



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kerrie Romanow

**SUBJECT:** NON-PROFIT CHARITABLE  
REUSER SERVICES AGREEMENTS

**DATE:** May 14, 2012

Approved

Date

5/22/12

## 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, 2011, through June 30, 2012, with a total maximum annual compensation for the period through June 30, 2012, not to exceed \$249,323 for Goodwill of Silicon Valley; \$88,109 for the Salvation Army; and \$4,340 for HOPE Services.

## OUTCOME

The agreements will support these Non-Profit Charitable Reusers in providing San José residents recycling services for discarded household items and support the organizations in their efforts to provide beneficial social services programs in the community. The Non-Profit Charitable Reuser program also supports the City's Green Vision Goal #5 - Divert 100% of waste from Landfill and Convert Waste to Energy.

## BACKGROUND

A Non-Profit Charitable Reuser (NPR), as defined in Section 501(c) (3) of the Internal Revenue Code of 1986, is a charitable organization, or a distinct operating unit or division of a charitable organization, that reuses and recycles donated goods or materials and receives more than fifty percent of its revenue from the handling and sale of those donated goods or materials. NPRs play a significant role in the City's overall strategy to divert reusable and recyclable materials from landfills. These salvage and reuse operations help the City to meet the statutory waste diversion requirements of the California Integrated Waste Management Act of 1989. NPRs receive donations from individuals in varying condition and value. While some items are saleable, in both local and export markets, others items are not and must be recycled or disposed. NPRs are responsible for the cost to dispose of non-saleable items including disposing of waste from illegal dumping at their collection sites.

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The City began supporting NPRs in 1992 following the approval of the Disposal Facility Tax (DFT), which increased disposal costs by nearly \$10 per ton and the effective commercial solid waste collection fees by approximately \$20 per ton. At that time, the Goodwill facility on North 7th Street was one of the largest waste generators in the City, in part because of the amount of trash dumped at their donation locations located throughout the City. The DFT increase would have cost Goodwill in excess of \$200,000 per year in additional fees. Several smaller facilities, operated by The Salvation Army, the Society of St. Vincent de Paul and Hope Services, were impacted in a similar manner. Each of the four San José reuse facilities diverted more than 1,000 tons per year from local landfills.

The City worked with Goodwill and the staff of then-Assemblyman Byron Sher to draft a bill that allowed cities to waive the Source Reduction and Recycling Fees authorized by Sher's Integrated Waste Management Act of 1989 (AB939). Soon after the bill was chaptered, Council approved an amendment to the Municipal Code to waive the City's recycling fee for NPRs. Council also approved contracts reimbursing NPRs for their increased costs of commercial solid waste collection and disposal services. The fee waivers and reimbursements were not offered to smaller organizations with single thrift shops, primarily because their size and stricter acceptance requirements resulted in much lower disposal cost impacts, and did not include out-of-town facilities.

Prior to 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 their disposal costs attributable to Commercial Solid Waste Franchise Fees and DFT.

In 2007-2008, Council adopted a resolution to discontinue funding based on reimbursement of solid waste fees paid, and instead began funding based on the NPRs' ability to meet base recycling and diversion goals. At that time, \$488,000 in budgeted funding was divided proportionally amongst the three NPRs in the DFT Reimbursement Program. The NPRs must 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 from the prior year to meet the revised program requirements. 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 reuse, in addition to quantifying the amount of e-waste collected. At this time, the total funding available for this program is \$341,000, and this cost is offset by Recycle Plus late fee revenue in the Integrated Waste Management Fund.

The following current program participants are NPRs that have collection sites, facilities and retail outlets in San José:

Goodwill of Silicon Valley

Goodwill diverts material from local landfills by selling donated goods at its 13 retail

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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. The Environmental Services Department also has a separate agreement with Goodwill for a 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 programs. The income from the recycled materials provides the major sources of funding for this program.

#### HOPE Services

HOPE Services provides comprehensive services to more than 2,500 individuals with developmental disabilities. They have been providing work training, job placement, professional counseling and daily activities program for children, adults and seniors with developmental disabilities for over 50 years. HOPE's donation pickup service provides free home pickups of clothing and small household items. Donated items are then resold at the HOPE Station store in Fremont or at the chain of Savers thrift stores throughout California, including a location near San Carlos Street and Bascom Avenue in San José. Store proceeds directly benefit HOPE clients with job training, job placement and independent living services.

### ANALYSIS

There is an increasing number of NPRs collecting donations in San José. Some of them operate unattended donation boxes, process and sort the items outside of San José, and ship the items overseas for sale in third world countries. Historically, this program had provided monetary support for NPRs (per the state and local definition) that collect, sort, and sell to local reuse and recycling operations in San José. A component of this program that is key in supporting the City's environmental goals is that items are collected, sorted, and reused in San José, and are made available free or inexpensively through retail or social services outlets here in our community. The donated items are first reused in our community and then excess saleable merchandise is sold elsewhere to support the NPR's social services programs. The value of the job training and social services that these organizations offer provides additional benefit to the City.

Given the above, staff uses the following program parameters to determine eligible participants:

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- Participants must be Non-Profit Charitable Reusers as outlined by the State Public Resources Code (prc:41900-41904),
- Participants must have a sorting or processing operation or facility in San José, and
- Participants must have a retail outlet in San José which makes the reused items available to residents free of charge or inexpensively.

The Recycling and Reuse Report reporting period is April 1 to March 31 of each year. In order to receive funding, the City requires 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 2011-2012, with the same reporting requirements.

### **EVALUATION AND FOLLOW-UP**

Staff will include an evaluation of this program as part of the 2012-2013 report recommending NPR services agreement for 2012-2013.

### **PUBLIC OUTREACH/INTEREST**

These recommendations do not meet any of the below criteria; however, it will be posted on the City's website for the June 5, 2012 City Council agenda

- 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.

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**BUDGET REFERENCE**

Fund #	Appn. #	Appn. Name	RC.	Total Appn.	Amt. For Contract	Adopted 2011-2012 Operating Budget	Last Budget Action (Date, Ord. No.)
423	0762	ESD Non-Personal/ Equipment	500524	\$3,820,642	\$341,772	XI-50	10/25/2011 Ord. No 28987

\*These costs are 100% offset by Recycle Plus late fees.

**CEQA**

Not a Project, File No.PP10-066 (e), Services that involve no physical changes to the environment

/s/  
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Acting Director, Environmental Services

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