



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.	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 (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

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
<i>SFD Garbage Collection</i>	\$10.60	Per Household

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
<i>SFD Garbage Collection</i>	\$10.74	\$10.64	Per Household
<i>Outreach Transitioned to City</i>	-\$0.02	included	Per Household Savings