: To ensure an acceptable customer service experience for residents, Contractor, in conjunction with ESD, will develop performance standards to address contractor's call center and quality of collection. Contractor will also develop mechanisms, to ensure Contractor maintains minimal hold times, trained customer service representatives, customer self-service options, completion of collection services on the scheduled day without leaving behind toppled containers, and liquidated damages that are payable to the City for these topics. **Effective Date: July 1, 2019**

b. Online customer access: For no additional cost to the City, Contractor will implement online self-service features, such as access to service history, frequently asked questions (FAQ's), live chats, and email or web-based forms for customers to report services issues, make service requests, provide changes of address, or arrange for special pickup appointments; **Effective Date: July 1, 2021**

c. *My SanJose* App: Contractor will interface with the *MySanJose* App, with City supporting the front end, so that a customer can easily connect with hauler for customer service related questions and requests (including missed collections and replacement containers). City to fund appropriate app integration costs. **Effective Date: July 1, 2021**

3) Outreach: The City will be responsible for outreach activities associated with the Recycle Plus program. By October 1, 2019, and pending final City Council approval of related budget actions, the City intends to invest significant resources to these outreach activities. City will develop meaningful performance metrics, with input from all Recycle Plus contractors, to ensure the effectiveness of these outreach efforts. The Public Education and Outreach Plan (PEOP) and the Articles and Exhibits associated with the PEOP in the current agreement will not be included in any future agreement. This includes:

Article 7 – Additional Services
- 7.1 Public Education and Outreach Program (PEOP)
- 7.2 Annual Collection Service Notice (ACSN)
- 7.3 Alternative Material

Exhibit 8 – Data and Reporting
- III.B. Quarterly Reports (IV Community Outreach Summary)
- III.C. Annual Reports (IV Community Outreach Summary)

Exhibit 9 – Outreach
- A. Annual Outreach Plan
- B. Quarterly Coordination Meetings
- C. Additional Outreach Materials

Effective Date: July 1, 2019

4) Use of Non-Collection Notices: Contractor will limit the use of non-collection notices (NCNs) to instances where containers contain hazardous waste (hazardous waste includes "Exempt Waste" and "Hazardous Waste" as defined in the current agreement), or, for garbage collection, overflows as described in current agreement.

   For all NCNs issued, Contractor will provide the City with photo documentation and related information (address, reason for NCN) within twenty-four hours of issuing the NCN. Failure to properly document an NCN will result in Liquidated Damages of $100 per incident payable to the City. Distribution and parameters of Courtesy Notices will continue under the terms of Contractor's current agreement.
   Effective Date: **July 1, 2019**

D. Competitive Rates

5) Compensation: Proposed new compensation rates are included in Attachment B: Contractor Pricing.
   Effective Date: July 1, 2021

6) Annual Compensation Adjustment Methodology: The Refuse Rate Index (RRI) will be updated to indices published by the Bureau of Labor Statistics (BLS) that are specific to the San Francisco Bay Area. The following local indices will replace the current national indices:

   a. **Labor**
   Employment Cost Index (NAICS)
   Local: Series ID: CIU20100000000LKA
   Not seasonally adjusted
   Series Title: Total compensation for private industry workers in the San Jose-San Francisco-Oakland, CA CSA, 12-month percent change
   Ownership: Private industry workers
   Component: Total compensation
   Occupation: All workers
   Industry: All workers
   Subcategory: All workers
   Area: San Jose-San Francisco-Oakland, CA CSA
   Periodicity: 12-month percent change

   b. **Other Operating Expenses**
   CPI-All Urban Consumers (Current Series)
   Local: Series ID: CUURS49BSA0
   Not Seasonally Adjusted
   Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted
   Area: San Francisco-Oakland-Hayward, CA
   Item: All items

   In the event any index is discontinued, a successor index will be used. A successor index will be an index that is most equivalent to the discontinued index as recommended by the BLS.

   In addition:

- RRI index changes will be calculated using annual calendar year averages, not December to December values, as in the current agreement.
- For the local Employment Cost Index (see above "a. Labor" component), the average of the four quarters for the calendar year will be used to calculate this index change, due to BLS only publishing 12-month percent changes (quarter over quarter) and not the actual indices.
- All labor-related costs (including wages, benefits, payroll taxes, workers compensation, pension, and health and welfare costs) included in Labor component.

Effective Date: July 1, 2021

E. Other Terms and Conditions

7) Green Fleet: For next fleet replacement, scheduled to occur after July 1, 2021, all of Contractor's fleet serving the City will be fueled by Compressed Natural Gas (CNG).

8) If requested by the City, Contractor will take over other Recycle Plus services from other providers as requested by City. If such a request occurs, City and Contractor will meet to determine appropriate compensation for such services.

9) All other terms and conditions in the existing agreement will not change except for technical adjustments where appropriate.

F. Attachments:

A. Customer Service Performance Standards
B. Contractor Pricing: summary of contractor's pricing offer. Contractor to complete offer based on the effective dates included in this term sheet.
C. Contractor Previous Pricing Offers: The function of this attachment is to record Contractor's previous pricing offers and present final pricing offers.

By signing this document and completing the Contractor Pricing, Attachment B, Contractor represents that it has full authority to negotiate with the City and intends to enter into an agreement with the City under these terms.

Garden City Sanitation Authorized Signature

September 17, 2018
Date

Louie Pellegrini
Printed Name

President
Title

Attachment A: Customer Service Performance Standards

Overall customer satisfaction: 95% as determined by third-party survey

Quality of Performance of Contractor (additions to section 16.2 of current agreement):

Topic	Liquidated Damage Language	Amount	New/ Updated
Call Center	Failure to Achieve Minimum Average Telephone Delay Time for Customer to Talk with a CSR	Minimum delay time: 180 seconds quarterly average. Delay time is time from first ring until customer speaks with CSR. >190 second avg, $5,000/quarter	new
Call Center	Failure to Achieve Minimum Telephone Delay Time for Customer on Hold	Each call > 10 minutes total time on hold or call abandoned after 10 minutes on hold: not more than .3% of calls per quarter >=.3%, $10,000/quarter	new
Call Center	Failure to Achieve Minimum Acceptable Score for Call Center Service Level Quality	$1,000 for not meeting minimum score of third party quarterly assessment report Minimum Score >=80% per assessment/quarter	new
Customer Service	Failure to provide customer self-service option (website, email) as specified in this Agreement	$1,000 per day	new
Incorrect Issuance of NCNs	Failure to issue Non-Collection Notice as specified in this Agreement	$100 per incident	new
Missed Pick Ups	Failure to pick up material on scheduled day	$100 per 1 missed pickup per 1,000 service opportunities for SFD (service opportunity = cart/bin, oil, large item setout)	updated: replace route completion
Collection Quality	Failure to return empty carts to the point of collection, upright with lids closed and locks secured (if applicable), as specified in this Agreement. This penalty would be complaint-based and for situations with public health & safety implications (e.g., cart toppled, in the middle of the road)	$100 per incident	new

Failure to meet above Customer Service standards by accumulating more than $30,000 of Liquidated Damages in a calendar year and failure to meet 95% overall customer satisfaction determined by third-party survey results in City making a deduction from payment due to Contractor on or before March 1st following the end of the calendar year:

- Year One: -$0.15/unit/month
- Second Consecutive Year: -$0.30/unit/month
- Third Consecutive Year: -$0.45/unit/month

Year One Example: $0.15 x 165,000 units x 12 months = $297,000

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment B: Contractor Pricing

Services to be continued per 2011 contract terms, with changes detailed in this term sheet. Compensation and annual RRI adjustments will be at current 2011 contract terms through June 30, 2021 (except as noted below in Section B). Offered compensation for contracted services starting July 1, 2021, is detailed in Section B below. The pricing submitted will be used for final evaluation.

A. Adjustment of Proposed Rates from 2017-2018 Dollars to 2021-2022 Dollars

The rates given below are in 2017-2018 dollars and will be adjusted for each fiscal year until the effective date. The table below clarifies how the given rates will be adjusted for each fiscal year until the effective date.

	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
RRI Methodology	Current Agreement Methodology	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet

B. Offered Rates for Services Beginning July 1, 2021

Item	Offer	Unit
SFD Garbage Collection	$10.60	Per Household

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment C: Contractor Previous Pricing Offers

To record past offers during negotiations, previous offers are included below. The following rates are **in 2017-2018 dollars, to be adjusted by RRI**.

Pricing offers:

- April Offer: Pricing submitted to City in April 2018, under different terms than this term sheet. New compensation rates effective July 1, 2021. Current RRI continues for entire term; options for: City outreach and customer service enhancements.

- August Offer: Pricing submitted to City on August 15, 2018 and based on signed, unedited term sheet, under different terms than this term sheet. Includes City outreach, local RRI, and customer service enhancements.

Item	4/23/2018 Offer	8/15/2018 Offer	Unit
SFD Garbage Collection	$10.74	$10.64	Per Household
Outreach Transitioned to City	-$0.02	included	Per Household Savings

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE
TERM SHEET FOR RECYCLE PLUS FUTURE CONTRACT

This term sheet is a summary of the proposed terms, as of the date stated in the signature block, between GreenTeam of San Jose ("Contractor") and staff with the City of San José ("City") Environmental Services Department ("ESD") for a future solid waste services agreement that will replace Contractor's current agreement set to expire on June 30, 2021.

ESD will present this document to the San José City Council for consideration at its regularly scheduled meeting on October 16, 2018 (subject to change), with a request for direction from the City Council asking whether to continue negotiations with Contractor in accordance with this proposal. However, this term sheet is not binding on the City, and any modification, approval or acceptance of this term sheet by the City Council is not intended to nor will it form a contract or enforceable agreement with the City. This document only represents Contractor's intention to enter into an agreement with the City under these terms. Any agreement that incorporates all or part of these terms will be subject to further input from the City Council and acceptance by the City Council as required under the San José Municipal Code and City Charter. If properly executed, any future agreement will supersede this term sheet and the existing agreement with Contractor.

A. Agreement Term

The term of an agreement for solid waste services would be expected to begin on July 1, 2019 and end on June 30, 2036.

B. Reduce Per Capita Waste to Landfill

1) Material Recovery Standard: Contractor's compliance with its diversion requirements will be assessed using a new standard, "Material Recovery Standard", which will replace the "RRM Diversion Standard" in Contractor's current agreement. Waste characterization studies will be conducted between July 1 and September 30 in calendar years 2019 and 2020, and between January and March in subsequent years starting in 2021. The studies will determine by weight the percentage of program material (as defined in Attachment A) present in recycling cart material landfilled (residue). If 20% or more program material, by weight, is present in residue, contractor fails to meet standard for the calendar year.

   Any non-program material Contractor sold during the 12-month period prior to the processing study shall be included in calculating the Material Recovery Standard. The residue tons shall be adjusted by a factor of the percentage of non-program material sold in relation to the tons of recycling cart material collected.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Material Recovery Standard Example Calculation
(for illustrative purposes only)

- Of a 100 ton residue sample, 15 tons were program material.
- In the 12-month period prior to the residue sample, Contractor reported 100,000 tons of recycling cart material collected and 1,000 non-program material tons sold.
- Non-program materials represent 1% of tons collected (1,000 / 100,000), making the adjustment factor 1.01.
- Material Recovery Standard calculation:

$$\frac{\text{15 program material tons in residue sample}}{\text{100 residue tons x 1.01 adjustment factor for non-program materials sold}} = 14.85\%$$

If Contractor fails to meet the Material Recovery Standard for a particular calendar year, beginning calendar year 2019, City shall make a deduction from payments due to Contractor on or before March 1st following the end of the calendar year in which Contractor did not meet the Material Recovery Standard.

- Year One: -$0.30/unit/month
- Second Consecutive Year: -$0.60/unit/month
- Third and Subsequent Consecutive Year: -$0.90/unit/month

Effective Date: July 1, 2019

2) SB 1383 Compliance: Contractor is aware that SB 1383, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, became law in 2016. Contractor will agree that passage of this law and the regulations required under it will not represent a Change in Law. The new agreement between the City and Contractor will provide for the program support and reporting required by SB 1383 and its regulations. If Contractor is required to provide significant changes to services in response to SB 1383 (e.g., updating container colors citywide), City and Contractor will meet to determine appropriate scope and compensation for such services. **Effective Date: July 1, 2019**

3) Recycling Markets: Contractor and City will establish a "safety net" for recycling commodity markets in the agreement. The commodity market for recyclables experiences cyclical changes and fluctuations in market price due to supply and demand, periodic strikes, transportation issues, and other reasonably foreseeable events. This "safety net" would not be intended to address market price fluctuations or other changes due to these events. If such events occur, Contractor will be solely responsible for mitigating any potential economic impacts and will not look to the City for compensation adjustments. However, if recyclable commodity markets become not reasonably available (if the average commodity price drops by an agreed-upon percent under the previous five-year average, according to third-party recycling market indices), or there are other unforeseeable events related to recycling markets that cause ongoing economic impact, Contractor and City will meet to discuss a reasonable modification to

the provisions of the new Material Recovery Standard and/or other adjustments to Contractor's recycling obligations under the agreement with the City. **Effective Date: July 1, 2019**

C. Ease of Use

4) Customer Satisfaction: Overall customer satisfaction is a high priority for Contractor now and in the future. The current agreement does not have an overall measurement of customer satisfaction. In conjunction with ESD, Contractor will develop a process for measuring overall customer satisfaction, and agrees to minimum performance standards and associated liquidated damages, incorporating those previously negotiated and included in Attachment B. Other customer service enhancements will include:

   a. Performance standards: To ensure an acceptable customer service experience for residents, Contractor, in conjunction with ESD, will develop performance standards to address contractor's call center and quality of collection. Contractor will also develop mechanisms, to ensure Contractor maintains minimal hold times, trained customer service representatives, customer self-service options, completion of collection services on the scheduled day without leaving behind toppled containers, and liquidated damages that are payable to the City for these topics. **Effective Date: July 1, 2019**

   b. Online customer access: For no additional cost to the City, Contractor will implement online self-service features, such as access to service history, frequently asked questions (FAQ's), live chats, and email or web-based forms for customers to report services issues, make service requests, provide changes of address, or arrange for special pickup appointments; **Effective Date: July 1, 2021**

   c. *My SanJose* App: Contractor will interface with the *MySanJose* App, with City supporting the front end, so that a customer can easily connect with hauler for customer service related questions and requests (including missed collections and replacement containers). City to fund appropriate app integration costs. **Effective Date: July 1, 2021**

5) Outreach: The City will be responsible for outreach activities associated with the Recycle Plus program. By October 1, 2019, and pending final City Council approval of related budget actions, the City intends to invest significant resources to these outreach activities. City will develop meaningful performance metrics, with input from all Recycle Plus contractors, to ensure the effectiveness of these outreach efforts. The Public Education and Outreach Plan (PEOP) and the Articles and Exhibits associated with the PEOP in the current agreement will not be included in any future agreement. This includes:

   Article 11 – Additional Services
   - 11.1 Public Education and Outreach Program (PEOP)
   - 11.2 Annual Collection Service Notice (ACSN)
   - 11.3 Collection Calendar

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Exhibit 10 – Data and Reporting

- IV Data
  - o B. Quarterly Reports (IV Community Outreach Summary)
  - o C. Annual Reports (IV Community Outreach Summary)

Exhibit 11 – Outreach

- 1. Annual Outreach Plan (SFD & MFD)
- 2. Technical Assistance Program (MFD only)
- 3. Quarterly Coordination Meetings (SFD & MFD)
- 4. Additional Outreach Materials (SFD & MFD)

Effective Date: July 1, 2019

6) Use of Non-Collection Notices: Contractor will limit the use of non-collection notices (NCNs) to instances where containers contain hazardous waste (hazardous waste includes "Exempt Waste" and "Hazardous Waste" as defined in the current agreement), or, for garbage collection, overflows as described in current agreement.

For all NCNs issued, Contractor will provide the City with photo documentation and related information (address, reason for NCN) within twenty-four hours of issuing the NCN. Failure to properly document an NCN will result in Liquidated Damages of $100 per incident payable to the City. Distribution and parameters of Courtesy Notices will continue under the terms of Contractor's current agreement.
Effective Date: July 1, 2019

D. Competitive Rates

7) Compensation: New compensation rates are included in Attachment C: Contractor Pricing and will be effective July 1, 2021. Applicable rates will be based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years. The first study will be conducted July 1 through September 30, 2019. Starting 2021 and subsequent years, the studies will be conducted every two years during the period of January 1 through March 30.

8) Annual Compensation Adjustment Methodology: The Refuse Rate Index (RRI) will be updated to indices published by the Bureau of Labor Statistics (BLS) that are specific to the San Francisco Bay Area. The following local indices will replace the current national indices:

a. **Labor**
Employment Cost Index (NAICS)
Local: Series ID: CIU2010000000000LKA
Not seasonally adjusted
Series Title: Total compensation for private industry workers in the San Jose-San Francisco-Oakland, CA CSA, 12-month percent change

Ownership: Private industry workers
Component: Total compensation
Occupation: All workers
Industry: All workers
Subcategory: All workers
Area: San Jose-San Francisco-Oakland, CA CSA
Periodicity: 12-month percent change

b. **Other Operating Expenses**
CPI-All Urban Consumers (Current Series)
Local: Series ID: CUURS49BSA0
Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted
Area: San Francisco-Oakland-Hayward, CA
Item: All items

In the event any index is discontinued, a successor index will be used. A successor index will be an index that is most equivalent to the discontinued index as recommended by the BLS.

In addition:

- RRI index changes will be calculated using annual calendar year averages, not December to December values, as in the current agreement.
- For the local Employment Cost Index (see above "a. Labor" component), the average of the four quarters for the calendar year will be used to calculate this index change, due to BLS only publishing 12-month percent changes (quarter over quarter) and not the actual indices.
- All labor-related costs (including wages, benefits, payroll taxes, workers compensation, pension, and health and welfare costs) included in Labor component.

Effective Date: July 1, 2021

9) Multi-Family Compensation: Contractor payment methodology would be updated to accommodate new performance standard consistent with the concept developed during negotiations.
Effective Date: July 1, 2019

E. Other Terms and Conditions

10) Green Fleet: For next fleet replacement, scheduled to occur after July 1, 2021, all of Contractor's fleet serving the City will be fueled by Compressed Natural Gas (CNG).

11) Large Item ("Junk Pickup") services will continue until June 30, 2021 at the rates in the current agreement with Contractor. However, the City will have the sole option to terminate Junk Pickup service upon 6 months' notice to Contractor.

12) A Living Wage requirement, as modified by the City Council ("Modified Living Wage" or "MLW"), will be incorporated into the Agreement. ESD's recommended MLW methodology will be presented to the City

Council at its regularly scheduled meeting on September 25, 2018 (subject to change). ESD is recommending that the City Council modify the City's Living Wage Requirement to combine 45.71% of the San Jose Living Wage rate (currently $20.57/hour with benefits) and 54.29% of the San José Minimum Wage Rate (currently $13.50/hour). The City's Living Wage Rate is adjusted every fiscal year by the City. City's Minimum Wage will increase to $15.00/hour on January 1, 2019. Annual adjustments to MLW wage rate (paid to workers) to be 0-5%, with no carryover (see example below). With this adjustment methodology, it is possible the MLW rate in any given year may be less than a rate calculated using then current Living Wage and Minimum Wage. If the City Council approves of this methodology, Contractor and City will include it in the future agreement. If the City later contracts with a new Recycle Plus facility or SJ GWR tonnages change by more than 20%, the City and Contractor will negotiate in good faith to modify the MLW methodology. Any MLW rate from a modified methodology will not be lower than the MLW rate at the time of establishing the modified methodology. Contractor will not be able to reduce any employee's wage as a result of any modification to the MLW methodology. Any such modification to the MLW methodology and amendment to the agreement will require City Council approval.

Example of MLW rate change (numbers provided for illustrative purposes)

MLW Rate Effective 7/1/19	Calculated % Change for 7/1/20 Rate	% Change Applied to 7/1/20 Rate	MLW Rate Effective 7/1/20	Calculated % Change for 7/1/21 Rate	% Change Applied to 7/1/21 Rate	MLW Rate Effective 7/1/21
$17.26	7%	5%	$18.12	2.5%	2.5%	$18.57

13) If requested by the City, Contractor will take over other Recycle Plus services from other providers as requested by City. If such a request occurs, City and Contractor will meet to determine appropriate compensation for such services.

14) All other terms and conditions in the existing agreement will not change except for technical adjustments where appropriate.

F. Attachments:

A. **Waste Characterization Studies**
B. **Customer Service Performance Standards**
C. **Contractor Pricing:** summary of contractor's pricing offer. Contractor to complete offer based on the effective dates included in this term sheet.
D. **Contractor Previous Pricing Offers:** The function of this attachment is to record Contractor's previous pricing offers and present final pricing offers.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

By signing this document and completing the Contractor Pricing, Attachment C, Contractor represents that it has full authority to negotiate with the City and intends to enter into an agreement with the City under these terms.

Paul Nelson
GreenTeam of San Jose Authorized Signature

9/18/18
Date

PAUL NELSON
Printed Name

DIVISION VICE PRESIDENT
Title

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment A: Waste Characterization Studies

Processing studies will be conducted to determine by weight the percentage of program and non-program material present in recycling cart material collected and in recycling cart material landfilled (residue). Waste characterization studies will be performed by a qualified third-party contractor jointly selected by the Recycle Plus recycling contractors and City representatives. The vendor selection team will consist of the following: Recycle Plus Program Manager, one representative from Contractor, one representative from California Waste Solutions, one City Manager appointed City employee, and one City Manager appointed individual from an outside agency (pending availability). The term of the agreement for the selected consultant shall be 3 years. The City will cover the costs of waste characterization studies. For all parties, the results from all waste characterization studies (used for determining appropriate compensation rates and for determining adherence to the Material Recovery standard) shall be final and binding.

Program Material List:
For the purposes of the annual studies, program materials will be: recyclable paper, recyclable plastic, recyclable metal, recyclable glass, and recyclable textiles, as detailed in Table 4 of the "Single Family Recyclables Study" conducted in 2015 (see below). All other materials, including compostable organics and used oil and oil filters, will be considered non-program material. The program material list may be amended every two years to reflect recycling market conditions. Both recycling contractors may co-sign a request that item(s) be added and/or removed to the approved list of program material. Requests for addition could include compostable organics. The requests shall include:

a. Description of specifically how the material will be diverted (if item is added) or disposed (if item is removed);
b. Item tonnage data for the past six (6) months, to the extent available;
c. Item tonnage projected to be collected (if item is added) or disposed (if item is removed) over the next twelve (12) months;
d. For request to remove item(s), evidence of inability to market material, including third party indices showing drop in commodity pricing, evidence of rejected bales (if item is removed), and other pertinent information;
e. Additional information as be requested by City.

The request to amend the program material list shall be made in writing by November 1, 2019 to the ESD Director. Subsequent requests shall be submitted by both contractors by November 1 of odd-numbered years thereafter. The Director shall review the request and respond to Contractor within sixty (60) calendar days. If ESD approves request, the amended list will be applied to all studies done in the following two calendar years. Example:

Contractors Submit Request	ESD Response	If Approved, Applied to Studies
By November 1, 2019	By December 2019	January 2020-December 2021
By November 1, 2021	By December 2021	January 2022-December 2023

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Table 4. Detailed Composition, 2015 San Jose Overall Incoming Single Family Residential Recycling

Material	Estimated Percent	+/-	Estimated Tons	Material	Estimated Percent	+/-	Estimated Tons
Recyclable Paper	**42.0%**		**40,606**	**Non-Recyclable Materials**	**27.0%**		**25,895**
Clean Newspaper	6.2%	0.9%	5,894	Pizza Boxes	0.8%	0.1%	800
Clean OCC	12.8%	1.8%	12,174	Contaminated Newspaper	1.4%	0.6%	1,310
Clean Mixed Paper	22.5%	1.8%	21,462	Contaminated OCC	3.4%	0.9%	3,276
Clean Aseptic and Polycoated Packaging	0.5%	0.1%	476	Contaminated Mixed Paper	6.1%	1.3%	5,781
				Contaminated Aseptic and Polycoated Packaging	0.1%	0.0%	60
Recyclable Plastic	**12.2%**		**11,619**	Remainder/Composite Paper	1.6%	0.3%	1,526
#1 PET Bottles and Containers	3.3%	0.3%	3,100	Remainder/Composite Plastic	2.2%	0.6%	2,093
#2 HDPE Bottles and Containers	2.7%	0.3%	2,586	Remainder/Composite Metal	1.1%	0.4%	1,015
#3-#7 Bottles and Containers	1.0%	0.1%	922	Remainder Composite Glass	2.0%	1.0%	1,929
Plastic Bags and Other Film	2.5%	0.3%	2,342	Medical Waste	0.0%	0.0%	10
Polystyrene	0.5%	0.1%	495	Sharps	0.0%	0.0%	0
Durable Plastic Items	2.3%	0.5%	2,174	Chemicals	0.0%	0.0%	17
				Personal Hygiene Products	1.0%	0.5%	975
Recyclable Metal	**4.5%**		**4,328**	TV and CRT Monitors	0.0%	0.0%	0
Aluminum Beverage Cans	0.4%	0.1%	359	Electronics	0.4%	0.3%	410
Aluminum Foil	0.2%	0.1%	186	Automotive Batteries	0.0%	0.0%	0
Steel (Tin) Cans	1.6%	0.5%	1,568	Lithium Ion Batteries	0.0%	0.0%	0
Other Scrap Metal	2.3%	0.7%	2,214	Alkaline Batteries	0.0%	0.0%	34
				Ni-Cad Batteries	0.0%	0.0%	1
Recyclable Glass	**5.5%**		**5,264**	Tanks	0.0%	0.0%	0
Recyclable Glass	5.5%	1.0%	5,264	Tires	0.0%	0.0%	0
				Oil Filters	0.0%	0.0%	11
Compostable Organics	**4.8%**		**4,676**	Motor Oil	0.0%	0.0%	0
Food Waste	3.1%	0.8%	2,921	Wood	1.5%	1.0%	1,452
Yard Waste	0.7%	0.4%	636	Mercury Lamps	0.0%	0.0%	7
Compostable Paper	1.2%	0.2%	1,119	Other Universal Waste	0.0%	0.0%	19
				Other Materials	5.2%	1.7%	4,971
Recyclable Textiles	**3.9%**		**3,669**				
Bagged Textiles	0.3%	0.2%	327	**Totals**	**100.0%**		**95,257**
Loose Textiles	3.5%	0.9%	3,342	**Sample Count**	**70**		

Confidence intervals calculated at the 90% confidence level. Percentages for material types may not total 100% due to rounding.

"Clean" recyclable paper is defined as material not soiled or contaminated that could reasonably be expected to be recycled without special processing or cleaning.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment B: Customer Service Performance Standards

Overall customer satisfaction: 95% as determined by third-party survey

Quality of Performance of Contractor (additions to section 21.2 of current agreement):

Topic	Liquidated Damage Language	Amount	New/ Updated
Call Center	Failure to Achieve Minimum Average Telephone Delay Time for Customer to Talk with a CSR	Minimum delay time: 180 seconds quarterly average. Delay time is time from first ring until customer speaks with CSR.	new
		>190 second avg, $5,000/quarter	
Call Center	Failure to Achieve Minimum Telephone Delay Time for Customer on Hold	Each call > 10 minutes total time on hold or call abandoned after 10 minutes on hold: not more than .3% of calls per quarter	new
		>=.3%, $10,000/quarter	
Call Center	Failure to Achieve Minimum Acceptable Score for Call Center Service Level Quality	$1,000 for not meeting minimum score of third party quarterly assessment report	new
		Minimum Score >=80% per assessment/quarter	
Customer Service	Failure to provide customer self-service option (website, email) as specified in this Agreement	$1,000 per day	new
Incorrect Issuance of NCNs	Failure to Issue Non-Collection Notice as specified in this Agreement	$100 per incident	new
Missed Pick Ups	Failure to pick up material on scheduled day	$100 per 1 missed pickup per 1,000 service opportunities for SFD, 1 per 100 service opportunities for MFD (service opportunity = cart/bin, oil, large item setout)	updated: replace route completion
Collection Quality	Failure to return empty carts to the point of collection, upright with lids closed and locks secured (if applicable), as specified in this Agreement. This penalty would be complaint-based and for situations with public health & safety implications (e.g., cart toppled, in the middle of the road)	$100 per incident	new
Large Items	Failure to collect as required in agreement, within 2 collection days	$100 per incident per work day	updated

Failure to meet above Customer Service standards by accumulating more than $30,000 of Liquidated Damages in a calendar year and failure to meet 95% overall customer satisfaction determined by third-party survey results in City making a deduction from payment due to Contractor on or before March 1st following the end of the calendar year:

- **Year One: -$0.15/unit/month**
- **Second Consecutive Year: -$0.30/unit/month**
- **Third Consecutive Year: -$0.45/unit/month**

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment C: Contractor Pricing

Services to be continued per 2011 contract terms, with changes detailed in this term sheet. Compensation and annual RRI adjustments will be at current 2011 contract terms through June 30, 2021 (except as noted below in Section B). Offered compensation for contracted services starting July 1, 2021, is detailed in Section B below. The pricing submitted will be used for final evaluation.

A. Adjustment of Proposed Rates from 2017-2018 Dollars to 2021-2022 Dollars

The rates given below are in 2017-2018 dollars and will be adjusted for each fiscal year until the effective date. The table below clarifies how the given rates will be adjusted for each fiscal year until the effective date.

	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
RRI Methodology	Current Agreement Methodology	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet

B. Offered Rates for Services Beginning July 1, 2021

Item	% Non-Program Material*	Offer	Unit
SFD Recycling Collection & Processing discount per household for each 2% below non-program material baseline due to City efforts to reduce non-program material in recycling	20.00-25.99%	$13.15	Per Household
SFD Recycling Collection & Processing	26.00-27.99% (26% Base level)	$13.15	Per Household
SFD Recycling Collection & Processing	28.00-29.99%	$13.15	Per Household
SFD Recycling Collection & Processing	30.00-31.99%	$13.15	Per Household
SFD Recycling Collection & Processing	32.00-33.99%	$14.15	Per Household
SFD Recycling Collection & Processing	34.00-35.99%	$15.15	Per Household
SFD Recycling Collection & Processing	>35.99%	$16.15	Per Household
SFD Garbage Collection	NA	$7.72	Per Household
MFD Garbage & Recycling Collection, Recycling Processing	NA	$0	Annual $ Change from 17/18 Monthly Compensation
City Facility Garbage & Recycling Collection, Recycling Processing	NA	$0	Annual $ Change from 17/18 Monthly Compensation

*Applicable rates based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years, as described in Section D.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment D: Contractor Previous Pricing Offers

To record past offers during negotiations, previous offers are included below. The following rates are in 2017-2018 dollars, to be adjusted by RRI.

Pricing offers:

- April Offer: Pricing submitted to City in April 2018, under different terms than this term sheet. New compensation rates effective July 1, 2021. Current RRI continues for entire term; options for: City outreach, customer service enhancements, and a new recycling standard different from current packet.

- August Offer: Pricing submitted to City on August 15, 2018 and based on signed, unedited term sheet, under different terms than this term sheet. Includes City outreach, local RRI, customer service enhancements, and a new recycling standard different from Attachment A in current packet.

Item	4/13/2018 Offer	8/15/2018 Offer	Unit
SFD Recycling Collection & Processing	$12.95	$13.15	Per Household
SFD Garbage Collection	$7.72	$7.72	Per Household
Outreach Transitioned to City (SFD)	-$0.05	included	Per Household Savings
MFD Garbage & Recycling Collection, Recycling Processing	$0	$0	Annual $ Change from 17/18 Monthly Compensation
Outreach Transitioned to City (MFD)	-$40,000	-$40,000	Annual Savings
City Facility Garbage & Recycling Collection, Recycling Processing	$0	$0	Annual $ Change from 17/18 Monthly Compensation

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE
TERM SHEET FOR RECYCLE PLUS FUTURE CONTRACT

This term sheet is a summary of the proposed terms, as of the date stated in the signature block, between GreenWaste Recovery, Inc. ("Contractor") and staff with the City of San José ("City") Environmental Services Department ("ESD") for a future solid waste services agreement that will replace Contractor's current agreement set to expire on June 30, 2021.

ESD will present this document to the San José City Council for consideration at its regularly scheduled meeting on October 16, 2018 (subject to change), with a request for direction from the City Council asking whether to continue negotiations with Contractor in accordance with this proposal. However, this term sheet is not binding on the City, and any modification, approval or acceptance of this term sheet by the City Council is not intended to nor will it form a contract or enforceable agreement with the City. This document only represents Contractor's intention to enter into an agreement with the City under these terms. Any agreement that incorporates all or part of these terms will be subject to further input from the City Council and acceptance by the City Council as required under the San José Municipal Code and City Charter. If properly executed, any future agreement will supersede this term sheet and the existing agreement with Contractor.

A. Agreement Term

The term of an agreement for solid waste services would be expected to begin on July 1, 2019 and end on June 30, 2036.

B. Reduce Per Capita Waste to Landfill

1) SB 1383 Compliance: Contractor is aware that SB 1383, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, became law in 2016. Contractor will agree that passage of this law and the regulations required under it will not represent a Change in Law. The new agreement between the City and Contractor will provide for the program support and reporting required by SB 1383 and its regulations. If Contractor is required to provide significant changes to services in response to SB 1383 (e.g., updating container colors citywide), City and Contractor will meet to determine scope and appropriate compensation for such services. **Effective Date: July 1, 2019**

C. Ease of Use

2) Customer Satisfaction: Overall customer satisfaction is a high priority for Contractor now and in the future. The current agreement does not have an overall measurement of customer satisfaction. In conjunction with ESD, Contractor will develop a process for measuring overall customer satisfaction, and agrees to minimum performance standards and associated liquidated damages, incorporating those previously negotiated and included in Attachment A. Other customer service enhancements will include:

9/17/18

a. Performance standards: To ensure an acceptable customer service experience for residents, Contractor, in conjunction with ESD, will develop performance standards to address contractor's call center and quality of collection. Contractor will also develop mechanisms, to ensure Contractor maintains minimal hold times, trained customer service representatives, customer self-service options, completion of collection services on the scheduled day without leaving behind toppled containers, and liquidated damages that are payable to the City for these topics. **Effective Date: July 1, 2019**

b. Online customer access: For no additional cost to the City, Contractor will implement online self-service features, such as access to service history, frequently asked questions (FAQ's), live chats, and email or web-based forms for customers to report services issues, make service requests, provide changes of address, or arrange for special pickup appointments; **Effective Date: July 1, 2021**

c. *My SanJose* App: Contractor will interface with the *MySanJose* App, with City supporting the front end, so that a customer can easily connect with hauler for customer service related questions and requests (including missed collections and replacement containers). City to fund appropriate app integration costs. **Effective Date: July 1, 2021**

3) Outreach: The City will be responsible for outreach activities associated with the Recycle Plus program. By October 1, 2019, and pending final City Council approval of related budget actions, the City intends to invest significant resources to these outreach activities. City will develop meaningful performance metrics, with input from all Recycle Plus contractors, to ensure the effectiveness of these outreach efforts. The Public Education and Outreach Plan (PEOP) and the Articles and Exhibits associated with the PEOP in the current agreement will not be included in any future agreement. This includes:

Article 12 – Additional Services
- 12.1 Public Education and Outreach Program (PEOP)
- 12.2 Annual Street Sweeping Calendars
- 12.3 Targeted Outreach
- 12.4 Alternative Material (used for ACSN)

Exhibit 10 – Data and Reporting Requirements
- IV Data
    - o B. Quarterly Reports (IV Community Outreach Summary)
    - o C. Annual Reports (IV Community Outreach Summary)

Exhibit 11 – Outreach
- A. Annual Outreach Plan
- B. Quarterly Coordination Meetings
- C. Additional Outreach Materials

Effective Date: July 1, 2019

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

D. Competitive Rates

4) Compensation: Proposed new compensation rates are included in Attachment B: Contractor Pricing. **Effective Date**: July 1, 2021

5) Annual Compensation Adjustment Methodology: The Refuse Rate Index (RRI) will be updated to indices published by the Bureau of Labor Statistics (BLS) that are specific to the San Francisco Bay Area. The following local indices will replace the current national indices:

a. **Labor**
Employment Cost Index (NAICS)
Local: Series ID: CIU20100000000LKA
Not seasonally adjusted
Series Title: Total compensation for private industry workers in the San Jose-San Francisco-Oakland, CA CSA, 12-month percent change
Ownership: Private industry workers
Component: Total compensation
Occupation: All workers
Industry: All workers
Subcategory: All workers
Area: San Jose-San Francisco-Oakland, CA CSA
Periodicity: 12-month percent change

b. **Other Operating Expenses**
CPI-All Urban Consumers (Current Series)
Local: Series ID: CUURS49BSA0
Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted
Area: San Francisco-Oakland-Hayward, CA
Item: All items

In the event any index is discontinued, a successor index will be used. A successor index will be an index that is most equivalent to the discontinued index as recommended by the BLS.

In addition:

- RRI index changes will be calculated using annual calendar year averages, not December to December values, as in the current agreement.
- For the local Employment Cost Index (see above "a. Labor" component), the average of the four quarters for the calendar year will be used to calculate this index change, due to BLS only publishing 12-month percent changes (quarter over quarter) and not the actual indices.
- All labor-related costs (including wages, benefits, payroll taxes, workers compensation, pension, and health and welfare costs) included in Labor component.

Effective Date: July 1, 2021

9/13/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

E. Other Terms and Conditions

6) Green Fleet: For next fleet replacement, scheduled to occur after July 1, 2021, all of Contractor's fleet serving the City will be fueled by Compressed Natural Gas (CNG) or Alternative Fuel such as 100% renewable biodiesel currently used.

7) Street Sweeping services will continue until June 30, 2021 at the rates in the current agreement with Contractor. The City will have the sole option to extend Street Sweeping service through June 30, 2036, at the optional rates and terms outlined in the Contractor Pricing attachment, upon notice to Contractor prior to January 1, 2021. Public litter can service will continue as long as Street Sweeping services are provided.

8) A Living Wage requirement, as modified by the City Council ("Modified Living Wage" or "MLW"), will be incorporated into the Agreement. ESD's recommended MLW methodology will be presented to the City Council at its regularly scheduled meeting on September 25, 2018 (subject to change). ESD is recommending that the City Council modify the City's Living Wage Requirement to combine 45.71% of the San Jose Living Wage rate (currently $20.57/hour with benefits) and 54.29% of the San José Minimum Wage Rate (currently $13.50/hour). The City's Living Wage Rate is adjusted every fiscal year by the City. City's Minimum Wage will increase to $15.00/hour on January 1, 2019. Annual adjustments to MLW wage rate (paid to workers) to be 0-5%, with no carryover (see example below). With this adjustment methodology, it is possible the MLW rate in any given year may be less than a rate calculated using then current Living Wage and Minimum Wage. If the City Council approves of this methodology, Contractor and City will include it in the future agreement. If the City later contracts with a new Recycle Plus facility or SJ GWR tonnages change by more than 20%, the City and Contractor will negotiate in good faith to modify the MLW methodology. Any MLW rate from a modified methodology will not be lower than the MLW rate at the time of establishing the modified methodology. Contractor will not be able to reduce any employee's wage as a result of any modification to the MLW methodology. Any such modification to the MLW methodology and amendment to the agreement will require City Council approval.

Example of MLW rate change (numbers provided for illustrative purposes)

MLW Rate Effective 7/1/19	Calculated % Change for 7/1/20 Rate	% Change Applied to 7/1/20 Rate	MLW Rate Effective 7/1/20	Calculated % Change for 7/1/21 Rate	% Change Applied to 7/1/21 Rate	MLW Rate Effective 7/1/21
$17.26	7%	5%	$18.12	2.5%	2.5%	$18.57

9) If requested by the City, Contractor will take over other Recycle Plus services from other providers as requested by City. If such a request occurs, City and Contractor will meet to determine appropriate compensation for such services.

10) All other terms and conditions in the existing agreement will not change except for technical adjustments where appropriate.

E 9/13/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

F. Attachments:

A. **Customer Service Performance Standards**
B. **Contractor Pricing**: summary of contractor's pricing offer. Contractor to complete offer based on the effective dates included in this term sheet.
C. **Contractor Previous Pricing Offers:** The function of this attachment is to record Contractor's previous pricing offers and present final pricing offers.

By signing this document and completing the Contractor Pricing, Attachment B, Contractor represents that it has full authority to negotiate with the City and intends to enter into an agreement with the City under these terms.

GreenWaste Recovery, Inc. Authorized Signature

9/17/18
Date

Frank Weigel
Printed Name

Co-CEO
Title

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment A: Customer Service Performance Standards

Overall customer satisfaction: 95% as determined by third-party survey

Quality of Performance of Contractor (additions to section 20.4 of current agreement):

Topic	Liquidated Damage Language	Amount	New/ Updated
Call Center	Failure to Achieve Minimum Average Telephone Delay Time for Customer to Talk with a CSR	Minimum delay time: 180 seconds quarterly average. Delay time is time from first ring until customer speaks with CSR. >190 second avg, $5,000/quarter	new
Call Center	Failure to Achieve Minimum Telephone Delay Time for Customer on Hold	Each call > 10 minutes total time on hold or call abandoned after 10 minutes on hold: not more than .3% of calls per quarter >=.3%, $10,000/month	new
Call Center	Failure to Achieve Minimum Acceptable Score for Call Center Service Level Quality	$1,000 for not meeting minimum score of third party quarterly assessment report Minimum Score >=80% per assessment/quarter	new
Customer Service	Failure to provide customer self-service option (website, email) as specified in this Agreement	$1,000 per day	new
Missed Pick Ups	Failure to pick up material on scheduled day	Less than one (1) per four thousand (4,000) service opportunities. Monthly service opportunities calculated as average percent participation from the most recent route audit multiplied by total number of service units multiplied by 4.33. $100 per incident over threshold	updated: replace route completion
Collection Quality	Failure to return empty carts to the point of collection, upright with lids closed and locks secured (if applicable), as specified in this Agreement. This penalty would be complaint-based and for situations with public health & safety implications (e.g., cart toppled, in the middle of the road)	$100 per incident	new
Sweeping Quality	Incomplete or improper sweeping of a street	$100 per block (i.e. cul-de-sac; for through streets, the part between two consecutive cross streets).	updated

Failure to meet above Customer Service standards by accumulating more than $30,000 of Liquidated Damages in a calendar year and failure to meet 95% overall customer satisfaction determined by third-party survey results in City making a deduction from payment due to Contractor on or before March 1st following the end of the calendar year:

- Year One: -$0.15/unit/month
- Second Consecutive Year: -$0.30/unit/month
- Third Consecutive Year: -$0.45/unit/month

Year One Example: $0.15 x 214,000 units x 12 months = $385,200

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment B: Contractor Pricing

Services to be continued per 2011 contract terms, with changes detailed in this term sheet. Compensation and annual RRI adjustments will be at current 2011 contract terms through June 30, 2021 (except as noted below in Section B). Offered compensation for contracted services starting July 1, 2021, is detailed in Section B below. The pricing submitted will be used for final evaluation.

A. Adjustment of Proposed Rates from 2017-2018 Dollars to 2021-2022 Dollars

The rates given below are in 2017-2018 dollars and will be adjusted for each fiscal year until the effective date. The table below clarifies how the given rates will be adjusted for each fiscal year until the effective date.

	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
RRI Methodology	Current Agreement Methodology	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet

B. Offered Rates for Services Beginning July 1, 2021 (except as noted below)

Item	Offer A With Street Sweeping service at City's option	Offer B With Street Sweeping service through 2036	Unit
MLW: MSW Processing additional cost per ton (SFD, MFD, City Facility) Rate effective July 1, 2019 (pending City Council approval) and would be adjusted in subsequent years by new proposed RRI methodology.	$12.13	$12.13	Per Ton
SFD MSW Processing: >70% diversion	$89.65	$89.65	Per Ton
SFD MSW Processing: <70% diversion	$88.52	$88.52	Per Ton
MFD MSW Processing: >70% diversion	$89.65	$89.65	Per Ton
MFD MSW Processing: <70% diversion	$88.52	$88.52	Per Ton
City Facility MSW Processing: >70% diversion	$89.65	$89.65	Per Ton
City Facility MSW Processing: <70% diversion	$88.52	$88.52	Per Ton
Yard Trimmings: SFD On-Street Yard Trimmings Collection	$8.51	$8.51	Loose-in-the-street Count
Yard Trimmings: Cart Yard Trimmings Collection	$13.37	$13.37	YT Carts

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

MFD On-Street Yard Trimmings Collection	$30.17	$30.17	MFDs w/ Service Agreements
MFD Holiday Tree Collection (Jan. Invoice Only)	$30.17	$30.17	MFDs w/ Service Agreements
Large Civic Collection & Pruning Collection	$110.44	$110.44	Per Ton
Small Civic Collection	$8.51	$8.51	Per Unit
Street Sweeping: Monthly Street Sweeping*	$66.03	$62.83	Per Curb Mile
Street Sweeping: Signed Street Sweeping Service (SSSS)*	$95.36	$90.05	Per Curb Mile

*For Offer A, the City will have the sole option to extend Street Sweeping service through June 30, 2036, at the rates proposed, upon notice to contractor prior to January 1, 2021. For Offer B, Street Sweeping service would be included in the agreement through 2036 (service not at City option).

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment C: Contractor Previous Pricing Offers

To record past offers during negotiations, previous offers are included below. The following rates are **in 2017-2018 dollars, to be adjusted by RRI.**

Pricing offers:

- April Offer: Pricing submitted to City in April 2018, under different terms than this term sheet. New compensation rates effective July 1, 2021. Current RRI continues for entire term; options for: City outreach and customer service enhancements.

Item	4/13/2018 Offer	Unit
MLW: MSW Processing additional cost per ton (SFD, MFD, City Facility)	$10.26*	Per Ton
SFD MSW Processing: >70% diversion	$89.65	Per Ton
MFD MSW Processing: >70% diversion	$89.65	Per Ton
City Facility MSW Processing: >70% diversion	$89.65	Per Ton
Yard Trimmings: SFD On-Street Yard Trimmings Collection	$8.51	Loose-in-the-street Count
Yard Trimmings: Cart Yard Trimmings Collection	$13.37	YT Carts
MFD On-Street Yard Trimmings Collection	$30.17	MFDs w/ Service Agreements
MFD Holiday Tree Collection (Jan. Invoice Only)	$30.17	MFDs w/ Service Agreements
Large Civic Collection & Pruning Collection	$0.00	Per Ton
Small Civic Collection	$0.00	Per Unit
Outreach Transitioned to City (SFD)	-$65,000	Annual Savings
Outreach Transitioned to City (MFD)	-$17,000	Annual Savings
Street Sweeping: Monthly Street Sweeping	$62.83	Per Curb Mile
Street Sweeping: Signed Street Sweeping Service (SSSS)	$90.05	Per Curb Mile

*18-19 dollars

9/17/18

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

CITY OF SAN JOSE
TERM SHEET FOR RECYCLE PLUS FUTURE CONTRACT

This term sheet is a summary of the proposed terms, as of the date stated in the signature block, between California Waste Solutions ("Contractor") and staff with the City of San José ("City") Environmental Services Department ("ESD") for a future recycling services agreement that will replace Contractor's current agreement set to expire on June 30, 2021.

ESD will present this document to the San José City Council for consideration at its regularly scheduled meeting on October 16, 2018 (subject to change), with a request for direction from the City Council asking whether to continue negotiations with Contractor in accordance with this proposal. However, this term sheet is not binding on the City, and any modification, approval or acceptance of this term sheet by the City Council is not intended to, nor will it form, a contract or enforceable agreement with the City. This document only represents Contractor's intention to enter into an agreement with the City under these terms. Any agreement that incorporates all or part of these terms will be subject to further input from the City Council and acceptance by the City Council as required under the San José Municipal Code and City Charter. If properly executed, any future agreement will supersede this term sheet and the existing agreement with Contractor.

A. Agreement Term

The term of an agreement for recycling services would be expected to begin on July 1, 2019 and end on June 30, 2036.

B. Reduce Per Capita Waste to Landfill

1) Material Recovery Standard: Contractor's compliance with its diversion requirements will be assessed using a new standard, "Material Recovery Standard", which will replace the "RRM Diversion Standard" in Contractor's current agreement. Waste characterization studies will be conducted between July 1 and September 30 in calendar years 2019 and 2020, and between January and March in subsequent years starting in 2021. The studies will determine by weight the percentage of program material (as defined in Attachment A) present in recycling cart material landfilled (residue). If 20% or more program material, by weight, is present in residue, contractor fails to meet standard for the calendar year.

   Any non-program material Contractor sold during the 12-month period prior to the processing study shall be included in calculating the Material Recovery Standard. The residue tons shall be adjusted by a factor of the percentage of non-program material sold in relation to the tons of recycling cart material collected.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Material Recovery Standard Calculation: Example 1
(for illustrative purposes only)

- Of a 100 ton residue sample, 15 tons were program material.
- In the 12-month period prior to the residue sample, Contractor reported 100,000 tons of recycling cart material collected and 1,000 non-program material tons sold.
- Non-program materials sold represent 1% of tons collected (1,000 / 100,000), making the adjustment factor 1.01.
- Material Recovery Standard calculation:

$$\frac{\text{15 program material tons in residue sample}}{\text{100 residue tons x 1.01 adjustment factor for non-program materials sold}} = \mathbf{14.85\%}$$

Material Recovery Standard Calculation: Example 2
(for illustrative purposes only)

- Of a 100 ton residue sample, 25 tons were program material.
- In the 12-month period prior to the residue sample, Contractor reported 100,000 tons of recycling cart material collected and 5,000 non-program material tons sold.
- Non-program materials sold represent 5% of tons collected (5,000 / 100,000), making the adjustment factor 1.05.
- Material Recovery Standard calculation:

$$\frac{\text{25 program material tons in residue sample}}{\text{100 residue tons x 1.05 adjustment factor for non-program materials sold}} = \mathbf{23.80\%}$$

If Contractor fails to meet the Material Recovery Standard for a particular calendar year, beginning calendar year 2019, City shall make a deduction from payments due to Contractor on or before March 1st following the end of the calendar year in which Contractor did not meet the Material Recovery Standard.

- Year One: -$0.30/unit/month
- Second Consecutive Year: -$0.60/unit/month
- Third and Subsequent Consecutive Year: -$0.90/unit/month

Year One Example: $0.30 x 165,000 units x 12 months = $594,000
Effective Date: July 1, 2019

2) SB 1383 Compliance: Contractor is aware that SB 1383, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, became law in 2016. Contractor will agree that passage of this law and the regulations required under it will not represent a Change in Law. The new agreement between the City and Contractor will provide for the program

support and reporting required by SB 1383 and its regulations. If Contractor is required to provide significant changes to services in response to SB 1383 (e.g., updating container colors citywide), City and Contractor will meet to determine appropriate compensation for such services. **Effective Date: July 1, 2019**

3) Recycling Markets: Contractor and City will establish a "safety net" for recycling commodity markets in the agreement. The commodity market for recyclables experiences cyclical changes and fluctuations in market price due to supply and demand, periodic strikes, transportation issues, and other reasonably foreseeable events. This "safety net" would not be intended to address market price fluctuations or other changes due to these events. If such events occur, Contractor will be solely responsible for mitigating any potential economic impacts and will not look to the City for compensation adjustments. However, if recyclable commodity markets become not reasonably available (if the average commodity price drops by an agreed-upon percent under the previous five-year average, according to third-party recycling market indices), or there are other unforeseeable events related to recycling markets that cause ongoing economic impact, Contractor and City will meet to discuss a reasonable modification to the provisions of the new Material Recovery Standard and/or other adjustments to Contractor's recycling obligations under the agreement with the City. **Effective Date: July 1, 2019**

C. Ease of Use

4) Customer Satisfaction: Overall customer satisfaction is a high priority for Contractor now and in the future. The current agreement does not have an overall measurement of customer satisfaction. In conjunction with ESD, Contractor will develop a process for measuring overall customer satisfaction, and agrees to minimum performance standards and associated liquidated damages, incorporating those previously negotiated and included in Attachment B. Other customer service enhancements will include:

   a. Performance standards: To ensure an acceptable customer service experience for residents, Contractor, in conjunction with ESD, will develop performance standards to address contractor's call center and quality of collection. Contractor will also develop mechanisms, to ensure Contractor maintains minimal hold times, trained customer service representatives, customer self-service options, completion of collection services on the scheduled day without leaving behind toppled containers, and liquidated damages that are payable to the City for these topics. **Effective Date: July 1, 2019**

   b. Online customer access: For no additional cost to the City, Contractor will implement online self-service features, such as access to service history, frequently asked questions (FAQ's), live chats, and email or web-based forms for customers to report services issues, make service requests, provide changes of address, or arrange for special pickup appointments; **Effective Date: July 1, 2021**

   c. *My SanJose* App: Contractor will interface with the *MySanJose* App, with City supporting the front end, so that a customer can easily connect with hauler for customer service related

questions and requests (including missed collections and replacement containers). City to fund appropriate app integration costs. **Effective Date: July 1, 2021**

5) Outreach: The City will be responsible for outreach activities associated with the Recycle Plus program. By October 1, 2019, and pending final City Council approval of related budget actions, the City intends to invest significant resources to these outreach activities. City will develop meaningful performance metrics, with input from all Recycle Plus contractors, to ensure the effectiveness of these outreach efforts. The Public Education and Outreach Plan (PEOP) and the Articles and Exhibits associated with the PEOP in the current agreement will not be included in any future agreement. This includes:

Article 9 – Additional Services
- 9.1 Public Education and Outreach Program (PEOP)
- 9.1.2 Annual Collection Service Notice (ACSN)
- 9.1.3 Collection Calendar
- 9.1.4 Alternative Material

Exhibit 8 – Data and Reporting
- IV.A. Quarterly Reports (IV Community Outreach Summary)
- IV.B. Annual Reports (IV Community Outreach Summary)

Exhibit 9 – Outreach
- A. Annual Outreach Plan
- B. Quarterly Coordination Meetings
- C. Additional Outreach Materials

Effective Date: July 1, 2019

6) Use of Non-Collection Notices: Contractor will limit the use of non-collection notices (NCNs) to instances where containers contain hazardous waste (hazardous waste includes "Exempt Waste" and "Hazardous Waste" as defined in the current agreement.

For all NCNs issued, Contractor will provide the City with photo documentation and related information (address, reason for NCN) within twenty-four hours of issuing the NCN. Failure to properly document an NCN will result in Liquidated Damages of $100 per incident payable to the City. Distribution and parameters of Courtesy Notices will continue under the terms of Contractor's current agreement.
Effective Date: July 1, 2019

D. Competitive Rates

7) Compensation: New compensation rates are included in Attachment C: Contractor Pricing and will be effective July 1, 2021. Applicable rates will be based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years. The first

study will be conducted July 1 through September 30, 2019. Starting 2021 and subsequent years, the studies will be conducted every two years during the period of January 1 through March 30.

A portion(s) of the increase to new compensation rates could be applied earlier than July 1, 2021, as follows:

For July 1, 2019 – June 30, 2020, 50% of the increase in the new compensation rate will be added to the current rate, retroactively to July 1, 2019 (and applied to the entire fiscal year), if Contractor meets the following standards during the first 6 months of performance period (July 1, 2019 – December 31, 2019):

a. Meets overall customer satisfaction of 95%, as determined by third-party survey
b. Meets Material Recovery Standard.

For July 1, 2020 – June 20, 2021, any increase received the prior 12-month period would continue, and an additional 50% of the increase in the new compensation rate will be added to the current rate, retroactively to July 1, 2020 (up to a full 100% of increased compensation rate, if Contractor received increase in prior 12-month period), if Contractor meets the following standards during the period (July 1, 2020 – December 31, 2020).

a. Meets overall customer satisfaction of 95%, as determined by third-party survey
b. Meets Material Recovery Standard.

Examples of Potential Early Compensation Increase
(For illustrative purposes only, not actual per household rates)

Example 1: Contractor meets performance standards in both fiscal years.	**FY 2019-2020**	**FY 2020-2021**
A. Current Household Rate	$10.00	$10.00
B. New Household Rate (effective July 2021)	$12.00	$12.00
C. FY 19-20 Early Compensation Increase (B-A)/2	$1.00	$1.00
D. FY 20-21 Early Compensation Increase (B-A)/2	NA	$1.00
E. Total	$11.00	$12.00

Example 2: Contractor meets performance standards in first fiscal year, but not second.	**FY 2019-2020**	**FY 2020-2021**
A. Current Household Rate	$10.00	$10.00
B. New Household Rate (effective July 2021)	$12.00	$12.00
C. FY 19-20 Early Compensation Increase (B-A)/2	$1.00	$1.00
D. FY 20-21 Early Compensation Increase	NA	$0.00
E. Total	$11.00	$11.00

8) Annual Compensation Adjustment Methodology: The Refuse Rate Index (RRI) will be updated to indices published by the Bureau of Labor Statistics (BLS) that are specific to the San Francisco Bay Area. The following local indices will replace the current national indices:

a. **Labor**
Employment Cost Index (NAICS)
Local: Series ID: CIU2010000000LKA

Not seasonally adjusted
Series Title: Total compensation for private industry workers in the San Jose-San Francisco-Oakland, CA CSA, 12-month percent change
Ownership: Private industry workers
Component: Total compensation
Occupation: All workers
Industry: All workers
Subcategory: All workers
Area: San Jose-San Francisco-Oakland, CA CSA
Periodicity: 12-month percent change

b. **Other Operating Expenses**
CPI-All Urban Consumers (Current Series)
Local: Series ID: CUURS49BSA0
Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted
Area: San Francisco-Oakland-Hayward, CA
Item: All items

In the event any index is discontinued, a successor index will be used. A successor index will be an index that is most equivalent to the discontinued index as recommended by the BLS.

In addition:

- RRI index changes will be calculated using annual calendar year averages, not December to December values, as in the current agreement.
- For the local Employment Cost Index (see above "a. Labor" component), the average of the four quarters for the calendar year will be used to calculate this index change, due to BLS only publishing 12-month percent changes (quarter over quarter) and not the actual indices.
- All labor-related costs (including wages, benefits, payroll taxes, workers compensation, pension, and health and welfare costs) included in Labor component.

Effective Date: July 1, 2021

E. Other Terms and Conditions

9) Green Fleet: For next fleet replacement, scheduled to occur after July 1, 2021, all of Contractor's fleet serving the City will be fueled by Compressed Natural Gas (CNG).

10) Large Item ("Junk Pickup") services will continue until June 30, 2021 at the rates in the current agreement with Contractor. However, the City will have the sole option to terminate Junk Pickup service upon 6 months' notice to Contractor.

11) If requested by the City, Contractor will take over other Recycle Plus services from other providers as requested by City. If such a request occurs, City and Contractor will meet to determine appropriate compensation for such services.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

12) All other terms and conditions in the existing agreement will not change except for technical adjustments where appropriate.

F. Attachments:

A. **Waste Characterization Studies**
B. **Customer Service Performance Standards**
C. **Contractor Pricing**: summary of contractor's pricing offer. Contractor to complete offer based on the effective dates included in this term sheet.
D. **Contractor Previous Pricing Offers:** The function of this attachment is to record Contractor's previous pricing offers and present final pricing offers.

By signing this document and completing the Contractor Pricing, Attachment C, Contractor represents that it has full authority to negotiate with the City and intends to enter into an agreement with the City under these terms.

California Waste Solutions Authorized Signature

9/20/18
Date

Kristina Duong
Printed Name

CFO
Title

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment A: Waste Characterization Studies

Processing studies will be conducted to determine by weight the percentage of program and non-program material present in recycling cart material collected and in recycling cart material landfilled (residue). Waste characterization studies will be performed by a qualified third-party contractor jointly selected by the Recycle Plus recycling contractors and City representatives. The vendor selection team will consist of the following: Recycle Plus Program Manager, one representative from Contractor, one representative from GreenTeam, one City Manager appointed City employee, and one City Manager appointed individual from an outside agency (pending availability). The term of the agreement for the selected consultant shall be 3 years. The City will cover the costs of waste characterization studies. For all parties, the results from all waste characterization studies (used for determining appropriate compensation rates and for determining adherence to the Material Recovery standard) shall be final and binding.

Program Material List:
For the purposes of the annual studies, program materials will be: clean recyclable paper, recyclable plastic, recyclable metal, recyclable glass, and recyclable textiles, as detailed in Table 4 of the "Single Family Recyclables Study" conducted in 2015 (see below). All other materials, including compostable organics and used oil and oil filters, will be considered non-program material. The program material list may be amended every two years to reflect recycling market conditions. Both recycling contractors may co-sign a request that item(s) be added and/or removed to the approved list of program material. Requests for addition could include compostable organics. The requests shall include:

a. Description of specifically how the material will be diverted (if item is added) or disposed (if item is removed);
b. Item tonnage data for the past six (6) months, to the extent available;
c. Item tonnage projected to be collected (if item is added) or disposed (if item is removed) over the next twelve (12) months;
d. For request to remove item(s), evidence of inability to market material, including third party indices showing drop in commodity pricing, evidence of rejected bales (if item is removed), and other pertinent information;
e. Additional information as be requested by City.

The request to amend the program material list shall be made in writing by November 1, 2019 to the ESD Director. Subsequent requests shall be submitted by both contractors by November 1 of odd-numbered years thereafter. The Director shall review the request and respond to Contractor within sixty (60) calendar days. If ESD approves request, the amended list will be applied to all studies done in the following two calendar years. Example:

Contractors Submit Request	ESD Response	If Approved, Applied to Studies
By November 1, 2019	By December 2019	January 2020-December 2021
By November 1, 2021	By December 2021	January 2022-December 2023

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Table 4. Detailed Composition, 2015 San Jose Overall Incoming Single Family Residential Recycling

Material	Estimated Percent	+/-	Estimated Tons	Material	Estimated Percent	+/-	Estimated Tons
Recyclable Paper	**42.0%**		**40,006**	**Non-Recyclable Materials**	**27.0%**		**25,695**
Clean Newspaper	6.2%	0.9%	5,894	Pizza Boxes	0.8%	0.1%	800
Clean OCC	12.8%	1.8%	12,174	Contaminated Newspaper	1.4%	0.6%	1,310
Clean Mixed Paper	22.5%	1.8%	21,462	Contaminated OCC	3.4%	0.9%	3,276
Clean Aseptic and Polycoated Packaging	0.5%	0.1%	476	Contaminated Mixed Paper	6.1%	1.3%	5,781
				Contaminated Aseptic and Polycoated Packaging	0.1%	0.0%	60
Recyclable Plastic	**12.2%**		**11,619**	Remainder/Composite Paper	1.6%	0.3%	1,526
#1 PET Bottles and Containers	3.3%	0.3%	3,100	Remainder/Composite Plastic	2.2%	0.6%	2,093
#2 HDPE Bottles and Containers	2.7%	0.3%	2,586	Remainder/Composite Metal	1.1%	0.4%	1,015
#3-#7 Bottles and Containers	1.0%	0.1%	922	Remainder Composite Glass	2.0%	1.0%	1,929
Plastic Bags and Other Film	2.5%	0.3%	2,342	Medical Waste	0.0%	0.0%	10
Polystyrene	0.5%	0.1%	495	Sharps	0.0%	0.0%	0
Durable Plastic Items	2.3%	0.5%	2,174	Chemicals	0.0%	0.0%	17
				Personal Hygiene Products	1.0%	0.5%	975
Recyclable Metal	**4.5%**		**4,328**	TV and CRT Monitors	0.0%	0.0%	0
Aluminum Beverage Cans	0.4%	0.1%	359	Electronics	0.4%	0.3%	410
Aluminum Foil	0.2%	0.1%	186	Automotive Batteries	0.0%	0.0%	0
Steel (Tin) Cans	1.6%	0.5%	1,568	Lithium Ion Batteries	0.0%	0.0%	0
Other Scrap Metal	2.3%	0.7%	2,214	Alkaline Batteries	0.0%	0.0%	34
				Ni-Cad Batteries	0.0%	0.0%	1
Recyclable Glass	**5.5%**		**5,264**	Tanks	0.0%	0.0%	0
Recyclable Glass	5.5%	1.0%	5,264	Tires	0.0%	0.0%	0
				Oil Filters	0.0%	0.0%	11
Compostable Organics	**4.9%**		**4,676**	Motor Oil	0.0%	0.0%	0
Food Waste	3.1%	0.8%	2,921	Wood	1.5%	1.0%	1,452
Yard Waste	0.7%	0.4%	636	Mercury Lamps	0.0%	0.0%	7
Compostable Paper	1.2%	0.2%	1,119	Other Universal Waste	0.0%	0.0%	19
				Other Materials	5.2%	1.7%	4,971
Recyclable Textiles	**3.9%**		**3,669**				
Bagged Textiles	0.3%	0.2%	327	**Totals**	**100.0%**		**95,257**
Loose Textiles	3.5%	0.9%	3,342	**Sample Count**	**70**		

Confidence intervals calculated at the 90% confidence level. Percentages for material types may not total 100% due to rounding.

"Clean" recyclable paper is defined as material not soiled or contaminated that could reasonably be expected to be recycled without special processing or cleaning.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment B: Customer Service Performance Standards

Overall customer satisfaction: 95% as determined by third-party survey

Quality of Performance of Contractor (additions to section 18.2 of current agreement):

Topic	Liquidated Damage Language	Amount	New/ Updated
Call Center	Failure to Achieve Minimum Average Telephone Delay Time for Customer to Talk with a CSR	Minimum delay time: 180 seconds quarterly average. Delay time is time from first ring until customer speaks with CSR. >190 second avg, $5,000/quarter	new
Call Center	Failure to Achieve Minimum Telephone Delay Time for Customer on Hold	Each call > 10 minutes total time on hold or call abandoned after 10 minutes on hold: not more than .3% of calls per quarter >=.3%, $10,000/quarter	new
Call Center	Failure to Achieve Minimum Acceptable Score for Call Center Service Level Quality	$1,000 for not meeting minimum score of third party quarterly assessment report Minimum Score >=80% per assessment/ quarter	new
Customer Service	Failure to provide customer self-service option (website, email) as specified in this Agreement	$1,000 per day	new
Incorrect Issuance of NCNs	Failure to issue Non-Collection Notice as specified in this Agreement	$100 per incident	new
Missed Pick Ups	Failure to pick up material on scheduled day	$100 per 1 missed pickup per 1,000 service opportunities for SFD (service opportunity = cart/bin, oil, large item setout)	updated: replace route completion
Collection Quality	Failure to return empty carts to the point of collection, upright with lids closed and locks secured (if applicable), as specified in this Agreement. This penalty would be complaint-based and for situations with public health & safety implications (e.g., cart toppled, in the middle of the road)	$100 per incident	new

Failure to meet above Customer Service standards by accumulating more than $30,000 of Liquidated Damages in a calendar year and failure to meet 95% overall customer satisfaction determined by third-party survey results in City making a deduction from payment due to Contractor on or before March 1st following the end of the calendar year:

- Year One: -$0.15/unit/month
- Second Consecutive Year: -$0.30/unit/month
- Third Consecutive Year: -$0.45/unit/month

Year One Example: $0.15 x 165,000 units x 12 months = $297,000

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment C: Contractor Pricing

Services to be continued per 2011 contract terms, with changes detailed in this term sheet. Compensation and annual RRI adjustments will be at current 2011 contract terms through June 30, 2021 (except as noted below in Section B). Offered compensation for contracted services starting July 1, 2021, is detailed in Section B below. The pricing submitted will be used for final evaluation.

A. Adjustment of Proposed Rates from 2017-2018 Dollars to 2021-2022 Dollars

The rates given below are in 2017-2018 dollars and will be adjusted for each fiscal year until the effective date. The table below clarifies how the given rates will be adjusted for each fiscal year until the effective date.

	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
RRI Methodology	Current Agreement Methodology	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet

B. Offered Rates for Services Beginning July 1, 2021 (except as noted below)

District A	% Non-Program Material *	Offer**	Unit
SFD Recycling Collection & Processing discount per household for each 2% below non-program material baseline due to City efforts to reduce non-program material in recycling	20.00-32.99%	$13.20 Plus $0.28/HH for Every 2% Incremental Above 20%	Per Household
SFD Recycling Collection & Processing	33.00-34.99% **(33% Base level)**	$15.16	Per Household
SFD Recycling Collection & Processing	35.00-36.99%	$15.44	Per Household
SFD Recycling Collection & Processing	37.00-38.99%	$15.72	Per Household
SFD Recycling Collection & Processing	39.00-40.99%	$16.00	Per Household
SFD Recycling Collection & Processing	>40.99%	$16.28, plus $0.28/HH for Every 2% Incremental Above 40.99%	Per Household

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

District C	% Non-Program Material *	Offer**	Unit
SFD Recycling Collection & Processing discount per household for each 2% below non-program material baseline due to City efforts to reduce non-program material in recycling	20.00-31.99%	$13.20 Plus $0.28/HH for Every 2% Incremental Above 20%	Per Household
SFD Recycling Collection & Processing	32.00-33.99% **(32% Base level)**	$15.02	Per Household
SFD Recycling Collection & Processing	34.00-35.99%	$15.30	Per Household
SFD Recycling Collection & Processing	36.00-37.99%	$15.58	Per Household
SFD Recycling Collection & Processing	38.00-39.99%	$15.86	Per Household
SFD Recycling Collection & Processing	40.00-41.99%	$16.14	Per Household
SFD Recycling Collection & Processing	>41.99%	$16.42, plus $0.28/HH for Every 2% Incremental Above 41.99%	Per Household

*Applicable rates based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years, as described in Section D.
** A portion(s) of the increase to new compensation rates could be applied earlier than July 1, 2021, as described in Section D.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Attachment D: Contractor Previous Pricing Offers

To record past offers during negotiations, previous offers are included below. The following rates are **in 2017-2018 dollars, to be adjusted by RRI.**

Pricing offers:

- May Offer: Pricing submitted to City in May 2018, under different terms than this term sheet. New compensation rates effective July 1, 2021. Current RRI continues for entire term; options for: City outreach, customer service enhancements, and a new recycling standard different from current packet.

Item	5/2/2018 Offer	Unit
SFD Recycling Collection & Processing	$15.99*	Per Household
Outreach Transitioned to City	-$0.08	Per Household Savings

*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 and new definition and standards for acceptable contamination levels.