



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

**SUBJECT: SOLID WASTE SERVICE
AGREEMENTS**

DATE: 06-01-10

Approved

Date

6/7/10

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

1. Adopt a resolution authorizing the City Manager to negotiate and execute the following agreements for solid waste services with terms from July 1, 2010 through June 30, 2021:
 - a) California Waste Solutions for recyclables collection and processing for single-family dwellings in Districts A and C, for a total first year cost of \$16,129,900.
 - b) Garden City Sanitation, Inc. for single-family dwelling garbage collection in Districts A and C for a total first year cost of \$18,314,800, with an option for providing billing and customer service for single-family dwellings in Districts A and C at an additional cost.
 - c) GreenTeam of San Jose for collection of garbage and recyclables for multi-family dwellings Citywide, single-family dwellings in District B, neighborhood clean-up services in District B, and City Facility garbage and recycling collection and processing services, for a total first year cost of \$28,924,989, with an option for providing billing and customer services for single-family dwellings in District B and multi-family dwellings Citywide at an additional cost.
 - d) GreenWaste Recovery, Inc. for Citywide residential yard trimmings and street sweeping collection and processing, back-end processing of municipal solid waste where applicable, neighborhood clean-up services in Districts A and C, and Citywide public litter can collection and processing services, for a total first year cost of \$22,847,700.
2. Direct staff to allocate a \$2,000,000 savings realized from the proposed solid waste service agreement with GreenWaste Recovery in 2010-2011, originally recommended to mitigate Recycle Plus rate payer increases and to fund diversion activities, for the construction of a permanent Household Hazardous Waste facility in San Jose for the City's residential Recycle Plus customers.

OUTCOME

Approval of this recommendation would improve the City's integrated waste management program and advance the City's Green Vision and Zero Waste goals by using the savings from reducing the cost of existing services to pay for program improvement, by providing an option to transition the billing and customer service to the contractors, and by reducing emissions through the use of compressed natural gas (CNG) fuel.

Allocating the savings for Fiscal Year 2010-2011 from these new agreements to the construction of the Household Hazardous Waste Facility would provide San Jose residents a safe and convenient means to dispose of common toxic residential waste.

BACKGROUND

On March 30, 2010, the Council directed staff to negotiate new agreements with California Waste Solutions (CWS), Garden City Sanitation (Garden City), GreenTeam of San Jose (GreenTeam) and GreenWaste Recovery, Inc. (GreenWaste), which included an option for contractor provided billing, customer service, and remittance processing services, and to return to Council with the proposed agreements. From March 30, 2010 to late May 2010, staff met with the contractors in several negotiation sessions to establish the terms of these new agreements.

The following table (**Table 1**) shows the current solid waste contractors, their collection districts, diversion requirements, and the services they provide.

TABLE 1: Current Solid Waste Agreements

Service	Contractor	2010-2011 Contract Budget	Diversion Requirement	District A (93,500 households)	District B (48,500 households)	District C (67,000 households)	Multi Family (3,300 complexes; 95,500 units)
Single-Family Dwelling (SFD) Garbage	Garden City	\$18,314,800	N/A	X		X	
SFD Recycling	CWS	\$16,129,900	30% A 35% C	X		X	
SFD Garbage & Recycling	GreenTeam	\$11,978,500	35%		X		
Multi-Family Dwelling (MFD) Garbage & Recycling	GreenTeam	\$11,729,200	35%				X
Yard Trimmings & Residential Street Sweeping	GreenWaste	\$22,399,600	95%	X	X	X	
MFD Garbage Processing	GreenWaste	\$3,924,800	70%				X
Neighborhood Clean-Up (NCU) (Rubbish & Recycling)	GreenWaste	\$448,100	75%	X		X	
NCU (Rubbish & Recycling)	GreenTeam	\$51,900	50%		X		
Total Recycle Plus Contracts		\$84,976,800					
City Facilities	GreenTeam	\$1,240,589	70%	155 City-owned and operated facilities			
Public Litter Cans (PLC)	GreenWaste	\$0	70%	~800 containers throughout the City			
Total All Contracts		\$86,217,389					

ANALYSIS

The proposed solid waste agreements provide for various financial, operational, programmatic, and administrative benefits. Financial benefits would be realized in the Integrated Waste Management (IWM) Fund due to negotiated reductions in certain solid waste costs and potentially in the option to switch to contractor-provided billing. These financial benefits could be utilized for various purposes, including mitigating future Recycle Plus rate increases, implementing program enhancements over the term of the new agreements, and provide key funding for the construction of a household hazardous waste (HHW) facility in San José. The contractors would upgrade their collection fleets to biodiesel or CNG, improve recyclables processing, and agree to various administrative adjustments to simplify the day-to-day management of the contracts. Finally, continuation of collection services with the current

contractors through June 2021 would defer a transition to other contractors for the City's more than 300,000 Recycle Plus customers.

The terms of the new agreements are summarized in Table 2, and are further described following Table 2.

TABLE 2: Benefits of Proposed Solid Waste Agreements (July 1, 2010 - June 30, 2021)

Contractor	2010-2011 Ratepayer Savings	Eleven Year Ratepayer Savings	Detail of Ratepayer Savings	Additional Benefits
Garden City	\$0	\$21,200,000	Annual payments of \$2,650,000 per year starting in 2013-2014 payable in installments which could include monthly invoice deductions beginning July 1, 2013 <i>(Savings: \$21,200,000)</i>	Beginning in 2012-2013, phased-in repowering of entire 50 vehicle fleet from diesel to CNG <i>(Estimated Value: \$7.5 to \$8 million)</i>
GreenWaste	\$2,600,000	\$8,434,061	In 2015-2016, forego annual adjustment for Yard Trimmings, Street Sweeping, MFD Processing, and District A & C NCU services <i>(Estimated Compounded Savings: \$5,834,061)</i> In 2010-2011, \$2,000,000 cash payment upon agreement execution In 2010-2011, monthly invoice deductions <i>(Savings: \$600,000)</i>	When needed, replace vehicles with CNG powered engines at no additional cost Option to process 100-150 tons per day of SFD garbage at an additional cost. From 2013-2014 to 2020-2014, no charge for processing residential street sweeping material, contingent upon the City sending SFD garbage tons for processing. Commitment to clean and domestic recycling of electronic waste at no additional cost Effective July 1, 2010, increase NCU diversion from 75% to 90% Provide 50 targeted NCU bins per year at no charge <i>(Estimated Value: \$48,861 over 11 years)</i> During entire term, provide PLC services at no charge <i>(Estimated Value: \$4,455,660)</i>

TABLE 2 (Cont'd.)

CWS	\$218,182	\$2,400,000	<p>Annually beginning in 2010-2011, savings of \$218,182 accomplished by:</p> <ol style="list-style-type: none"> 1. Assuming costs of sending baled residue to Newby Island Landfill <i>(Estimated Savings over 11 years: \$613,800)</i> 2. Monthly invoice deductions <i>(Estimated Savings over 11 years: \$330,000)</i> 3. Annual invoice deductions payable in June <i>(Estimated Savings over 11 years: \$1,456,200)</i> 	<p>Effective July 1, 2010, increase Large Item diversion from 50% to 75%</p> <p>During second half of 2014-2015, switch entire fleet from diesel to biodiesel or another mutually agreed upon alternative fuel at no additional cost</p> <p>During second half of 2014-2015, replace all supervisor and appropriate light-duty vehicles to hybrid-drive technology</p> <p>Commitment to clean and domestic recycling of electronic waste at no additional cost</p>
GreenTeam	\$17,400	\$191,400	<p>Starting in 2010-2011, assume costs of sending baled residue to Newby Island Landfill <i>(Total Estimated Savings: \$191,400)</i></p>	<p>Effective July 1, 2010, increase Large Item diversion from 50% to 75%</p> <p>Effective July 1, 2010, increase NCU diversion from 50% to 75% at no additional cost</p> <p>Beginning in 2011-2012, phased-in replacement of entire fleet from biodiesel to CNG and construction of a slow-fill CNG fueling station to allow vehicle conversions <i>(Estimated Value: \$2.6 to \$3 million)</i></p> <p>Effective July 1, 2010, process all recyclables to standards set by the Institute of Scrap Recyclers Industries, Inc.</p> <p>Commitment to clean and domestic recycling of electronic waste at no additional cost</p> <p>Provide 12 targeted NCU bins per year at no charge <i>(Estimated Value: \$68,580 over 11 years)</i></p> <p>In 2010-2011, option to fund a Recycle Bank pilot for MFDs at an additional cost</p> <p>In 2010, forego annual CPI adjustment for City Facilities collection <i>(Estimated Compounded Value through 2021: \$495,666)</i></p>
Contractor	2010-2011 Ratepayer Savings	Eleven Year Ratepayer Savings	Detail of Ratepayer Savings	Additional Benefits
Total Recycle Plus Ratepayer Savings	\$2,835,582	\$32,225,461*		

* Equivalent to 3.4% of the total contract value (\$948 million) over the proposed eleven year term.

Financial Benefits

- *Immediate Savings in 2010-2011 and Monthly Invoice Deductions Beyond 2010-2011* – The table above depicts immediate savings in 2010-2011 of \$2.8 million. Of this amount, two million, which will be received as a cash payment in 2010-2011, is proposed to fund the construction of an HHW facility in San José. In the fall, staff plans to bring forward to Council budget actions to appropriate these savings as part of a memorandum on construction and funding strategies for the Household Hazardous Waste facility and Environmental Innovation Center. It is anticipated that the \$2 million used to build the HHW facility would be returned to the IWM Fund over the life of the building in the form of lease payments made by non-City users of the facility (most likely the County of Santa Clara). Using the \$2 million as described above would leave approximately \$836,000 in immediate savings from the new agreement benefits in the IWM Fund balance. This \$836,000 would mitigate the need for a one percent ratepayer increase in 2010-2011. It is important to note that avoided rate increases in 2010-2011, and the \$32 million in ratepayer financial benefits, do not mean that customer rates will not increase over the entire term of the new agreements. The Recycle Plus rates are structured to provide the contractors recovery for all costs including changes in economic conditions (i.e. labor, fuel, and general inflation), contractual obligations and new program services. Furthermore, as noted in the footnote below Table 2, the financial benefits of the new agreements represent only 3.4% of the total contractual costs during the term of the new agreements. Therefore, even with \$32 million in financial benefits over the eleven year term, rate increases will be necessary as early as 2011. The specific amounts can only be estimated until the annual cost of living contract adjustments are determined and any other impacts are incorporated into program costs in the annual budget preparation process.
- *Deferral of Annual Cost of Living Adjustments* – In the current terms of the Recycle Plus agreements, there are no limits (either up or down) to the annual Refuse Rate Increase (RRI). The RRI is similar to a cost of living adjustment that allows for cost increases (fuel, labor, etc.). Annual adjustments for contract costs are based on changes in indices published by the Bureau of Labor Statistics. No RRI limits can be problematic for a contractor that has experienced increased expenses despite a negative RRI, and conversely problematic to ratepayers if the RRI is exceptionally high. The proposed contracts would smooth out the impact by carrying over any RRI amount below zero percent or over six percent to the subsequent year. Positive RRIs over six percent will be deferred for a maximum of four years. Although this provision is not a strict limit to RRIs, it does serve to defer one-time spikes and drops in annual adjustments, thus providing protection to ratepayers and contractors.
- *Foregone Annual Adjustments (Refuse Rate Increase)* – Two contractors would forego one annual adjustment. In 2015-2016, GreenWaste would waive any increase to service rates for Citywide Yard Trimmings, Residential Street Sweeping, and MFD solid waste processing services, and for Neighborhood Clean-Up (NCU) collection and processing in Districts A and C. In calendar year 2010, GreenTeam would waive any increase to its annual cost of living adjustment for all City Facility collection services, valued at almost \$26,000. When compounded through the end of the proposed term, the value of these offers total \$5,841,720 for GreenWaste and \$399,177 for GreenTeam.

Community Benefits

- *No Cost PLC Collection and Processing* – Historically, the City included PLC service in the residential solid waste service agreements, a practice which is common throughout municipalities in the Bay Area. By adding this service to the proposed Recycle Plus agreement scope of services, GreenWaste can provide PLC collection and processing services at no cost for the entire term of the new agreement, a value of nearly \$4.5 million. In addition, the contract terms will allow for slight growth of PLCs over the years, capped at 1% per year.
- *No Cost Targeted NCU Bins* – The City's Code Enforcement Division assists public and private properties to perform targeted NCUs. In each contract year, GreenWaste would provide 50 targeted bins at no charge and GreenTeam would provide 12 targeted bins at no charge. The total value of these offers between both contractors is roughly \$117,000 over the entire term of the contracts, and benefits the community by cleaning up properties outside of the regularly scheduled NCU rotation paid by ratepayers.

Program Enhancements

- *Option to Increase Frequency of NCUs* – At the March 30, 2010 City Council meeting, Council directed staff to evaluate the costs involved with increasing the frequency of NCUs from the current three-year rotation to a two- or one-year rotation. The NCU contract with GreenWaste currently allows for the two-year rotation. New agreement language will include the flexibility to provide bin services on a two-year or one-year schedule should Council choose to increase NCU service levels. Staff, as requested by Council, will bring forth to the Transportation and Environment (T&E) Committee an analysis of the cost to expand the NCU program to a two-year or more frequent rotation in late 2010.
- *Option to Utilize Yard Trimmings Material for Demonstration Projects* – The new agreements would provide an option for the City to utilize up to 6,000 tons per year of yard trimmings and/or the pre-processed organics fraction of municipal solid waste to a facility within San Jose that is designated by the City to conduct pilot test programs for energy conversion technologies.
- *Future Opportunity for Containerized Yard Waste Collection* – Council could consider at a future date amending GreenWaste's contract with the City to provide all City residents with up to two yard trimmings carts for weekly collection of yard waste, and once monthly on-street pick-ups of yard waste. Staff is evaluating this collection method using data obtained through the organics pilots currently underway and scheduled for completion in August 2011 (discussed below). Therefore, the earliest possible implementation of the yard waste cart collection system citywide would be 2013.

Improved Recycling Requirements

- *Option for Additional Garbage Processing* – In 2009-2010, the City implemented three organics pilots to determine the best methods for capturing food waste, yard trimmings, and other organics from residential garbage. The three pilots include a garbage processing pilot that sorted single-family garbage for recyclables; a yard trimmings cart pilot; and an organics cart pilot to collect bagged food waste in the yard trimmings cart. Staff proposes to

discontinue the garbage processing pilot effective June 30, 2010 and to reserve this service as an option in the new GreenWaste agreement. There will be no change in service to residents by discontinuing this pilot. Important data has been obtained from this pilot, which indicates that approximately 350 tons of recyclables were being diverted monthly. As a cost saving measure (\$700,000 in 2010-2011), staff recommends resuming this processing of up to 150 tons per day when additional contract savings become available. The rate for this service is \$75 per ton and GreenWaste has committed to a 75% diversion rate. In addition, should the City opt to implement this option, GreenWaste would process residential street sweeping waste at no additional cost to the City from 2013-2014 to 2020-2021. Currently, the City pays for disposal of this material at Newby Island Landfill, and this benefit would reduce the City's disposal costs.

- *Processing of All NCU Materials* – All material that is collected from NCU events and categorized as 'rubbish' is disposed of at the landfill. GreenTeam and GreenWaste would be required to sort the NCU material prior to disposal to increase diversion. GreenTeam's diversion requirement would increase from 50% to 75%, and GreenWaste's target would increase from 75% to 90%.
- *Recycling Processing Improvements* – To achieve the highest and best use of San Jose's recycling stream, CWS currently has a contract requirement to process all recyclables to standards set by the Institute of Scrap Recycling Industries, Inc. (ISRI). GreenTeam has agreed to incorporate this higher recycling standard into its new contract, resulting in consistent Citywide specifications for processing residential recyclables. Additionally, the new agreements will help to improve waste diversion by allowing for secondary processing of some recyclables. To ensure that initial processing is adequate, secondary processing of recyclables will be limited to a specified maximum percentage of the total recyclables collected.
- *Processing of All Large Item Collections* – Both GreenTeam and CWS will be required to divert 75% of the material collected under the Large Item Collection program. These new waste diversion standards represent a significant increase over the current 50% diversion standard. These diversion standards would not represent an extra charge to ratepayers; the costs would be fully borne by the contractors.
- *Processing of All E-Waste to City-Approved Standards* – CWS, GreenTeam, and GreenWaste currently recycle electronic waste collected as part of the NCU and Large Item Collection programs. The proposed contracts include more stringent processing standards for electronic waste by requiring the contractors to comply with the Basel Action Network e-Stewardship Standard and Pledge (Pledge). The Pledge is a commitment to clean recycling and disallows the export of hazardous e-waste to developing countries. Similar to the Large Item processing requirements, these diversion standards do not represent an extra charge to ratepayers, and any additional costs would be fully borne by the contractors. The California Electronics Recycling Act entitles the contractors to receive State funding via a refund from approved cathode ray tube (CRT) recyclers.

Equipment Improvements

- *Truck Fuel Upgrades* – Garden City, GreenTeam, and GreenWaste will retrofit or replace vehicles to operate with CNG, and CWS will switch from using diesel to using a 20% biodiesel / 80% diesel blend (B20) and will replace light-duty vehicles with hybrid-drive technology. These proposals would allow the City to significantly reduce the carbon footprint of its residential solid waste collection fleet in the near term, resulting in a net reduction in greenhouse gas emissions of -547 metric tons per year compared to existing operations. Switching to alternative fuels will also result in a 56% decrease in nitric oxide and nitrogen dioxide (NOx) emissions and a 17% decrease in carbon dioxide emissions. Additionally, to accommodate more efficient fueling of the converted vehicles, GreenTeam will invest the capital necessary to build a slow-fill CNG fueling station at its corporation yard in North San Jose, at a date subject to completion of the City's permitting requirements.

Administrative and Technical Adjustments

The contractors have agreed to adjustments that streamline business processes and increase efficiencies for the contractor, the City's contract managers, and City staff involved with the Integrated Billing System (IBS). These adjustments include:

- Consolidation of contractor rates and elimination of extraneous, unused rates
- Consolidation of contracts to one per contractor
- Simplified disposal reconciliation procedure for NCUs
- Simplified payment methodology for cart exchanges and replacements
- Contractors bill and collect revenue directly from customers for on-demand Large Item Pickup services

Additionally, the contractors have agreed to provide additional detail on routes, personnel, productivity statistics, educational activities, tonnage reporting, and annual financial statements, and agree to contract language clarifications regarding the terms for transition to the next contractor. An additional technical adjustment in the GreenTeam contract will adjust the pricing structure for Multi-Family Dwelling (MFD) solid waste processing to ensure intended contractual compensation. Because staff has negotiated a "not to exceed" ceiling in the agreement, increases in waste diversion will not increase customer rates. Furthermore, GreenTeam in 2013-2015, and Garden City in 2013-2014, would not be required to re-paint their entire fleet of collection vehicles if, as determined by the City, the vehicles meet certain objective criteria for appearance and identification. Notwithstanding this waiver, contractors are still required to maintain their vehicles in compliance with all State or federal laws and regulations.

Contractor-Provided Billing and Customer Service Option

Although staff will be considering a broad array of options for contractor-provided billing, Garden City and GreenTeam have agreed to an optional "safety net" provision for customer service, billing, and delinquent account management. The contractors would require a twelve month implementation period to transition data, make facility modifications, and have staff in-place and trained to take over billing and customer service. A summary of the services is detailed in an attachment to this memorandum. This safety net option for billing and customer

services is limited to the haulers that collect garbage (Garden City and GreenTeam) for the following reasons:

1. Residents are billed based on the level of garbage not recycling service;
2. GreenTeam and Garden City provide garbage service, and own and operate existing billing systems;
3. Since only Garden City and GreenTeam maintain and update garbage service information, using their systems for billing would be the most streamlined and pose the lowest risk for hauler billing options; and
4. GreenTeam and Garden City already have service locations and level of service on their systems for each customer in the City. The only additional information they would need to add is the customer account information for billing and property owner information as required to support the lien process.

Staff plans to return to Council in late 2010 with a preliminary IBS Technology Strategy and Business Case that provides further analysis of the contractor billing option and options for billing the other utilities that currently reside on IBS and recommends a course of action to address the estimated IBS end of life in 2015. A business case will consider the costs, benefits, risks, and business impact of each option. The provision of Recycle Plus billing and customer service by GreenTeam and Garden City is one of the options that will be considered. In this case, the business case will focus on the impact that adopting this option will have on each of the business functions currently provided by IBS and will recommend a business continuity strategy for each of the utilities billed. Implementation of the contractor-provided billing option in the GreenTeam and Garden City agreements would require a separate Council action after consideration of the IBS Technology Strategy. The City will incur costs from shifting the other utilities and Customer Relationship Management from IBS, which will be described in the business case. It is important to note, however, that significant costs for a billing alternative would likely be incurred even without implementing the contractor-provided billing solution due to the anticipated end of life of IBS in 2015.

The cost estimates for contractor provided billing and customer service options are highlighted in Table 3. The contractor-provided one-time start-up costs are significantly lower than the approximate costs to replace IBS in 2015 because rather than having to purchase a new full scale system, the contractors would be leveraging their existing billing systems. This billing solution also poses lower risk than outsourcing to a new contractor, as the haulers are already acclimated with the City's billing operations.

Also included in Table 3 are the approximate annual costs to Recycle Plus rate payers for the current in-house City-provided billing and customer service and an approximate City cost to replace IBS in 2015. This replacement cost estimate only considers contractual costs and excludes other City costs such as personal services and other resources. According to an Information Memorandum issued by the Finance Department to Council on April 24, 2009, the total one-time costs (including City staff) for implementing IBS for residential (single- and multi-family) garbage, storm and sanitary sewer, and municipal water billing and customer service expensed to the utility funds were just over \$14 million, with the majority of these costs borne by the residential garbage ratepayers. Certain costs may require adjustment for inflation, depending on the final implementation schedule of the billing system.

TABLE 3: Recycle Plus Billing and Customer Service Cost Information

Contractor-Provided Option	One-Time Start-Up Costs	Annual On-Going Costs (Some lien processing costs included)	Number of Accounts	Annual Revenue Billed
Garden City	\$ 1,221,000	\$ 3,299,000	SFD 161,500	\$ 58,000,000
GreenTeam	\$ 694,000	\$ 1,220,000	SFD 48,500 MFD 3,300	\$ 39,500,000
Total	\$ 1,915,000	\$ 4,519,000	212,300	\$ 97,500,000

Current City Cost for Recycle Plus Billing & Customer Service (Includes lien processing)	\$ 6,300,000
Approximate City Billing System Replacement Costs in 2015	\$ 10,000,000*

* These start-up costs are for the replacement of an entire billing system (including Recycle Plus, water, sanitary and storm sewer, and business tax billings). Estimate does not include City costs such as personal services and other resources.

Simplification of Billing Services – As part of a near-term initiative, staff in the Information Technology, Finance and Environmental Services Departments have been reviewing possible efficiencies which can be implemented in 2010-2011 in order to save operational costs with limited impact to customer service, accuracy and accountability of the billing system, and its strategic goals. Efficiencies requiring Council action or Municipal Code changes will be presented for Council consideration in a separate memorandum.

Funds for a Permanent HHW Facility

Providing safe and convenient disposal of common household waste (i.e., paint, pesticides, and cleaning chemicals) is a critical service for the City’s residential solid waste program. An effective HHW collection program significantly reduces the likelihood of toxics entering the City’s storm and sanitary systems, and prevents contamination of the San Francisco Bay and local groundwater supplies. San José residents account for nearly 11,000 drop-offs annually at temporary sites in the City. In 2008-2009, it is estimated that over 1.6 million pounds of HHW were collected from San José residents. The temporary sites are not adequate to address the demand and staff has been developing plans to build a permanent HHW facility at the Las Plumas Environmental Innovation Center. It is estimated that more than 25,000 annual drop-off appointments could be accommodated at this facility. In January 2010, the Administration completed a Program Prioritization Process, in which 550 Citywide programs were reviewed and ranked by teams of staff and community stakeholders to inform the preparation of the 2010-2011 Proposed Operating Budget. The HHW program was in the highest tier of programs ranked through this effort.

The allocation of savings for 2010-2011 from the new solid waste service agreements to the construction of this facility is the most advantageous of various potential funding strategies for

the facility. Staff explored third-party loan options prior to identifying internal funds for facility construction. Third-party financing, however, would cause the City to incur increased total project costs due to higher interest payments and a shorter amortization period. Staff will seek Council approval to appropriate these funds in early fall 2010 at the same time they seek approval of an agreement to construct the facility.

Since the construction of the HHW facility will be funded by revenue from Recycle Plus ratepayers, any other jurisdictions using the facility must pay the fully-loaded apportioned share of the capital improvement and operational costs. Any revenue for services from this facility must be used toward programs limited to Recycle Plus ratepayers.

EVALUATION AND FOLLOW-UP

As directed by Council on March 30, 2010, a staff evaluation of an evergreen contract option is included in the fall 2010 T&E workplan. The IBS Technology Strategy is under development for Council consideration in late 2010. The Code Enforcement Division will be returning to the T&E Committee and Council in late 2010 to present options for NCU services. Staff plans to evaluate Recycle Plus rate changes for 2011-2012 in fall 2010 and initiate a Recycle Plus Proposition 218 public rate increase notification process in late 2010.

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.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Finance, Information Technology, Transportation, and, Planning, Building, and Code Enforcement

Departments, Airport, the City Manager's Budget Office, and the Office of Economic Development.

COST SUMMARY/IMPLICATIONS

Approval of staff's recommendation to proceed with the new agreements would save the IWM Fund (423) approximately \$32 million over the entire term of the agreements as described in the Analysis section of the memo. The savings reflected in Table 2 of approximately \$835,000 for Fund 423 will be reflected in the 2010-2011 Operating Budget Annual Fall Clean-up. There is no impact to the cost of City Facility solid waste services to the other funds and Departments charged for this service.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn.	Amt. of Contract (2010-2011)	Proposed 2010-2011 Operating Budget*
Amount of Recommendation (2010-2011)				\$86,217,389	
423	0764	ESD MFD Recycle Plus	\$15,654,000	\$15,654,000	XI-47
423	0763	ESD SFD Recycle Plus	\$46,923,200	\$46,923,200	XI-47
423	0766	ESD Yard Trimming/Street Sweeping	\$20,772,600	\$20,772,600	XI-47
Fund #	Appn #	Appn. Name	Total Appn.	Amt. of Contract (2010-2011)	Proposed 2010-2011 Operating Budget*
446	0766	Yard Trimmings/Street Sweeping	\$1,627,000	\$1,627,000	XI-82
423	N/A*	City Facilities Recycle Plus	\$791,989	\$791,989	XI-47
423	0762	ESD Non-Personal /Equipment	\$2,878,867	\$15,000	XI-47
515	0762	ESD Non-Personal /Equipment	\$18,263,559	\$6,000	XI-88
541	0762	ESD Non-Personal /Equipment	\$245,398	\$32,000	XI-78
513	0762	ESD Non-Personal /Equipment	\$25,020,618	\$149,100	XI-75
446	0762	ESD Non-Personal /Equipment	\$ 4,339,491	\$5,000	XI-82
523	0802	Airport Non-Personal /Equipment	\$42,146,543	\$236,000	XI-3
290	2505	Adult Workers Program	\$3,487,936	\$2,425	XI-90
290	2530	Dislocated Workers Program	\$4,681,062	\$1,517	XI-90
290	2364	Youth Workers	\$4,236,110	\$1,283	XI-90
290	2981	Administration	\$946,836	\$ 121	XI-90
290	2983	Rapid Response Grant	\$717,721	\$ 154	XI-90
Total Funding for Recommendation			\$192,732,930	\$86,217,389	

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

HONORABLE MAYOR AND CITY COUNCIL

06-01-10

Subject: Solid Waste Service Agreements

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CEQA

2010 Solid Waste Service Agreements: Negative Declaration, file no. PP10-055. May 26, 2010.
<http://www.sanjoseca.gov/planning/eir/MND.asp>

Household Hazardous Waste Facility: Mitigated Negative Declaration, file no. PP09-138.
Adopted December 1, 2009

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

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

Attachment: Contractor Billing and Customer Service Option Summary

ATTACHMENT
Contractor Billing and Scope of Services Option Summary

First, customer data must be transferred to contractor Customer Information Systems and both parties must prepare their organizations for the deployment of the new business model. These activities are described in the table below and are referred to collectively as Implementation.

Implementation	Acceptance Criteria
Full implementation services will be delivered by the contractor that include: <ul style="list-style-type: none"> • Project management • Data migration • Business Process analysis and reengineering • Modifications to the system to support City ordinances (including reports and any interfaces) • Testing of modifications • Training for City and contractor staff • Acceptance testing of the entire solution, utilizing end-to-end business processes for both the City and the contractor • Deployment 	City participates in all activities and has joint responsibility for sign-off of each project deliverable and phase. City accepts the entire solution at the end of Acceptance Testing. Acceptance Testing must prove that the solution as built will support live operation of the system and the business models to be used by both the City and the Contractor in the execution of their respective contractual responsibilities.

Following Implementation, the contractor will deliver the following services. Associated with each service is a minimum service level that must be adhered. A failure to achieve a service level subjects the contractor to a financial penalty that is assessed against the contractor's invoice to the City.

Business Service	Service Level to be achieved
Billing <ul style="list-style-type: none"> • Manage financial information to support the calculation and billing of Garbage, Recycling Yard Trimmings and Street Sweeping services; • Print and mail customer bills. 	<ul style="list-style-type: none"> • Must reconcile field services delivered with billing to customer • Must adhere to the billing schedule as agreed.
Customer Service <ul style="list-style-type: none"> • Provide customer service for inquiries, complaints and problem resolution over the phone, web and in person. 	<ul style="list-style-type: none"> • Must answer phone in average of 5 minutes or less. • Complaints answered in an average of 2 days or less.
Revenue Collection <ul style="list-style-type: none"> • Collect payments from customers on behalf of the City; • Transfer cleared balances into the City's bank account daily. 	<ul style="list-style-type: none"> • Must penny balance and reconcile daily receivables with deposits.
Management of Delinquent Accounts <ul style="list-style-type: none"> • Provide collection services including monitoring of aging debt; • Provide best practice collections: strategies 	<ul style="list-style-type: none"> • Must adhere to collections schedule as specified.

<p>for collecting outstanding A/R including bill messages, letters, late payment charges, phone calls and notice of intent to lien.</p>	
<p>Lien Processing</p> <ul style="list-style-type: none"> • Transfer control to City for the pursuit of outstanding A/R through a lien after normal collection processing has been exhausted. 	<ul style="list-style-type: none"> • Must provide City with accurate customer information that complies with County's records.
<p>Financial & Operational Compliance</p> <ul style="list-style-type: none"> • Comply with City's financial regulations and policy and permit auditing to determine compliance; • Comply with Municipal Code and Federal & State laws, particularly relating to data security. 	<ul style="list-style-type: none"> • Must comply with Municipal Code • Must comply with data security and privacy laws.
<p>Reporting & City Access to Data</p> <ul style="list-style-type: none"> • Provide reporting and access to data and systems to City to support the measurement of service levels and the appropriate financial and operational reporting. 	<ul style="list-style-type: none"> • Read only access to all data granted to City staff, supported by reporting and technical support.

The terms also address services that may be required of the contractor upon contract termination.