

# Actions Related to Negotiations of Recycle Plus Residential Solid Waste Agreements

City Council

January 15, 2019

Item 7.1



Delivering world-class utility services and programs  
to improve our health, environment, and economy.


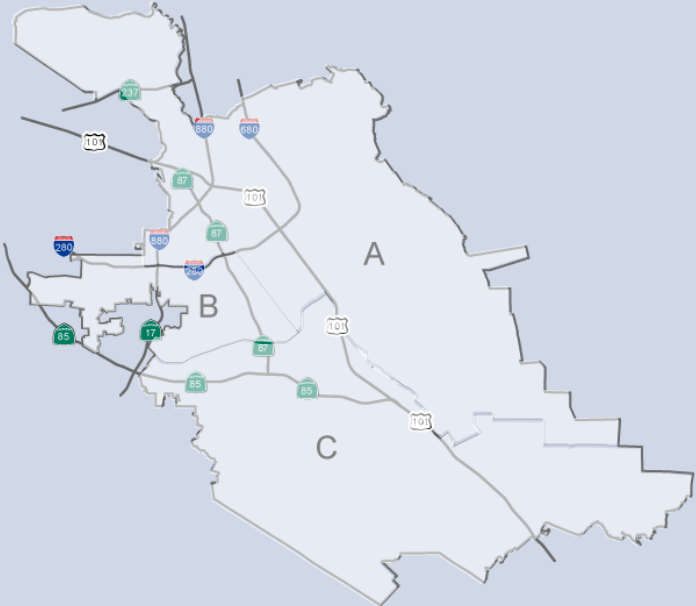



*Environmental Services*



# Recycle Plus History

- 1989** – State establishes mandate of 50% waste diversion by 2000
- 1993** – Start of Recycle Plus Program with curbside recycling (four bins) and yard trimmings collection. All services contracted out.
- 2002** – Roll-out of revamped program with one cart for recycling; New contractors
- 2007** – New contracts begin, with current contractors
- 2008** – Begin Multi-Family Dwelling garbage processing
- 2011** – Current Recycle Plus renegotiated agreements
- 2014** – Garbage processing expands to Single-Family Dwellings
- 2016** – New organics regulations & recycling market changes

# Recycle Plus Service Providers

Contractor	Services	Service Districts
	Single-Family Recycling <b>District A</b> <b>District C</b>	
	Single-Family Garbage <b>District A</b> <b>District C</b>	
	Single-Family Garbage & Recycling <b>District B</b>  Citywide Multi-Family & City Facilities Garbage & Recycling	
	Citywide Yard Trimmings Citywide Garbage Processing Residential Street Sweeping	
		<div> <b>Single-Family Households</b>            A: 97,000            B: 50,000  <u>C: 67,000</u>            214,000         </div> <div> <b>Multi-Family Households</b>            Citywide:            108,000         </div>

## Keep garbage out of your recycling cart.

No ponga basura en su recipiente de reciclaje.  
Xin đừng bỏ rác vào thùng xe đựng vật liệu tái chế

### Garbage Only

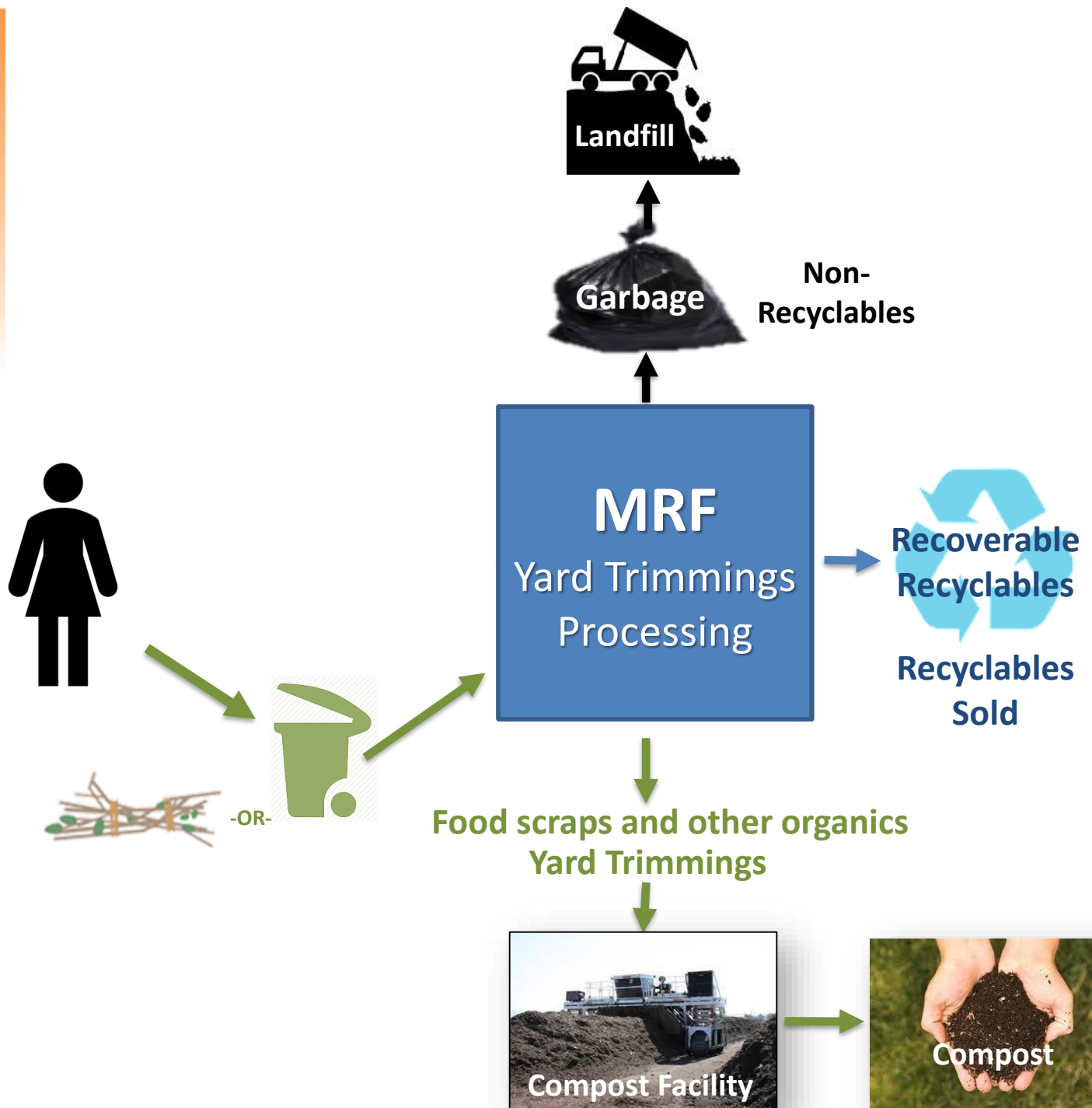
Solamente Basura | Chỉ chứa rác

### Recyclables Only

Solamente Reciclaje | Chỉ chứa vật liệu tái chế



Customer learns  
what goes where  
from outreach





# Recommendations

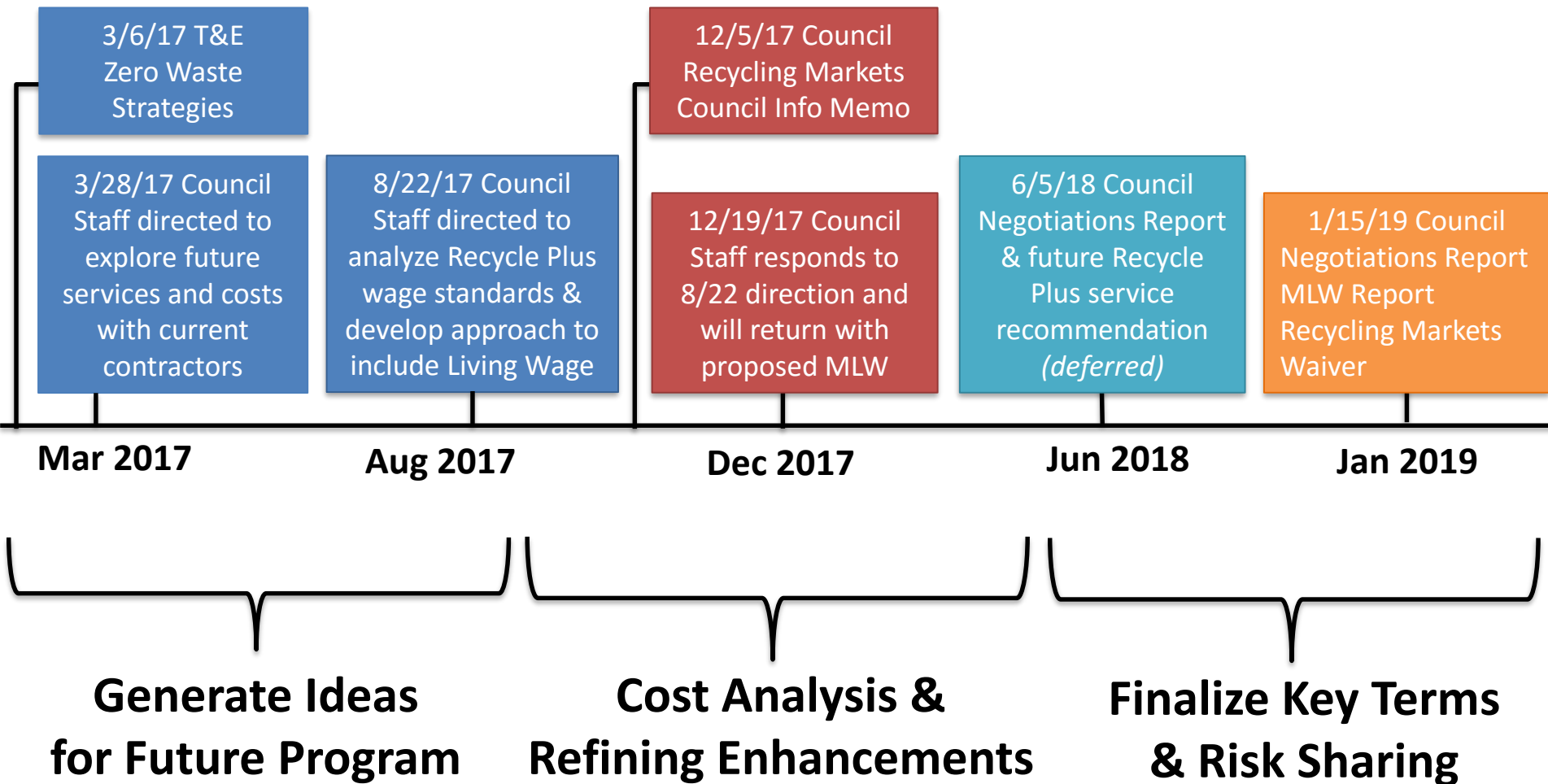
- Consider term sheets from Garden City Sanitation, GreenTeam of San Jose, and GreenWaste Recovery for future residential solid waste services
- Direct staff to develop agreements with Garden City Sanitation, GreenTeam of San Jose, and GreenWaste Recovery in accordance with term sheets and return to Council in April 2019 with agreements through June 30, 2036
- 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, for a July 1, 2021 - June 30, 2036 term



# Recommendations (Continued)

- Direct staff to exclude Junk Pickup services from future residential solid waste services and return to Council with an approach for future service delivery
- Direct staff to continue negotiations with GreenWaste Recovery for residential street sweeping services and return to Council with a recommendation

# Negotiations Timeline



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# Negotiation Guidelines and Goals

**Zero Waste Strategies**

Competitive Rates

Ease of Use

Reduce Per Capita Waste to  
Landfill

Increase Material Beneficially  
Reused



**High-Quality  
Customer  
Experience**

**Auditor's  
Recommendations**





# Negotiation Results

## Customer Service

- Interface with MySanJose App
- On-line customer self-service
- New Call Center performance standards
- Refined collection quality standards

## Outreach Transition to City

- City can leverage existing resources and partnerships to provide consistent messaging
- Allows contractors to concentrate efforts on service delivery
- Ratepayer savings

## Non-Collections Limited

- Non-Collection Notices (NCN) limited to hazardous waste and overflowing garbage
- Addresses residents' complaints about CWS's NCN distribution

## SB 1383 Implementation

- Collaborate with City to comply with new State law



# Risk Sharing & Performance Standards

## Local Labor Costs

- National indices replaced by local indices for annual compensation adjustment
- All employment-related costs included in labor component of adjustment

## New Recycling Standard

- Focuses strictly on material landfilled
- Same standard for all recycling contractors
- Addresses China's policy with flexibility for recycling market conditions

## Recycling Compensation Rate Structure

- If feasible, implement contractor compensation structure based on collected material composition
- Biannual material evaluation studies

## Recycling Markets "Safety Net"

- Contract opener if recycling markets become not reasonably available

# Risk Sharing & Performance: *Local Labor Cost & Recycling Markets* *“Safety Net”*

- Staff worked with contractors to update indices to better reflect local cost increases
- Provision allows for contract opener if recycling markets are unavailable in future



# Risk Sharing & Performance: *Recycling Compensation Rate Structure*

## Current Agreement

### Contractor Compensation Structure

Flat rate for collection & processing



### Recycling Revenue & Markets

Contractor keeps all revenues from recyclables sold and **bears market risks**



## Potential Future Agreement

### Contractor Compensation Structure

Dynamic rate for collection & processing based on % non-recyclables



### Recycling Revenue & Markets

Contractor keeps all revenues from recyclables sold and **City provides "safety net" for recycling markets**

Potential Ratepayer  
Impact +/-



# Risk Sharing & Performance: *New Recycling Standard*

## Current Agreement

Recycling Performance Standard:  
% recycled of all recycling & garbage  
collected in each Service District

District	Target
A	30% Sold
B	35% Diverted
C	35% Sold

↑  
Different calculations  
for each Service District

⇒ No specific process for  
amending recyclables list



## Potential Future Agreement

Recycling Performance Standard:  
% recyclable in material landfilled after  
processing recycling, as evaluated by  
third-party consultant

District	Target
A	Less than 20%
B	Less than 20%
C	Less than 20%

↑  
Uniform calculation  
for all Service Districts

⇒ Specific process for  
amending recyclables list











# Contractor Price Proposals




- Contractors submitted future price proposals based on service enhancements, performance standards and risk sharing provisions
  - Same hauler districts, program material, recycling cart content
- Compensation to begin July 1, 2021

# Price Proposals Summary - SFD

Contractor	Services	Proposed Annual compensation	% Change from Current Competitively Bid Price	Contractor's Rationale for Price Increase
 <b>CALIFORNIA WASTE SOLUTIONS</b> ZERO WASTE SPECIALISTS	Garbage & Recycling Collection and Recycling Processing	\$28,220,000	<b>+59.5%</b> @ 33/32% non-prog.	<ul style="list-style-type: none"> <li>• Non-program material collected &amp; processed</li> <li>• Local labor costs</li> <li>• Fleet replacement</li> </ul>
		\$30,000,000	<b>+69.6%</b> @ 40% non-prog.	
	Garbage Collection	\$21,130,000	<b>+8.6%</b>	<ul style="list-style-type: none"> <li>• Local labor costs</li> <li>• Fleet replacement</li> </ul>
	Recycling Collection & Processing	\$7,760,000	<b>-0.4%</b>	NA
	Garbage Collection	\$4,550,000	<b>0%</b>	NA
	Garbage Processing	\$14,410,000	<b>-0.3%</b>	NA
	Yard Trimmings	\$24,500,000	<b>+10.8%</b>	<ul style="list-style-type: none"> <li>• Fixed site infrastructure investments (processing &amp; compost facilities)</li> <li>• Fleet replacement</li> <li>• Fuel taxes</li> </ul>



# Price Proposals Summary - MFD

Contractor	Services	Proposed Annual compensation	% Change from Current Competitively Bid Price	Contractor's Rationale for Price Increase
	Garbage & Recycling Collection & Processing	\$13,010,000	0%	NA
	Garbage Processing	\$7,380,000	+7.0%	<ul style="list-style-type: none"> <li>• Fixed site infrastructure investments (processing &amp; compost facilities)</li> <li>• Fuel taxes</li> </ul>
	Yard Trimmings	\$430,000	+10.5%	<ul style="list-style-type: none"> <li>• Fixed site infrastructure investments (processing &amp; compost facilities)</li> <li>• Fleet replacement</li> <li>• Fuel taxes</li> </ul>

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# Contractor Performance

- For final recommendation, Staff considered Contractor performance under existing agreement, including:
  - Waste diversion performance
  - Liquidated damages assessed
  - Customer service



# Contractor Performance: *Single-Family Diversion* *Requirements*

**Met**

**Not Met**





\*Year-to-date  
estimate

	CWS District A Diversion		CWS District C Diversion		GreenTeam District B Diversion	
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%

# Contractor Performance:

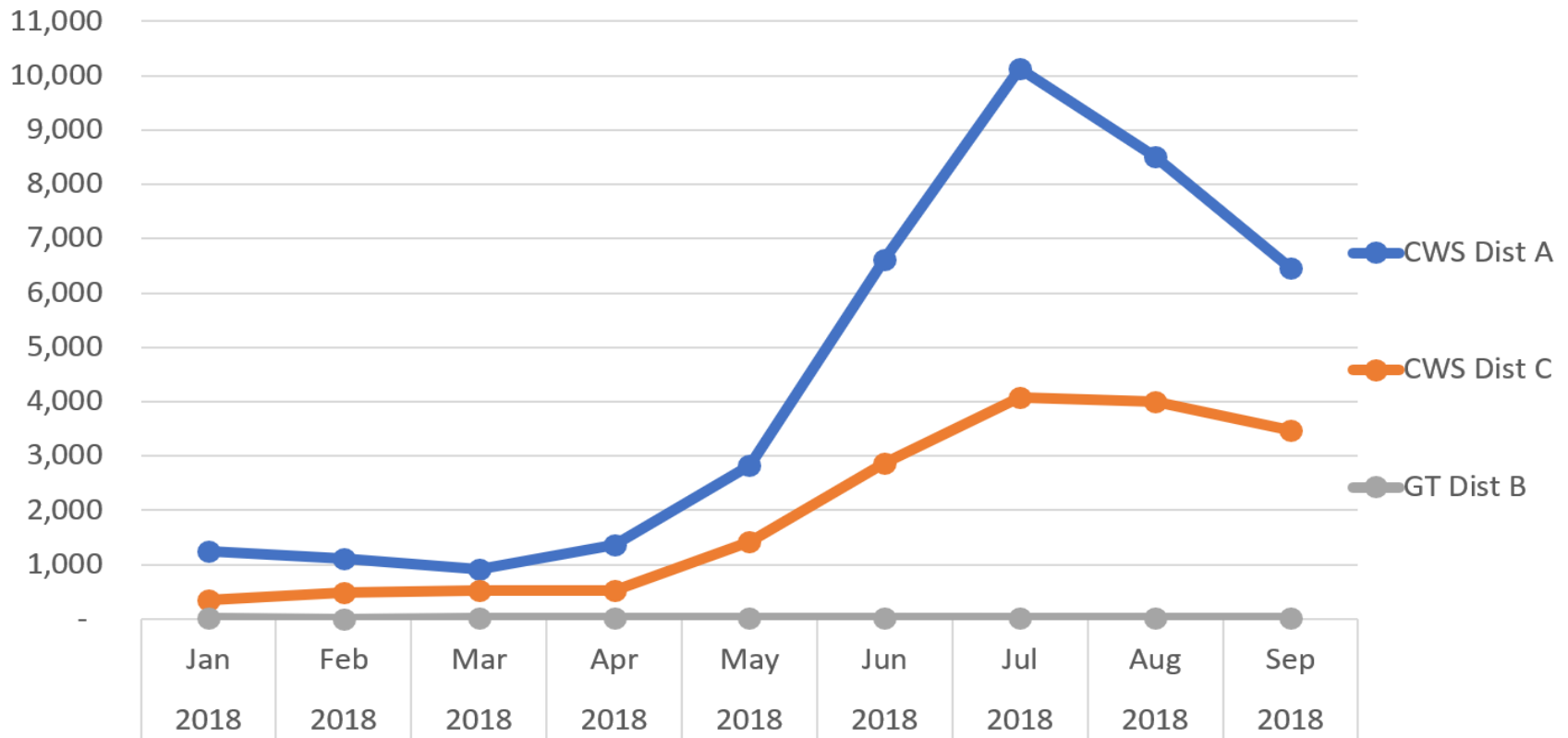
## *Contractor Performance-Related Penalties*

### *2010-2017*

Contractor	Diversion Disincentives	Liquidated Damages	Total for Single-Family Services
 <b>CALIFORNIA WASTE SOLUTIONS</b> <small>ZERO WASTE SPECIALISTS</small>	\$2,168,620	\$40,100	<b>\$2,208,720</b>
	NA	\$100	<b>\$100</b>
	\$0	\$14,000	<b>\$14,000</b>
	\$0	\$0	<b>\$0</b>

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# Contractor Performance: *Monthly Recycling NCNs*



- CWS monthly average NCNs/10,000 households: 383
- GT monthly average NCNs/10,000 households: 3



# CWS Performance: *Customer Service*

- Staff received customer calls due to NCNs
- More escalated calls than other contractors
- Difficulties reaching CWS service reps
  - 19 minutes average to speak to customer service representative (August 2018 sample)
  - Complaints that online inquiries not returned
- Service-related liquidated damages assessed September 2017



# Recommendations for Future Contracts

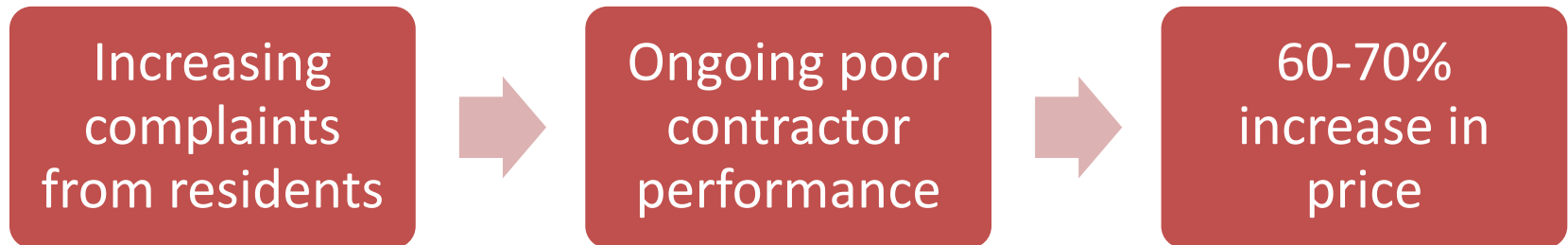
- Renew agreements with Garden City, GreenTeam, and GreenWaste
- Evaluation based on:





# Recommendations for Future Contracts

- End negotiations with California Waste Solutions
- Issue RFP for fulfilling services after June 30, 2021
  - Same framework as future services in District B
  - Term of July 1, 2021-June 30, 2036
- Evaluation based on:



# Other Associated Services

- Junk Pickup
  - Return to Council with recommendations for a service delivery strategy
- City Facilities Solid Waste and Recycling (provided by GreenTeam & GreenWaste)
  - Recommend including services in future Recycle Plus agreements
- Residential Street Sweeping
  - DOT and ESD will continue negotiations with GreenWaste
  - Explore enhancements in line with Auditor's report and return to Council







# Next Steps

- Finalize agreements with Garden City, GreenTeam, and GreenWaste
- Return to Council with future service delivery strategies for junk pickup and residential street sweeping services
- Issue RFP for single-family recycling services in Districts A & C; return to council with award recommendation

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