

# Memorandum

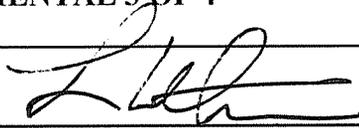
**TO:** HONORABLE MAYOR AND  
AND CITY COUNCIL

**FROM:** John Stufflebean  
Scott Johnson

**SUBJECT:** RECYCLE PLUS--  
SUPPLEMENTAL 3 OF 4

**DATE:** 08-17-06

Approved



Date

8/17/06

## REASON FOR SUPPLEMENTAL

This is the third of four supplemental memoranda that will address questions and issues raised at the Recycle Plus RFP Study Session on August 11, 2006. This supplemental memorandum addresses the competition policy for solid waste services, mobilization issues, the Best and Final Offer (BAFO) process, further evaluation of Policy Alternatives, and what will it take to make CWS successful.

Included as attachments to this report:

- (a) Color map of Oakland Recycling Service Districts
- (b) CWS Proposal Pages 139-141
- (c) 1983 Adopted Solid Waste Program Goals and Principles

## STUDY SESSION QUESTIONS

*Address concerns regarding competition policy for solid waste services and the favoring of incumbent contractors.*

San Jose is the only major city in California to use a public-private approach to solid waste management. In Los Angeles and San Diego, residential garbage and recycling services are provided by a city labor force. In San Francisco, Sunset Scavengers and Golden Gate Disposal Company, the two companies comprising Norcal Waste Systems, provide residential and commercial solid waste services under a public utility model adopted in 1930. This approach splits the city geographically and grants each hauler a monopoly in their territory.

In 1983, the City Council adopted a solid waste strategy (attached), prepared by the Council's Solid Waste Committee, chaired by Councilmember Iola Williams. This strategy was designed to encourage competition within the solid waste service area, ending the 15 year monopoly of Browning-Ferris Industries (BFI) for the collection and disposal of residential and commercial garbage Citywide. This Council strategy also sought to begin residential recycling programs to divert material from disposal thereby conserving energy, conserving natural resources and extending the life of the landfill.

Additionally, as indicated during the August 11, 2006 Study Session, 65% of the City's waste stream comes from commercial waste – a system that is privatized and highly competitive. Commercial waste producers can buy garbage and recycling services from 25 mostly small companies holding City franchises to collect garbage and/or recycling from businesses.

A major reason cited by haulers for the lack of proposals in the current RFP process was the short contract term, which limited companies' ability to amortize the increasing cost of siting and permitting a Materials Recovery Facility (MRF) and other capital equipment. To mitigate this issue in the reissuance of an RFP for services, staff plans to increase the term and evaluate separating the processing of recyclables from the collection; this would likely attract proposals from the three local firms with permitted MRF sites in San Jose and the potential to process some or all of the City's residential recyclables. These firms are Allied/BFI, California Waste Solutions (CWS) and Norcal. The City then could issue an RFP for hauling services only, which will likely result in more proposals from both large and small companies. Under this scenario, the haulers would be collecting garbage and recyclables for delivery to the landfill or to a MRF. Their risks and required resources to perform would be limited to those associated with trucks and drivers. This limited exposure would reduce the barriers to entry for small companies seeking to enter the City's market for residential solid waste services.

At the August 11 Study Session, it was stated that "...clearly the incumbent operator has an advantage over everyone..." On the contrary, the City has a well-established track record of not favoring incumbents in procurements for solid waste services. In the 1985 RFP process, the incumbent BFI was displaced by Waste Management Industries (WMI). In 1993, WMI was displaced by Western Waste Industries and GreenTeam. In 2002, GreenTeam was retained with a smaller service district, but Waste Management and BFI were both displaced by Norcal/CWS. In San Jose, the pattern shows that the incumbent is usually replaced in a competitive procurement process. Staff's recommendation for a two year interim contract with Norcal offers sufficient time for the City to create conditions for an enhanced competitive environment

***Provide explanation of mobilization issues for the 2007 contracts.***

The recommended two year interim contract with Norcal results in the smallest risk of service disruption. Staff included in the August 11 Study Session presentation a discussion that the current timeframe for mobilization is too short and that past experience clearly indicates that even large companies will have startup problems. Mobilization has proven difficult even with longer lead times; but the current time available until the July 1, 2007, new service start date, will be a significant challenge and the likely result will be service disruptions.

The mobilization of new garbage or recycling contracts requires a major logistical effort. Nowhere is this more important than in San Jose because the combined District A/C represent one of the largest garbage and recycling contracts in the country. These districts include 156,000 single-family dwellings (SFDs), excluding multifamily units, with a diverse ethnic and economic

population mix of over 500,000 residents. A discussion of the City's challenges in the last two mobilizations for new Recycle Plus contracts follows.

### 1993 Start-Up

By the end of its first day of service, Western Waste Industries had 3,000 missed pickups. By Day Ten, there were 25,000 households with recycling and 10,000 with garbage waiting for a pickup. City offices were inundated with angry residents calling about service problems. The City had to almost double the number of customer service representatives from 28 to 50; find workstations and hook up telephones for them; and train them in less than 48 hours. The *Mercury News* had a team of reporters in the field to cover the startup problems in detail. Bay Area television stations were covering the "San Jose Garbage Fiasco" with graphic video of streets lined with garbage. Frustrated customers were eager to tell reporters how the City and Western Waste had turned their garbage service into chaos.

At that time, Western Waste was the fifth largest garbage company in the country. It had contracts or franchises with over 100 cities in six states. Western served 550,000 residential customers. The crisis forced it to bring trucks in from Southern California and Colorado. The City also requested that BFI and WMI have trucks available for backup, if needed. The City ordered Western Waste to bring in the BFI and WMI trucks at its own expense.

Western Waste had ordered state of the art equipment, yet in the first week 25 of 48 new trucks experienced mechanical difficulties forcing them out of service for repairs. In addition to rolling stock problems, Western Waste was busy mitigating operational problems caused by failures in the MRF. This caused long queues of recycling trucks at the MRF waiting to unload recyclables. As trucks and drivers waited to unload, the rest of their routes went uncollected. The Western Waste corporation yard was not completed. Disabled trucks were repaired in the parking lot because of overloaded and incomplete facilities. Environmental Services Department (ESD) staff were stationed at the MRF and the corporation yard to ensure quality control; provide direction; and convey information to the City's "command central" at 777 North First St.

It took several months for the Western Waste operation to begin meeting the City's performance requirements. This would have taken longer except that the size and experience of Western Waste provided the depth of resources required to react quickly under the circumstances. ESD was also evaluating scenarios to deem Western Waste out of compliance so that the contract could be terminated.

### 2002 Start-up

In 2002, similar start-up problems were experienced as a result of new contractors, trucks, and routes. Twenty three percent of all residents reported some service disruption during the first

months of the new contracts. Norcal experienced a need for more trucks to complete the daily collections, prompting them to bring an additional 60 trucks and approximately 90 drivers and support staff from other branches of their operation. The MRF, operated by Norcal's subcontractor (California Waste Solutions), was not operational, requiring the City to make an interim approval of an alternate MRF for three months until the facility was completed. Norcal is the oldest solid waste company in Northern California. It is a full service solid waste company with over 400,000 residential customers in 2002 and 50,000 commercial customers in over 40 cities. It also operates 17 landfills, six MRFs and six transfer stations. This infrastructure and experience provided them with access to significant temporary resources to recover from their early challenges.

The pending Recycle Plus 2007 transition includes coordination between the company that is exiting and the new service provider. The contract manager, in this case ESD, must work closely with both companies. There are a myriad of regulatory issues involving agencies from all levels of government. The main components of any mobilization include: 1) fleet acquisition and management; 2) facility acquisition and readiness; 3) routing; and 4) administration and outreach.

#### Fleet Acquisition and Management

A major component of any contract implementation is the acquisition of the fleet. Since the 1985 RFP, rolling stock used in solid waste has become more complex and more expensive. The basic garbage, recycling or combined truck has increased fourfold in cost as it has become more mechanized and computerized. The lead time for acquisition has also increased.

Before trucks and other operation vehicles arrive, a Fleet Manager and maintenance mechanics must be hired. Trucks must be road tested and have special equipment installed. Hiring and training of drivers must take place in the weeks immediately before the startup creating a tremendous challenge. The new company will be interviewing and hiring drivers who are currently working for the existing company, requiring weekend training and flexibility over the Union's 45 hour rule, which allows drivers to stop working once they have worked 45 hours in a week. The Union and both companies must cooperate to make this happen.

#### Corporation Yard and Office Facilities

The new company must secure facilities for storage, maintenance and repair of the fleet as well as supplies and other materials, including the collection carts. Office space for management, administrative and customer service staff must be secured. New facilities may require permits from the City and/or other agencies. Although the City has the ability to expedite some permits, it is impossible to foretell what issues may arise including neighborhood concerns for parking and other nuisance issues. Permitting issues for vehicle maintenance and storage facilities are increasingly complex, especially with new requirements to mitigate urban runoff.

### Routing

Developing efficient routing is one of the most important tasks for garbage and recycling collection. This task is especially complicated in San Jose because the City service districts A and C are large and diverse both in geography and in types of housing developments. Routing must consider all of these geographical features such as street width and steepness, one-way streets, dead-end streets, cul-de-sacs, traffic flows, natural and man-made barriers, safety hazards, schools and parks, alleys, and seasonal or daily variations. San Jose has many private streets and gated or limited access areas. Arrangements must be made for access codes, keys, and card keys. Routes must also provide for on premise needs of the elderly, the disabled, or others with special needs. Routes will be different from existing routes should any contractor other than Norcal be awarded the collections contracts.

### Administration and Outreach

The new company must develop basic office and computer systems to handle its enterprise, as well as the link between City and contractor operations. Contractors must integrate database, customer service, and reporting functions in order to comply with City agreements. In addition, the company outreach plans and materials must be coordinated with City efforts and policies.

### ***Describe Best and Final Offer (BAFO) process and timeline.***

Section 5.1 of the Recycle Plus RFP, released on February 15, 2006, contained language under the Proposal Evaluation Process, stating that “a BAFO may be held with finalists at the City’s sole discretion. This process will allow proposers to make any final adjustments or clarifications to their proposals and/or submit a revised pricing proposal. If the City elects to conduct a BAFO, a separate set of instructions will be provided at that time.” Additionally, Section 4.2.4 of the Request for Proposal states that “the City reserves the right to execute an agreement or agreements with one or more Proposers on the sole basis of the original proposal or any additions to proposal submissions and to accept all or any part of any proposal.”

At its June 16, 2006 meeting, the RFP Technical Evaluation Committee, with concurrence of the Executive Governance Committee, opted to enter into a BAFO process with the goal of reducing cost over the original six year term or entering into a shorter term so a new RFP could be issued. BAFO letters were sent to four proposers on June 28<sup>th</sup>. The letters requested that proposers re-evaluate their pricing and additional operational considerations for the original six year proposals.

While companies were preparing a response to the BAFO, the City did not receive a request for extending the BAFO response time or any concerns about the BAFO process. Additionally, the BAFO letter encouraged companies to “include as part of your submittal any additional conditions your company will require in order to accept a two-year contract.” No such additional

conditions were submitted by any company and only Norcal provided pricing for a two year term.

### *Evaluation of alternatives.*

At the August 11 Study Session, Council asked for more information on specific options listed in the Policy Alternatives section of the August 1 staff recommendation memorandum. These options include the following:

**Summary of Specific Policy Alternatives**

	<b>Garbage A&amp;C</b> (156,000 SFDs)	<b>Recycle A</b> (90,000)	<b>Recycle C</b> (66,000)	<b>Term</b>	<b>Customer Rate Increase</b>
Current	Norcal	Norcal	Norcal		
<b>Recommended</b>	Norcal	Norcal	Norcal	2 years	+25% (up \$5.04)
<b>Alternative 1</b>	Norcal	CWS- Processing Norcal- Collection	CWS- Processing Norcal- Collection	2 years	*Not part of RFP; Requires Negotiation
<b>Alternative 3a</b>	Garden City	CWS – Collection & Processing	CWS – Collection & Processing	6 years	+29% (up \$5.84)
<b>Alternative 3b</b>	Garden City	Norcal – Collection & Processing	CWS – Collection & Processing	6 years	+40% (up \$8.06)
<b>Alternative 3c</b>	Garden City	CWS – Collection & Processing	Norcal – Collection & Processing	6 years	+42% (up \$8.46)

\*Alternative 1 is outside of both the original RFP and the BAFO so no cost proposals have been provided. This alternative would require Council to reject all proposals and enter into extensive negotiation of the recycling contracts. In addition, there is not obligation for either Norcal or CWS to agree to this arrangement.

Note: Customer rate increases for Alternatives 3a, 3b and 3c are based on the proposals submitted for single services. They do not include any additional costs that might be incurred because of insufficient routes were proposed as referenced in Supplemental Report #1 dated August 16, 2006.

### **2 Year Options**

#### Advantages

- Provides interim two year services to allow a new competitive procurement process

- Uninterrupted service to residents using existing infrastructure and no change in collection times
- Limited City outreach/transition costs to notify residents of changes to haulers or program
- Limited C-UBS reconfiguration costs.

#### Issues Related to Alternative 1

- Need to abandon 2007 procurement process and negotiate contracts within a very short time period (see City Attorney's Memorandum dated August 16, 2006).
- Pricing risk because, if Norcal does only collection and CWS only processing, the City will need to negotiate new pricing with both
- Historical difficulties between Norcal and CWS may affect future coordination between collection and processing
- May pose risk to achieving diversion levels

#### **6 Year Options**

##### Advantages

- Alternative 3a, 3b and 3c would award garbage services to Garden City, which had the highest technical score;
- Alternatives 3a, 3b and 3c would align the term with the existing GreenWaste and GreenTeam contracts, allowing all residential service contracts to terminate in 2013.
- Alternative 3b awards recycling collection and processing in District C to CWS, the district closest in size to CWS' district in Oakland, where they collect for 39,000 Single Family Dwellings (SFDs). (Note: District C is 165% the size of CWS's Oakland district. In contrast, Districts A and C combined (156,000 SFDs) has 400% more SFD service recipients than CWS' Oakland district)
- Alternative 3b awards the larger District A to Norcal for recycling collection and processing, limiting mobilization risks to only District C

##### Issues

- Six year contracts will mean higher rates for a longer period of time, with no opportunity for more competitive rates in two years;
- Awarding contracts to multiple proposers in this Request for Proposal process does not allow the City to take advantage of price discounts for awarding multi-service and districts to a single proposer. Customer rates would increase anywhere from 29% to 42%. These rates are higher than the 25% rate increase needed for staff's recommendation;
- Alternative 3a, 3b and 3c involve transitioning to a new provider for garbage services and a new provider for either all or a portion of recycling services, which will introduce the mobilization issues discussed above;
- Coordination of two routes and two trucks in the neighborhood, one for garbage and one for recycling;

- Route changes means collection times could differ, may cause residents confusion and increased calls if recycling collected in the a.m. and garbage in the p.m.;
- Garden City and CWS will have less than ten months to obtain the necessary trucks and further mobilize to transition customers to new service providers, unless Norcal provides an extension;
- Performance and capacity issues at the CWS MRF continue to be a concern, but this could be minimized by CWS processing for only District C.

**SOLID WASTE AND RECYCLING SERVICES COSTS FOR ALTERNATIVES**

<b>Current</b>	<b>Recommended - (2yr.)</b>	<b>Option 1 - (2yr.)</b>
<b>Norcal</b> Solid Waste and Recycling Dists A&C	<b>Norcal</b> Solid Waste and Recycling Dists A&C	<b>Norcal-Solid Waste and Recycling Dists A&amp;C CWS-Recycling Processing</b>
\$21,589,437	\$30,167,631	*
	+40% increase over current contract costs.	

<b>Alt. #3a (6 yr.)</b>	<b>Alt. #3b (6 yr.)</b>	<b>Alt. #3c (6 yr.)</b>
<b>Garden City-Solid Waste CWS-Recycle Dist A &amp; C</b>	<b>Garden City-Solid Waste CWS-Recycle Dist C Norcal-Recycle Dist A</b>	<b>Garden City-Solid Waste CWS-Recycle Dist A Norcal-Recycle Dist C</b>
\$32,303,186	\$38,384,338	\$39,489,827
+ 50% increase over current contract costs.	+78% increase over current contract costs.	+83% increase over current contract costs.

\*Alternative 1 is outside of both the original RFP and the BAFO so no cost proposals have been provided. This alternative would require Council to reject all proposals and enter into extensive negotiation of the recycling contracts. In addition, there is not obligation for either Norcal or CWS to agree to this arrangement.

***Address CWS statements regarding rejecting recyclable loads of 10% contamination or more.***

This situation has been an issue over the last four years of the existing Norcal/CWS relationship, in which the recycling hauler (Norcal) and the recycling processor (CWS) have disagreed over responsibility for processing collected materials and attaining the required diversion rate. The issue regarding rejecting loads is reiterated in the goal outlined in the CWS proposal “to have loads containing no more than 10 percent residual garbage”. The ten percent residue threshold was created by CWS. The City has provided information regarding the tonnages of materials collected and the diversion rates achieved in the current agreements; the City has made no representation regarding the level of residue, and residue level is not tied to proposed contract language or the RFP.

In its proposal, CWS details a variety of responses to loads believed to have more than 10% contamination based on a visual assessment at the tipping floor. These pages, 139 through 141 of the CWS proposal are attached. In the proposal, there are procedures for load screening, rejection of the entire load, redirection of the truck to another part of the facility, and rejection of part of the load.

The TEC had concerns regarding load rejection due to contamination percentage, as this visual inspection is a subjective measure. In a written response to evaluation panel questions, dated June 6, 2006, CWS stated that they would not reject loads from CWS trucks, and that once the load is dumped, they would either treat the material as garbage, or it would be introduced into the processing system separate from the cleaner material. CWS stated they would avoid rejecting materials at the curb. The concern remains that recyclable material could be treated as garbage based on the discretion of a load checker.

*What will it take to make CWS successful?*

As Councilmember Reed requested, based on CWS' past processing performance with the City of San Jose and its performance with other cities, and on its proposal for future Recycle Plus services, staff has identified concerns with CWS' ability to perform Recycle Plus services under a new contract. The City's role in assisting CWS to the extent the Administration would have confidence in CWS' ability to perform would have to be significant.

Critical to CWS' success in providing services for the City would be CWS' willingness to abide by the terms of the contract. A recent audit showed CWS' failure to perform under the terms of the current contract. CWS did not notify the City, as required under the terms of the contract, of its intent to ship or sell unprocessed materials ("mix-c"). The City's contract has clear requirements for processing incoming materials prior to the sale of recovered commodities. The contract also has provisions for addressing potential operational issues that prevent the contractor from processing materials. These terms were established for the following reasons:

- The contract allows for an automatic extension in the event the contractor meets its minimum diversion requirements and performance standards.
- The contract provides incentive payments to the contractor in the event the contractor exceeds its minimum diversion requirements.
- The contract allows for significant administrative charges in the event the minimum diversion requirements are not met.

The shipment of unprocessed materials ("mix-c") and submission of reports to the City that reflect 100% diversion for the shipments allows the contractor to manipulate the outcome of automatic extensions, incentive payments, and administrative charges. To ensure that CWS would follow the terms of a new contract, the City would need:

1. A demonstrated understanding from CWS that it understands the City program goals and requirements.

2. Proof that CWS is committed to adhere to the City's tracking and documentation and reporting requirements.
3. A commitment that CWS will cooperate with the performance of annual comprehensive audits of CWS' records by external firms specializing in contract compliance.
4. Cooperation from CWS in the permitting process.
5. Authorization to hire at least 2 fulltime employees designated to monitor CWS' operations.
6. Authorization to contract for consultant services to evaluate CWS' current processing operations and receive commitments by CWS to accept the findings and perform recommended improvements or changes, if any.
7. Include administrative charges in the contract that address the measures listed above.
8. Staff to assist CWS with C-UBS implementation.
9. Staff to assist CWS with customer service training.

To address concerns related to CWS' ability to provide collection services by July 2007, City staff would have to develop a contingency plan whereby the City would negotiate with solid waste firms possessing the resources capable of providing collection services to the City until such time as CWS could assume operations. CWS would be required under the terms of the contract to pay the increase, if any, between CWS' contract rate with the City and the rate negotiated by the City with the contingency contractor. The contingency plan would need to have a firm date for implementation based on specific triggers such as the number of collection vehicles ready for service. A minimum term for the contingency plan, once implemented, would have to be negotiated with the contingency contractor/s.

***Clarify differences between cost proposals for separate garbage and recycling services, and for combined services, including multi-district discounts.***

Several factors must be considered when comparing the garbage services costs, recycling services costs and combined garbage and recycling costs between CWS and Norcal:

1. Underlying Assumptions - The City chose a Request for Proposal process versus a bid process in order to allow companies to share the advantages of their business model to the benefit of the City. This was a competitive process and each company was able to determine what it believed was the appropriate cost for each of the various service combinations. Although the City does not know the specific reasons why the three companies proposed different costs, there are a number of factors the companies probably considered in creating their cost estimates. These may include:
  - With respect to recycling services, Norcal's need to retrofit its new MRF, while CWS already owns and operates an existing MRF
  - The proposers' analysis of the level of service and resources needed to reach the City's diversion goals
  - The proposers' ability to spread certain costs over a larger service base

- The proposers’ strategic approach of trying to influence which services would be awarded to them by the City. A proposer may offer competitive pricing based on a business decision to encourage the bundling of services.

The RFP required any company proposing on combined garbage and recycling services also to submit separate proposals for garbage services only and for recycling services only. In the cost proposals, proposers were asked to provide a price discount if they were awarded services in both District A and District C (multi-district discount). The discount was to be expressed as the percentage by which costs would be reduced.

Staff did note that the multi-district discount provided by Norcal for recycling services was lower than that provided for garbage services, resulting in a smaller reduction for multi-district recycling services, while the discount provided by CWS for recycling services was higher for recycling services than the one they provided for garbage services, resulting in a greater reduction for multi-district recycling services. This pattern between these two proposals reflects an acknowledgement that both proposals included higher priced services when the proposer was submitting costs for a new service (i.e., Norcal for recyclables processing and CWS for garbage and recycling collection), and an acknowledgement that each proposer could provide more competitive pricing for services already provided and/or with which the company was more familiar (i.e., Norcal for garbage and recycling collection and CWS for recyclables processing).

The table below illustrates the multi-district discounts provided by Norcal, CWS and Garden City Sanitation for each service.

<b>Multi-District Discounts</b>			
	<b>Garbage Both Districts</b>	<b>Recycling Both Districts</b>	<b>Combined Service Both Districts</b>
CWS	8.00%	10.00%	10.00%
Garden City	14.00%		
Norcal	8.00%	6.00%	19.00%

2. Understatement of Costs By CWS – In the BAFO letter, the City asked CWS to re-evaluate the number of routes proposed to ensure that all requirements for collection would be adhered to, and to submit any changes resulting from this re-evaluation. CWS included the costs of additional trucks and routes for the combined garbage and recycling service, but did not include those costs for separate garbage services and recycling services. As a result, it is likely that the costs provided by CWS for separate garbage services and recycling services separately are understated.

The table below shows that for combined service, CWS first proposed 60 routes and then increased its proposal to 72 routes. Norcal proposed 73 routes. While CWS did adjust its

routes for combined service to an adequate level, it did not sufficiently demonstrate an adequate design and technical solution for single service that meets the City's needs and performance requirements.

The table below further illustrates the different levels of service under consideration

<b>Service Type</b>	<b>Number of Collection Routes</b>
<b>Combined Services</b>	
CWS (Original Proposal)	<b>60</b>
CWS (BAFO Proposal)	<b>72</b>
Norcal	<b>73</b>
<b>Recycling Only</b>	
CWS	<b>36</b>
Norcal	<b>46</b>
<b>Garbage Only</b>	
CWS	<b>35</b>
Garden City	<b>*50 / 45</b>
Norcal	<b>42</b>

\*In oral interviews, Garden City Sanitation stated that the number of collection routes they had proposed (50) was incorrect. The correct number of routes should have been 45.

3. Overhead Charges - The costs for separate garbage services and recycling services were prepared on the assumption that the proposer could be awarded a single service in one service district. Thus, costs for separate services had to include all overhead charges such as administration, customer service and public education. Because each of the single services included all overhead costs, the costs for combined garbage and recycling services should be lower because the overhead costs can be spread over both services. Accordingly, Norcal reduced the cost for the combined services by approximately 18.5%.
4. Discounts - Norcal provided a significantly higher multi-district (service to both A & C) discount for combined solid waste and recycling services than did CWS (19% versus 10%). The BAFO addition of more routes and increased cost for CWS' proposal for both services in both districts resulted in an effective multi-service discount for CWS of 1.3%. Again, awarding combined services in both service districts to a single proposer should allow that proposer to reduce costs by spreading overhead costs over a significantly larger customer base.

The tables below illustrate the cost saving effects of providing multiple services in multiple districts. Beginning with Table A, Separate Services, the table shows the annual costs proposed for garbage and recycling service separately, in both service districts.

**Table A**  
**Separate Services**

	<b>CWS</b>	<b>Norcal</b>
Solid Waste	\$14,682,736	\$18,961,162
Recycling	\$16,846,982	\$26,745,379
<b>Total</b>	<b>\$31,529,718</b>	<b>\$45,706,541</b>

Table B, Combined Services, demonstrates that when proposing combined solid waste and recycling services, cost proposals may be lower because many of the overhead costs can be spread over both services. The annual totals below are based on the actual cost proposals for combined services submitted by CWS and Norcal. The Effective Discount is the calculated cost difference between providing the services separately (Item A) and as a combined service (Item B). This difference is significant with the Norcal proposal.

**Table B**  
**Combined Services**

	<b>CWS</b>	<b>Norcal</b>
Total	\$31,110,343	\$37,243,989
Effective Combined Services Discount	1.3%	18.5%

Table C, Multiple Districts, demonstrates that when proposing on multiple service districts, the cost proposals are lower because many of the overhead costs are spread over the two service districts. The totals below reflect the multi-district discounts that CWS and Norcal provided with their cost proposals, which they applied to the totals listed in Table B above. Proposers based their multi-district discount percentages, in part, on the cost savings that they believed would be achieved by spreading overhead costs over two service districts.

**Table C**  
**Multiple Districts for Combined Services**

	<b>CWS</b>	<b>Norcal</b>
Total	\$27,999,308	\$30,167,631
Multi-District Discount	10%	19%

The total difference between the CWS and Norcal proposals for separate garbage and recycling services, and proposals for combined services with the multi-district discount (Table A vs. Table C) is 11.2% for CWS and 34.0% for Norcal.



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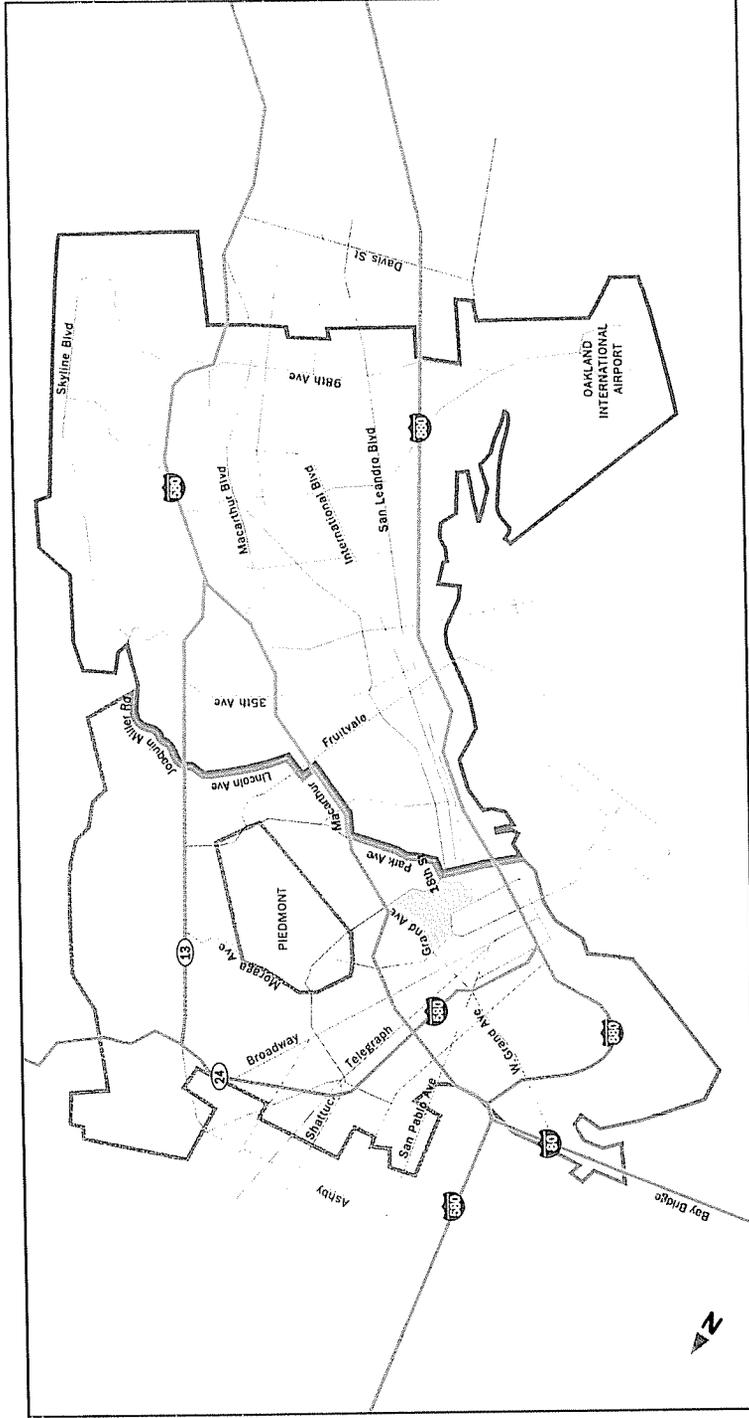


SCOTT JOHNSON  
Director, Finance

**SERVICE PROVIDERS**

California Waste Solutions  
**North/West Oakland**

Waste Management of Alameda County  
**South/East Oakland**



**California Waste Solutions**  
**(510) 836-6200**



**Waste Management of Alameda County**  
**(510) 613-8710**



- Plastics not in the program but recyclable e. g. buckets with metal handles

### Load Screening

CWS' goal is to have all loads contain no more than 10 percent residual garbage. Residual garbage refers to all material remaining after program materials have been removed. CWS has extensive experience with the presence of hazardous and prohibited wastes detected in San Jose's recycling materials.

Tipping floor staff members are trained to evaluate loads as they are brought in and deposited on the tipping floor. Additionally, management is on the tipping floor on a regular basis. If an unacceptably bad load, or portion thereof, is suspected, the loader operator is directed to notify a supervisor through the use of plant radios. In addition, personnel on the pre-sort line remove any hazardous or prohibited wastes remaining in the recyclables.

One tool used for evaluating incoming loads is the 10 percent visual guideline provided by the California Integrated Waste Management Board (CIWMB). The image was adapted from CIWMB LEA Advisory Number 58 (Revised April 18, 2003), and is available on-line at: (<http://www.ciwmb.ca.gov/LEAAdvisory/58/default.htm>), Attachment 2A, Comparison Chart for Estimating Percentage Composition. CWS has adapted this visual as a tool to provide a comparison of the percent contamination in a load of solid waste.

### Load Rejection

Upon visual inspection before unloading or when the material is deposited on the ground, CWS makes an assessment of the load. The assessment is based primarily upon visual observations of the load. CWS personnel will observe the load for indicators of the presence of prohibited materials, such as container shapes or labels. Prohibited materials include materials that are not on the City of San José's list of recyclable program materials, including garbage and hazardous materials.

Either the loader operator or a spotter will conduct this assessment. Workers must exercise caution and use safety precautions when observing loads from the rear of the vehicle. If necessary, the driver will be instructed to wait before discharging the load. This observation can be made from a distance and from the side of the vehicle. The spotter should be constantly aware of other incoming vehicles and equipment.

If a prohibited material is suspected, the spotter will instruct the driver to not discharge the load until a further investigation is conducted, or will secure the area around the deposited material until the material can be safely returned to the tipping floor or placed in a container for off site disposal. Based upon that assessment, CWS personnel may segregate partial or full loads as follows:

- Rejection of the entire load
- Redirect truck to alternative unloading area
- Load is partially unloaded before rejecting the remainder of the load
- Entire load is unloaded



debris box or other container. CWS will seek to minimize the loss of recyclable materials but given the imprecise nature of the loader, this removed portion may contain some recyclable program materials. The containerized material will either be processed later if there is sufficient time and capacity, or the load will be disposed of off-site.

### Notification

CWS' plant manager or his/her designee will notify the driver and route supervisor when a load arrives with contamination in excess of 10 percent and it is determined that the load will be or should be rejected. This notification will occur as soon as the determination is made. Route supervisor shall confer with driver and route auditor so as to find the source of the contamination and implement an education campaign to promote clean recyclables.

### Sorting Process

CWS' strives to process material in the most effective and efficient manner, segregating final marketable product, MSW, and hazardous waste. Material is typically processed on a first-in, first-out basis so that specific material is not on site longer than 48 hours.

Once materials are dumped on the tipping floor the sorting process is as follows:

- Materials are loaded onto two infeed conveyor belts that transport them up to two pre-sort conveyor lines.
- Pre-sort activities are designed to separate cardboard, scrap metals, textiles, film plastic, and municipal solid waste (MSW).
- Remaining materials from the presort flow into a series of sorting machines with fiber rigid screens that mechanically separate newspaper and mixed paper from other materials such as plastic containers and aluminum cans.
- Separated paper goes to a final sort line for removal of any residual MSW.
- Mixed paper and newspaper are consolidated into bunkers and when enough of either material is available, it is directed onto one of the two baler infeed conveyors for baling.
- Recyclable materials from the paper reclaiming process go onto a transfer conveyor, where they are then taken to the container sort line.
- The container sort line is designed to separate three types of plastics, aluminum cans, ferrous metal scraps and cans, textiles, trash and glass.
- Ferrous metals, aluminum, and plastic types are accumulated in their respected bunkers until enough of each respective material type has accumulated for baling.
- Each material is then directed onto a bailer infeed conveyor for baling.

## ADOPTED SOLID WASTE PROGRAM GOALS AND PRINCIPLES FOR SAN JOSE

The following principles were adopted by the City Council on October 18, 1983 to guide the Solid Waste Program. Some of these reassert policies and goals already adopted by the City in the General Plan or through other prior actions. Other principles were included to provide a balanced program.

### COLLECTION

1. Highest quality solid waste collection services should be provided at low cost to ratepayers. Costs should be low when compared with comparable service in comparably sized cities.
2. The Solid Waste Collection Contract should include an equitable method of setting and adjusting rates throughout the term of the contract while minimizing annual rate negotiation.
3. The Solid Waste Collection Contract should assure that waste reduction innovations such as recycling, composting, salvaging and energy recovery are encouraged by the rate structure and enhanced through appropriate management incentives.

### LANDFILLS

1. San Jose should maintain sufficient landfill capacity to provide refuse disposal for the future.
2. Landfill capacity can be conserved by materials recycling and energy recovery as a balance to landfilling but needs to be coordinated with the economics of the situation.
3. Use of landfills located in San Jose by non-City collectors or waste producers should be prohibited unless the depletion of this non-renewable resource (landfill capacity) is compensated for sufficiently to finance an equivalent capacity of waste reduction programs (materials recycling and energy recovery).
4. Landfill sites should be regulated in a manner that will:
  - a. Guarantee the City control over possible users of the facility;
  - b. Assist in maximizing competition for the Solid Waste Collection Contract and,
  - c. Provide maximum flexibility and support for materials recycling and energy recovery.
5. New or expanded landfill operations should adopt rate structures and operating practices that will reduce the amount of wastes received by at least 25% by 1990 through a combination of materials recycling and energy recovery activities that recognize landfill capacity as resource to be conserved.