



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT:** AMENDMENTS TO RECYCLE  
PLUS AGREEMENTS

**DATE:** 06-02-08

Approved

Date

6/5/08

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Adoption of resolutions approving the following:

1. Authorize the City Manager to negotiate and execute amendments to agreements with GreenTeam of San Jose and GreenWaste Recovery to expand the multi-family recycling program and to allow for other operational and administrative improvements, for an estimated net annual expenditure increase of \$1,513,000.
2. Authorize the City Manager to negotiate and execute amendments to agreements with California Waste Solutions and Garden City Sanitation to reduce the cost to the City for on-premises service; to compensate the haulers for shared cart collection retroactive to July 1, 2007; and to allow for other operational and administrative improvements, for an estimated net annual increase of \$90,000.
3. Amend the Recycle Plus 2008-2009 rate resolution to reduce customer rates for on-premises collection by \$20.24 monthly, from \$75.24 per month over the base service rate to \$55.00 per month, effective July 1, 2008.

## OUTCOME

The recommendations provide for changes that (1) reduce the cost of on-premises service to residents; (2) increase multi-family waste diversion significantly without additional burden on property managers, as recommended in the Mayor's March 2008 Budget Message, and as discussed and approved by the City Council on May 13, 2008; (3) reduce greenhouse gases as a result of fewer deliveries to the landfill; (4) provide appropriate compensation for Recycle Plus services; and (5) improve the operation and administration of the Recycle Plus program.

Increasing the multi-family waste diversion to 75% will assist the City in meeting the Council’s Green Vision and Zero Waste goals of 75% waste reduction by 2013, and Zero Waste by 2022.

**BACKGROUND**

Since July 2002, both GreenTeam of San Jose (GreenTeam) and GreenWaste Recovery (GreenWaste) have provided Recycle Plus services to City residents. GreenTeam provides garbage and recycling collection citywide for multi-family dwellings (MFDs) and single-family dwellings (SFDs) in District B. GreenWaste provides yard trimmings collection, street sweeping, and yard trimmings processing services (composting). Both GreenTeam and GreenWaste are eligible to receive automatic extensions to their existing agreement to June 2013 after having met contractual performance requirements.

New Recycle Plus agreements for services previously provided by Norcal began July 2007, with terms through June 30, 2013. These agreements include: California Waste Solutions (CWS) providing recycling collection and processing services and Garden City Sanitation (Garden City) providing solid waste collection for SFD’s in Districts A and C; and GreenWaste providing yard trimming and street sweeping services for District C. Table 1 below shows current Recycle Plus contractors, their collection districts, and the services they provide.

**TABLE 1: Recycle Plus Contractors**

<b>Services</b>	<b>District A (90,000 households)</b>	<b>District B (46,000 households)</b>	<b>District C (66,000 households)</b>
SFD Solid Waste Services	Garden City	GreenTeam	Garden City
SFD Recycling Services	CWS	GreenTeam	CWS
MFD Solid Waste and Recycling Services	GreenTeam	GreenTeam	GreenTeam
Yard Trimmings /Residential Street Sweeping Services	GreenWaste	GreenWaste	GreenWaste

**ANALYSIS**

**Multi-Family Program Expansion**

Amendments to the agreements with GreenTeam and GreenWaste would allow the City to double the recycling rates at MFDs. All garbage collected from MFDs by GreenTeam would be processed at GreenWaste’s solid waste processing facility in San José to remove recyclables

such as cans, bottles, and paper. The remaining material, consisting largely of food waste, would be composted at the Z-Best facility in southern Santa Clara County. This would be the most cost-effective way to achieve 75% recycling in the MFD sector and would result in one of the best performing MFD programs in the country. In addition, the amendments would reduce the environmental impacts of the MFD program by reducing traffic and greenhouse gasses resulting from trucks hauling waste to a more centrally located San José facility rather than the landfill in north San José. Finally, this program provides these significant environmental benefits without placing any additional burdens on property managers and owners.

Specifically, the amendments modify the agreements as follows:

1. Expand the collection and recycling of waste materials and increase multi-family waste diversion;
2. Add recycling performance incentives and requirements specific to new MFD program;
3. Add reporting requirements;
4. Add a processing plan for material recovery and composting, and for disposal of residue;
5. Allow the use of older collection vehicles;
6. Add definitions of terms utilized throughout the agreement and exhibits; and
7. Modify the compensation schedule: GreenTeam would continue to be compensated for their current compostables program, and GreenWaste would be compensated for the additional processing needed for the expanded program. GreenWaste would be paid \$58.00 per ton of material, or approximately \$3.3 million in 2008-2009. Due to operational efficiencies, GreenTeam has agreed to reduce their annual payment by approximately \$266,000 in 2008-2009.

The expanded recycling program would increase GreenWaste's contractual compensation by approximately \$3 million annually. However, nearly half of these additional costs (\$1,500,000) will be offset by reduced disposal costs, as most multi-family waste will be diverted from the landfill. Additional savings are proposed by GreenTeam in exchange for efficiencies gained from transporting material to the more centrally located GreenWaste processing facility, as noted above. Overall, it is estimated that contractual costs will increase by about \$1.5 million in 2008-2009. This additional cost, as well as the annual cost of living contract adjustment, is offset by the MFD rate increase of 8% approved by Council on May 13, 2008.

With key initiatives such as expanded composting and maximized recycling, this recommendation will ensure that all recyclable and organic materials from this waste stream will be diverted from the landfill and move San José closer to achieving its Zero Waste goal. This program will also serve as a pilot program to explore expanded food waste recycling in the single-family and commercial sectors. San José's program could serve as a model for other communities looking for alternatives to imposing recycling mandates on waste generators in order to achieve environmental goals.

### **Shared Carts and On-Premises Services**

Currently, households in multi-family complexes, such as duplexes and condominiums, may share garbage and recycling carts. Currently, agreements with Garden City and CWS compensate the haulers for a single unit rate per complex regardless of the number of households or number of carts serviced. CWS and Garden City service approximately 715 garbage carts but are paid for only 120 units. The proposed amendment language addresses the discrepancy in how the payment is calculated and the actual level of service provided. The proposed payment change is retroactive to July 1, 2007, resulting in an additional payment of \$127,000 in 2007-2008. Funding for this additional payment is available in the existing budget appropriation.

Staff requested, and both Garden City and CWS have agreed, to reduce the subscription on-premises collection charge. Customer rates for this premium service increased dramatically in 2007-2008 as a result of increased hauler compensation under the new Recycle Plus agreements. Garden City and CWS have agreed to lower their rates, and these savings can be passed to on-premises customers. Staff recommends reducing the on-premises charge beginning July 1, 2008, by \$20.24 monthly, from \$75.24 per month over the base service rate to \$55.00 per month. The small decrease in revenue to the City resulting from this proposal will be offset by lower contractor payments. The Recycle Plus contractors are required and would continue to provide on-premises collection for residents with disabilities at no additional charge to the City nor customer.

### **Disposal and Processing Changes**

Staff proposes to amend the GreenTeam and Garden City agreements to give the City flexibility to direct solid waste to a processing facility instead of the landfill in order to achieve additional recycling. This amendment would also allow the City to direct GreenTeam and CWS to dispose of recycling processing residue at Newby Island Landfill using the City's contracted capacity, which is estimated to generate an additional \$205,000 annually in Disposal Facility Tax revenue for the General Fund.

Staff proposes to reduce the cost to CWS for a Quality Assurance and Contract Compliance monitor from \$5,000 to \$2,500 per month. The purpose of this requirement is to evaluate and report on CWS' recycling operations. Because the results of processing improvements at the CWS facility are still under evaluation, the City has not brought on, nor has CWS been required to pay for, the cost of a monitor. Preliminary results show that processing residue rates have reduced from approximately 20% to 15%. When the monitor begins work, staff anticipates the portion of the contract related to monitoring CWS will be less than originally estimated.

### **Technical Adjustments**

Staff proposes to amend the following to conform to all Recycle Plus agreements and improve the administration of the contracts and program operations.

- RRI Settlement - On October 30, 2007, the City resolved disputes with GreenTeam and GreenWaste concerning the annual application of the Refuse Rate Index (RRI). The RRI establishes the methodology to compensate contractors for increased operating costs such as rising fuel costs. The proposed amendments would incorporate a resolution reached by the parties on how to calculate the RRI. The funding for the RRI adjustments is available from existing appropriations.
- Targeted Clean-Ups - The popular neighborhood clean-up program includes the weekend clean-ups in selected neighborhoods, and targeted clean-ups for severely blighted addresses. GreenWaste currently provides the bins for this program in hauler Districts A and C. Staff proposes to have GreenTeam provide up to 30 bins annually in hauler District B.
- Contaminated Recycling Carts - Staff proposes to compensate GreenTeam for returning to an address to collect a contaminated recycling cart as garbage at \$9.57 per cart. Garden City is compensated for this service.
- Other Adjustments - The following technical adjustments should conform minor inconsistencies: 1) standardize monthly reporting requirements, 2) designation of signatories and authority, 3) standardize timelines for service requests, contractor's office hours, and collection parameters within the Central Business District, and 4) standardize small commercial business requirements. None of these adjustments have budgetary implications.

## **EVALUATION AND FOLLOW-UP**

Staff will return to Council with a Zero Waste Plan in December of 2008 that will include an update on the performance of all of the City's solid waste programs, including those provided under these Recycle Plus agreements.

## **POLICY ALTERNATIVES**

**Alternative #1:** No action by the City, no Recycle Plus contract amendments.

**Pros:** The City could reduce costs by not implementing these recommendations.

**Cons:** The City would lose the opportunity to reduce the high subscription on-premises rate that would directly benefit San José residents. The City would also lose the opportunity to increase MFD diversion. These decisions may negatively impact City-wide diversion and Council's Green Vision goals of 75% waste diversion by 2013 and Zero Waste by 2022.

**Reason for Not Recommending:**

While developing the expanded multi-family recycling program, staff reached out to multi-family stakeholders to find a solution that was cost effective and did not create a heavy burden on property owners and managers. Without this innovative program, the City would have to explore other options for achieving Zero Waste that could prove to be more costly and difficult to manage. Other cities in California have enacted recycling mandates that require properties to recycle. Not only do these mandates create a burden on the property owners who must closely monitor the recycling efforts of their tenants, but these mandates also require city enforcement staff to ensure compliance.

**PUBLIC OUTREACH/INTEREST**

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.  
**(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criteria #1: Requires Council action on the use of public funds equal to \$1 million or greater. The expanded multi-family recycling program was presented to the public as part of the 2008-2009 budget process, including the Recycle Plus rate recommendation approved by City Council on May 13, 2008. The recommendation memorandum (posted on the City's website in early May) explained that the multi-family rate increase of 8% was driven primarily by the expanded recycling program. The 8% multi-family rate increase for 2008-2009 was covered by the Proposition 218 notices mailed out to all San José property owners in March 2007. This notice limited both single and multi-family rate increases to a maximum of 10% for 2008-2009. Two thousand protest letters, representing less than 1% of San José property owners, were received during the official protest period.

Additionally, staff has met with the California Apartment Association to explain the multi-family recycling program and associated rate increases. They are supportive of the program for both its benefits to the environment, and its innovative approach to increasing recycling without placing additional burdens on property managers and owners.

**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

**FISCAL/POLICY ALIGNMENT**

The recommendations contained in this memorandum are consistent with the Mayor March 2008 Budget Message, the 2008–2009 Proposed Operating Budget, and Green Vision Goal # 5, to divert 100% of the waste from our landfill and convert waste to energy. These recommendations also support the Zero Waste goals and Urban Environmental Accords # 4 and # 6 to reduce solid waste disposal to the landfill and establish San José as a national environmental leader. Approval of these amendments aligns with the City's Budget Balancing strategy principle to preserve core City services for both the short and long term.

**COST IMPLICATIONS**

**Resource and Funding Strategy:** As mentioned previously, the costs for these on-going proposals will be offset by a multi-family rate increase of 8% and a single-family rate increase of 4.5%.

**TABLE 2 –2008-2009 Revenue and Expenditure Implications**

	<b>IWM Fund Impact</b>
<b>Revenue</b>	
On-Premises Rate Reduction	(\$61,000)
<b>Revenue Total</b>	<b>(\$61,000)</b>
<b>Expenditures</b>	
<i>Included in 2008-2009 Proposed Budget</i>	
GT Amendment	(\$253,000)
GWR (Dist A&B) Amendment	\$3,266,000
IDC Reduced Disposal	(\$1,500,000)
<i>Included in Prior Year Appropriations</i>	
CWS Amendment	\$26,000
Garden City Amendment	\$64,000
<b>Expenditures Total</b>	<b>\$1,603,000</b>
<b>Net Impact</b>	<b>(\$1,664,000)</b>

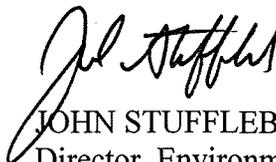
**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2008-09 Proposed Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
423	0763	SFD Recycle Plus	500551	\$47,264,600	\$103,000	VIII-38	N/A
423	0764	Multi-Family Recycle Plus	500552	\$14,200,000	\$3,000,000	VIII-38	N/A

\*2008-09 Operating Budget is scheduled to be adopted by Council on June 24, 2008.

**CEQA**

Addendum to Negative Declaration PP08-096.

  
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Director, Environmental Services

For questions, please contact Jo Zientek, Deputy Director, Environmental Services Department, at (408) 535-8557