



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: NON PROFIT RECYCLER
SERVICES AGREEMENTS

DATE: 06-01-10

Approved

Date

6/8/10

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute agreements with Goodwill of Silicon Valley, the Salvation Army, and HOPE Services for recycling and reuse services for a term from July 1, 2010 through June 30, 2011, with a total maximum annual compensation for the period through June 30, 2011 not to exceed \$356,176 for Goodwill of Silicon Valley, \$125,870 for the Salvation Army, and \$6,201 for HOPE Services.

OUTCOME

Agreements with these Non-Profit Recyclers (NPRs) will support these organizations in providing San José residents recycling services for discarded household items. The Non-Profit Recycler program supports the Urban Environmental Accords Action # 4 and the City's Green Vision Goal # 5.

BACKGROUND

Non-profit recyclers play a significant role in the City of San Jose's overall strategy to divert reusable and recyclable materials from landfills. These salvage and reuse operations enable the City to meet the statutory waste diversion requirements of the California Integrated Waste Management Act of 1989. Under state law, non-profit recyclers are charitable Section 501 c(3) organizations that reuse and recycle donated goods or materials, and receive more than 50% of its revenues from handling and sale of those donated goods or materials. The only NPRs currently operating in San José are Goodwill, Salvation Army and HOPE Services.

A brief description of San Jose's NPRs follows:

Goodwill of Silicon Valley

Goodwill diverts material from local landfills by selling donated goods at its 13 retail stores in Santa Clara County. In addition to the retail stores, Goodwill runs re-upholstered furniture operations. These operations provide necessary vocational training to County residents as well as diverting significant volumes of waste from the landfill. Environmental Services Department also has a separate agreement with Goodwill for mattress recycling program which trains and hires homeless veterans to re-upholster and refurbish recycled mattress frames.

The Salvation Army

Located near downtown San José, the Adult Rehabilitation Center (ARC) provides recovery program participants with transitional housing and an opportunity to integrate back into society as contributing members. The ARC successfully uses work as therapy to rebuild a person's self-esteem and confidence. In addition, work therapy serves as the basis for one of the nation's largest recycling program. The income from the recycled materials provides the major sources of funding for this program.

HOPE Services

HOPE Services is the third largest non-profit in Santa Clara County and has been providing work training, job placement, professional counseling, and daily activities program for children, adults, and seniors with developmental disabilities for over 50 years. Each year, HOPE Services assists over 2,500 individuals. HOPE's donation pickup service provides free home pickups of clothing and small household items. Donation items are then resold at the HOPE Station store in Fremont, or at the chain of Savers thrift stores throughout California. Store proceeds directly benefit HOPE clients with job training, job placement and independent living services.

The NPRs receive donations from individuals in varying condition and value. While some items are saleable, others items are not and must be recycled or disposed. The NPRs incur costs to dispose of non-saleable items in addition to the cost of disposing of waste from illegal dumping at their collection sites. From 1992 until fiscal year 2007-2008, the City entered into Reuse and Recycling Reimbursement Agreements with NPRs. These Agreements provided financial assistance to help offset the disposal costs of residue from the NPRs' collection, processing and distribution centers located in San José. Specifically, the City reimbursed the NPRs for that portion of the NPRs' disposal costs attributable to Commercial Solid Waste (CSW) Franchise Fees and Disposal Facility Taxes (DFT).

In 2007-2008, Council adopted a resolution to discontinue funding based on reimbursement of solid waste fees paid to funding based on the organizations' ability to meet base recycling and diversion goals. The baseline goal for NPRs is that they need to demonstrate that the weight of the materials recycled and/or made available for reuse which are attributable to operations in San José is equal to or greater than 80% of the donation level the prior year. The goal of the proposed program was to streamline the administrative reimbursement process by not requiring NPRs to submit landfill receipts for reimbursement. Financial support under the new program focuses on

materials diverted rather than materials sent to the landfill, and requires reporting on the amount of materials diverted from the landfill via recycling or reusing them.

Between April 1, 2009 and March 31, 2010, Goodwill collected 4573 tons in donations from San José which became available for recycling or reuse when sold at their retail locations. They also recycled 842 tons in e-waste. For the same reporting period, Salvation Army collected and recycled 2808 tons in donations and recycled an additional 357 tons of e-waste.

HOPE Services collects donations by truck and then packages them into bins of donations that it sells by the pound to Savers store and puts the profits of these sales into their programs. HOPE does not dispose of the unsalable donations, so they do not track disposal and recycling data. Savers stores sorts the donations and makes as many as possible available for sale at its retail locations and then they dispose of the unsalable donations. HOPE collected and sold 1119 tons of donations from San José between April 1, 2009 and March 31, 2010, which created a beneficial reuse of those items. They also recycled 386 tons of e-waste during the same time period. HOPE Services is being compensated merely for accepting donations and making them available for reuse, and not for recycling activities.

ANALYSIS

The current agreements with the NPRs expire on June 30, 2010. The Recycling and Reuse Report reporting period is from April 1-March 31 of each year. In order to receive funding, the City requires the NPRs to submit reports on the amount of household items donated, that portion of donations which are attributable to San José collection sites, and the tonnage of donated materials which are recycled including e-waste. Staff recommends the City enter into new agreements with these organizations for fiscal year 2010-2011 with the same reporting requirements.

EVALUATION AND FOLLOW-UP

Staff will include an evaluation of this ongoing program when it brings forward NPR services agreement program recommendations for 2011-2012.

PUBLIC OUTREACH/INTEREST

This memo is not subject to outreach falling within any of the criteria.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 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.

- Criterion 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.

COORDINATION

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

BUDGET REFERENCE

| Fund # | Appn. # | Appn. Name | RC. | Total Appn. | Amt. For Contract | Proposed 2010-2011 Operating Budget* | Last Budget Action (Date, Ord. No.) |
|--------|---------|-------------------------|--------|-------------|-------------------|--------------------------------------|-------------------------------------|
| 423 | 0762 | Non-Personal/ Equipment | 500524 | \$2,878,867 | \$488,247 | XI-47 | N/A |

*The 2010-2011 Proposed Operating Budget is scheduled to be considered by the City Council on June 22, 2010.

CEQA

Not a Project, File No.PP10-066 (a), Agreements and Contracts for purchase of supplies.

/s/
JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Jo Zientek, Deputy Director, Integrated Waste Management Division, at (408) 535-8557.