



DATE: January 28, 2020

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Recology Scope of Services and SMaRT Station Negotiating Parameters**

RECOMMENDATION

1. Approve the scope of services to be provided to Recology for a services and pricing proposal.
2. Approve negotiating parameters, providing overall direction to staff for discussions with City of Sunnyvale regarding a future SMaRT® Station Memorandum of Understanding.

BACKGROUND

Mountain View’s solid waste and recycling collection, processing, and disposal system is made up of services provided by three separate entities under different agreements, as shown in Table 1. These three agreements represent costs of over \$26 million in Fiscal Year 2019-20 (representing 75 percent of Solid Waste Fund expenditures) and the agreements expire near the end of 2021.

Table 1 – Current Solid Waste Agreements		
Provider	Service Type	Agreement Time Period
Recology Mountain View	<ul style="list-style-type: none"> ▪ Collect garbage, recycling, and organics from residences, businesses, schools, and construction sites and haul to the Sunnyvale Materials Recovery and Transfer (SMaRT) Station ▪ Compost organics collected from businesses ▪ Operate a local recycling center 	April 2013 to October 2021
Sunnyvale SMaRT Station	<ul style="list-style-type: none"> ▪ Process garbage, bulky goods, and construction debris to remove recyclables ▪ Sort and market recyclables ▪ Transfer remaining waste to landfill 	October 1991 to October 2021

Table 1 – Current Solid Waste Agreements		
Provider	Service Type	Agreement Time Period
Waste Management	<ul style="list-style-type: none"> ▪ Dispose solid waste from SMaRT Station at Kirby Canyon Landfill 	September 1991 to December 2021

The City has been engaged in a multi-step process to establish new agreements for the post-2021 time period. The first step was to prepare a Zero Waste Plan to identify programs and contractual elements to help the City achieve a goal of 90 percent diversion by 2030. The Plan was adopted by the Council on [October 29, 2019](#). At the same meeting, Council evaluated several options for procuring new agreements and directed staff to enter into negotiations with the current service providers, beginning in January 2020 with Council review of a scope of services for the Recology agreement and concurrence with the City’s interests and outcomes for a SMaRT Station Memorandum of Understanding (MOU). Staff was further directed to report back to Council in June 2020 on the status of the negotiations. If it is determined that negotiations are not proceeding well, the Council could end the negotiations and pursue competitive bidding for one or more of the agreements.

To form the basis for the negotiations, Council is requested to review and approve a scope of services for the Recology agreement and a set of negotiating parameters for the MOU discussions with the City of Sunnyvale and other potential SMaRT partner cities, as previewed at the October 29, 2019 Council meeting and further outlined below.

ANALYSIS

Recology Scope of Services

The scope of services for Recology is structured to include “Base Services” and “Optional Services.” All existing services currently provided will be retained and included in the Base Services. In addition, there are some new services proposed which are derived directly from the Zero Waste Plan initiatives or from the recently adopted Senate Bill (SB) 1383 regulations (reviewed by Council on [June 11, 2019](#)), which will also be included in the Base Services. Staff will request overall pricing from Recology for all Base Services (existing and proposed). Optional Services will be priced individually to allow for selection of some, none, or all of the services. The Council will have the opportunity to choose the final scope of services to be included in the new agreement based on cost and other evaluation factors following staff’s evaluation of Recology’s proposal. Proposed Base and Optional Services are discussed below.

The entire agreement will also be reviewed to incorporate performance issue corrections, current industry best practices, and legal compliance. Attachment 1 includes a list of some of the key agreement provisions that may be modified. In addition, the City's consultant team will be performing a financial and operational pro forma, which could result in additional proposed changes. The purpose of the pro forma is to compare the services and costs currently being provided by Recology against industry standards. The pro forma can then be modified to reflect the revised scope of service costs proposed for the new agreement.

Existing Base Services

- Single-Family Curbside—Trash, recycling (every other week split carts), and organics collection. Includes limited extra set-outs of recycling/organics and battery, fluorescent bulb, cell phone, cooking oil, and motor oil/filter collection. Backyard service available for seniors and people with disabilities.
- Multi-Family Group—Trash and recycling (weekly dual carts or bins). Includes battery, fluorescent bulb, cell phone, and cooking oil collection by arrangement with property manager.
- Commercial and City Facility—Trash, recycling (carts or bins), and organics collection.
- Roll-Off Service—For construction and demolition debris and large amounts of trash, recycling, and organics.
- Holiday Tree Collection—All residential properties.
- Recycling Center—Recycling drop-off and California Redemption Value (CRV) buy-back services.
- Technical Assistance—For commercial and multi-family customers and special events.

New Base Services

- Mandatory Organics and Recycling Collection—For all customers, including multi-family (SB 1383 compliance).

- Expanded Technical Assistance—To support mandatory participation and monitoring for SB 1383 compliance and to implement Zero Waste Events and Venues.
- Technical Assistance to Public and Private Schools—Including custodial training, containers, outreach materials, and assemblies.
- Improved On-Call Plus Program—To increase reuse of collected materials and include textiles and possibly other hard to recycle materials. This could be a change to the existing program or the addition of a quarterly collection event.
- Multi-Family Bulky Item Collection—Allow limited free collection of bulky items (e.g., furniture and appliances) from apartments.
- Container Colors and Labeling—Bring all containers into compliance with SB 1383.
- Electric Collection Vehicles—Pilot an electric trash or recycling collection vehicle.
- Support Food Rescue Programs—To assist City with SB 1383 compliance, possibly through monetary donations to help food rescue organizations build their capacity to accept food donations.

Optional Services

- Single-Family Curbside Weekly Recycling Collection—Collection is currently provided every other week.
- Commercial Organics Compost Processing—This service is currently provided by Recology at their Blossom Valley North Composting facility in Vernalis, California.
- Residential Organics Compost Processing—This service is currently provided by Recology at their South Valley Organics facility in Gilroy through an agreement with the SMaRT Station operator. Obtaining pricing will allow the City the option of contracting directly with Recology for this service.
- Construction and Demolition Debris Box Processing—In keeping with the Zero Waste Plan initiative to increase diversion of construction and demolition waste, staff is looking at various ways to utilize specialized facilities. This could include Recology being responsible for contracting with the facilities, direct contracting by the City, or through the SMaRT Station.

- **Commercial Recycling Processing**—The SMaRT Station currently provides this service. However, the equipment at SMaRT was not designed to process the mixed recycling of our commercial program and, thus, some of the recycling is lost to landfill. A retrofit of the equipment solely for this purpose is estimated to be very expensive, and the partners may not be interested in this investment. One option is to have Recology contract directly with another facility to process commercial recycling.

SMaRT Station MOU Negotiating Parameters

The cities of Mountain View, Palo Alto, and Sunnyvale entered into a long-term MOU for the construction and operation of a materials recovery and transfer station in 1991, now known as the SMaRT Station. The MOU has a term of 30 years and is closely tied to the landfill disposal agreements each city had negotiated collectively and cooperatively with Waste Management for the same length of time.

Initial meetings with Sunnyvale have been focused on diversion needs of the partners and how to best achieve increased diversion through retrofits of the equipment. Future meetings will focus on refinement of diversion goals, capital and operating cost estimates, and development of MOU terms. The following are topics staff believes need to be addressed during these meetings to develop an MOU acceptable to Mountain View.

- **Agreement Term.** The previous 30-year term was driven at the time by a desire to secure landfill capacity in an environment that predicted scarcity and the need to fund a large capital expense to build the initial processing facility. These concerns are not as relevant today. Staff will consider a term no longer than 20 years but believes that a 15- or even a 10-year term is viable and will negotiate for a length that will best serve the City.
- **Member Agencies.** It appears possible that only two member agencies will be party to the MOU—Mountain View and Sunnyvale. Although Palo Alto is only utilizing a 10 percent share of the facility, the initial planning report did not anticipate this scenario, so it will be necessary for staff to understand the implications of reduced cost sharing and increased risk. In addition, the MOU will need to specify the conditions under which future partners or users will be considered.
- **Processed Materials.** Staff will be seeking flexibility in the initial discussions about materials to be processed at the SMaRT Station. To further Zero Waste Plan initiatives, staff will be looking at the possibility of utilizing other local facilities for

construction and demolition debris (Sunnyvale is also interested in this possibility). It is also important for the City to evaluate the best way to ensure continued capacity and cost assurance for composting residential organics (yard trimmings and food scraps). In addition, staff will want to discuss ways to increase plastic recovery at the SMaRT Station, possibly through partnership with a future regional plastics recovery facility or conversion of nonrecyclable plastics into reusable chemicals.

- **Completion Dates.** Staff will be seeking to establish deadlines for completion of the MOU, the design and permitting process, and construction of the new facility improvements with appropriate incentives and penalties for achieving them. This is important because upgrades to the facility cannot be started until a new MOU is in place, and improved diversion is dependent on the facility upgrades.
- **Diversion.** Cost and diversion estimates are very preliminary at this point. Staff will need to evaluate the projected future diversion through the SMaRT Station and the estimated cost per diverted ton. The future diversion will need to be sufficient to meet zero waste diversion targets and do so in a cost-effective manner.
- **Cost-Sharing Methodology.** The current cost sharing methodology is based primarily on the percentage of incoming garbage tons. Therefore, costs fluctuate depending not only on changes occurring in Mountain View, but also in the other cities. Optional cost-sharing methodologies must be fully evaluated, including paying defined processing fees per ton that are only adjusted by defined indices such as the Consumer Price Index.
- **Operator Contract.** The SMaRT Station is operated under a contract with the City of Sunnyvale. The current operator is Bay Counties Waste Services. The contract term is typically 7 to 10 years. While Mountain View staff has been invited in the past to participate at various levels in the operator selection process, the MOU is silent on a general structure for the operator. It is important that the general parameters for the operator's financial structure be outlined in the MOU, along with a process to make changes if needed. Such a structure needs to be aligned with standard industry practices and properly incentivized diversion activities.

Next Steps

Staff will begin meeting with Recology in February to discuss the proposed scope and agreement changes. Recology will submit their proposal documents in April for evaluation by City staff. For the SMaRT Station MOU, meetings with Sunnyvale have already begun and are expected to continue on a regular basis.

In June 2020, the Council will review the status of the negotiations with all the current service providers and decide whether to continue or revert to a competitive bidding process for one or more of the service agreements. If the negotiations continue, it would be desirable to have Council approval of the new agreements by the end of 2020. Should Council decide to end negotiations and seek bids, a Request for Proposals could be issued in September 2020 and new agreements likely in place by summer 2021.

FISCAL IMPACT

Abbe and Associates is assisting the City with the Recology and SMaRT Station negotiation processes under an existing multi-task contract for \$356,800 that was approved by the City Council on September 4, 2018. The scope of work for this contract includes performing a characterization of disposed waste, developing the Zero Waste Plan, analyzing options for developing new collection, processing and disposal agreements, assisting with the negotiation and development of those new agreements (including a financial pro forma of the Recology agreement), and preparation of any required environmental documents.

Costs and rate impacts associated with the individual service agreements will be evaluated by the Council during the approval process for those agreements.

CONCLUSION

As directed by Council, staff has begun the process of negotiating new solid waste service agreements with existing providers. Council is requested to approve: (1) a general scope of services for the Recology agreement, which includes new services to meet zero waste goals and legal requirements and some optional services to be priced individually; and (2) general negotiating parameters to frame discussions with the City of Sunnyvale to develop a new SMaRT Station MOU. Council will review the status of the negotiations in June 2020.

ALTERNATIVES

1. Modify the proposed scope of services for the Recology agreement or the negotiating parameters for the SMaRT Station MOU.
2. Provide other direction.

PUBLIC NOTICING

Agenda posting, e-mail sent to community members and stakeholders on the zero waste interest list, and social media posts.

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944-01-28-20CR
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Attachment: 1. Key Recology Agreement Provisions