



DATE: October 29, 2019

CATEGORY: New Business

DEPT.: Public Works

TITLE: **Procurement Options for New Solid Waste Agreements**

RECOMMENDATION

Authorize staff to begin negotiations with the current service providers for solid waste collection and processing services and report back on the status of the negotiations in June 2020 to determine if negotiations should continue:

- Recology for collection and organics composting services;
- City of Sunnyvale for processing, transfer, and related services at the SMaRT® Station, conditioned upon agreement by Sunnyvale for a short-term extension of the current MOU if needed; and
- Waste Management for disposal services at Kirby Canyon Landfill.

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 (see Table 1 below). These three agreements are budgeted at over \$26 million in Fiscal Year 2019-20 (representing 75 percent of Solid Waste Fund expenditures) and expire near the end of 2021.

Abbe and Associates was engaged in 2018 to assist the City with the preparation of a Zero Waste Plan and development of new collection, processing, and disposal agreements for the post-2021 period.

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
Waste Management	<ul style="list-style-type: none"> • Dispose solid waste from SMaRT Station at Kirby Canyon Landfill 	September 1991 to December 2021

The Zero Waste Plan, which was reviewed by the City Council at a Study Session on June 11, 2019, is scheduled for approval on this same October 29, 2019 City Council Agenda (Consent Calendar). The 39 initiatives in the plan will be considered during development of new collection, processing, and disposal agreements. The options available to the Council for development of these new agreements are discussed in detail in this report.

Further background on each existing agreement is provided below.

Recology Collection Services Agreement

Recology provides garbage, recycling, and organics collection services to all residential and commercial customers and hauls these materials to the Sunnyvale Materials Recovery and Transfer (SMaRT®) Station. Recology also composts organics collected from businesses (commercial food scraps) at a facility they own in Vernalis (with transfer from San Jose) and operates a recycling center in Mountain View on Terra Bella Avenue.

Around 1940, Foothill Disposal began providing collection services in Mountain View. Foothill was acquired by NorCal Waste Systems, which later changed its name to Recology. To staff's knowledge, the collection contract has never been subject to a competitive bidding process; it has always been renewed or renegotiated. The current contract was negotiated in 2012 and expires on October 14, 2021 and includes an option for the City to extend on the same terms and conditions for up to a maximum of four years, in one-year or multiple-year increments.

Budgeted expenses for Recology collection services in Fiscal Year 2019-20 are \$17.5 million. An additional \$0.5 million is budgeted for commercial food scraps composting services. As shown in Table 2, the City is receiving good value from Recology for collection services according to a benchmarking analysis of 2018 costs prepared by the City's consultants.

Table 2 – Benchmark Collection Costs		
City	Cost Per Ton	Cost Per Person
El Cerrito	\$328	\$223
Marin Group	\$298	\$240
Milpitas	\$109	\$119
Menlo Park	\$135	\$159
Palo Alto	\$136	\$175
Redwood City	\$143	\$119
SBWMA	\$156	\$131
San Francisco	\$282	\$243
Santa Cruz County	\$172	\$115
Mountain View	\$133	\$131
Average	\$195	\$169

Over the years, staff has generally felt that customer service provided by Recology was good. Recently, the number of complaints or concerns received by staff has increased. Issues, such as repeated missed pickups, service not delivered as or when promised, late On Call Plus pickups, and early collections (prior to 7:00 a.m. in residential areas) have been brought to the attention of staff on a more frequent basis in the last two years. Staff continues to address these issues with Recology but believes some changes will be needed in the next collection-provider contract – whether it is with Recology or another company.

SMaRT Station Processing Services MOU

The SMaRT Station processes all garbage, bulky goods, and construction debris to remove recyclable materials. Recyclables are sorted and prepared for market. Residential yard trimmings (with food scraps) are ground and transferred for composting at a facility in Gilroy owned by Recology. Residuals remaining after sorting and processing are transferred to landfill.

Mountain View, Palo Alto, and Sunnyvale entered into the long-term Memorandum of Understanding (MOU) for the construction and operation of a materials recovery and

transfer station in 1991. The MOU has a term of 30 years and is closely tied to the disposal agreements each city had negotiated collectively and cooperatively with Waste Management for the same length of time. The MOU expires on October 15, 2021. Extensions are not provided for in the existing MOU.

Budgeted SMaRT Station expenses (including landfill disposal) for Fiscal Year 2019-20 are \$8.33 million. It is difficult to benchmark the processing costs for the services received at the SMaRT Station as processing agreements vary widely by city, facility, the type of services provided, and the terms of the agreement.

The City of Sunnyvale has been leading a strategic planning process related to the future of the SMaRT Station. On May 14, 2018, the Council adopted a resolution authorizing staff to engage in discussions with Sunnyvale and other interested cities about a future MOU. The resolution did not commit the City to entering into a partnership or an MOU with Sunnyvale. Cupertino and Santa Clara joined the existing partner cities in these initial discussions. The current status of each of the cities that participated in the discussions is provided below:

- Palo Alto recently approved an extension of their agreement with GreenWaste of Palo Alto until June 2026. In addition to collection services, GreenWaste processes all recyclable, compostable, and construction and demolition materials for Palo Alto. The Palo Alto Council previously directed staff to issue a Request for Proposals (RFP) for mixed-waste (garbage) processing and landfill disposal services. Palo Alto staff recently informed Sunnyvale they would also now recommend to their Council that Palo Alto participate in SMaRT MOU negotiations along with other interested cities for these same services, in addition to issuing the RFP.
- The Santa Clara City Council provided direction to its staff at a September 17, 2019 Study Session to: finalize terms with Mission Trails Waste Systems to extend their garbage, organics, and commercial recycling collection agreement; finalize terms with Recology to extend their residential recycling collection agreement; and negotiate with GreenWaste Recovery for mixed-waste (garbage) processing, recycling processing, and transfer and disposal services. Sunnyvale did not submit a response to Santa Clara's recent Request for Information (RFI) for materials processing services, and it appears that Santa Clara is not pursuing the utilization of the SMaRT Station at this time.
- It is unknown at this time whether Cupertino has continued interest in using the SMaRT Station in the future.

Waste Management Kirby Canyon Disposal Agreement

A 30-year agreement with Waste Management for disposal at the Kirby Canyon Landfill located in South San Jose was executed in 1991 and requires that Mountain View waste be delivered via transfer from the SMaRT Station; direct hauling is not allowed. The agreement allows extension for up to 10 years in unspecified time periods, on the same terms and conditions, upon notice provided one year prior to expiration.

Landfill disposal costs are included in the SMaRT Station expenses noted above. The amount paid by Mountain View for disposal varies from year to year based on a number of factors but currently ranges between \$62 and \$63 per ton. Landfill disposal prices paid by other nearby cities are not readily available for comparison. However, Milpitas recently entered into an agreement with Waste Management for disposal at Kirby Canyon at a current effective rate of about \$53 per ton. In addition, the South Bayside Waste Management Authority (serving 12 San Mateo County jurisdictions) recently received landfill disposal pricing from Republic Services (Ox Mountain Landfill in Half Moon Bay) and Waste Management (Kirby Canyon Landfill in San Jose), which ranged from \$43 to \$55 per ton, depending on the length of the agreement.

Other Service Providers

Table 3 provides an overview of the major service providers that may be available to Mountain View and the services they provide. Service providers that do not own nearby processing facilities or landfills will often partner with those that do to provide a full package of services to a city. For example, Recology provides collection services to the City of Cupertino and has an agreement with GreenWaste Recovery to process the recycling they collect. Cupertino has its own agreement with Republic Services for disposal at Newby Island Landfill.

Table 3 – Major Service Providers and Facilities

	GreenWaste Recovery	Recology	Republic	Mission Trails/ Specialty	Waste Management	SMaRT Station
Collection	X	X	X	X	X	
Recyclables Processing ¹	Single Stream		Single Stream		Single Stream	Dual Stream
Mixed Waste Processing ²	X		X		X ⁵	X
Organics Composting	X	X	X		X	
Construction & Demolition Processing	X		X		X	X
Landfill Disposal			X		X	
Transfer to Landfill ³	X	X ⁴		X		X
SCC Cities Served	San Jose, Los Altos Hills, Palo Alto	Cupertino, Morgan Hill, Gilroy, Mountain View	San Jose	Milpitas, Santa Clara, Los Altos, Sunnyvale, San Jose		Sunnyvale, Palo Alto, Mountain View
<p>¹ Single Stream recycling is a system where residents and businesses can place all types of recyclables (paper, cardboard, glass, plastic, aluminum, etc.) into one collection container. Dual Stream recycling uses a split container or separate containers to separate paper from glass, plastic, and aluminum containers. The facility equipment determines the type of collection service offered. Mountain View currently uses dual stream recycling for residents.</p> <p>² Mixed Waste processing is the mechanical and manual sorting of materials from the garbage container to remove recyclables prior to landfilling.</p> <p>³ Most landfills are located too far from Mountain View to allow direct hauling of garbage from each individual collection vehicle, requiring the need for a local facility where the garbage can be aggregated and then transferred in larger quantities.</p> <p>⁴ Pending permit approval.</p> <p>⁵ Waste Management’s processing facility is located in San Leandro (Davis Street Resource Recovery Complex and Transfer Station).</p>						

ANALYSIS

Staff has identified three procurement options for obtaining collection, processing, and landfill disposal services:

Option 1: Direct Negotiation with Existing Service Providers. Negotiate a new long-term collection agreement with Recology and a new long-term MOU with Sunnyvale

for use of the SMaRT Station. Landfill disposal can either be negotiated directly with Waste Management or as part of the SMaRT Station MOU.

Option 2: Competitive Bidding. Initiate a single competitive procurement process for all services through the issuance of an RFP.

Option 3: Competitive Bidding Plus Direct Negotiation. Initiate a competitive bidding process for collection services through the issuance of an RFP and negotiate a new long-term MOU with Sunnyvale for use of the SMaRT Station. Landfill disposal can be negotiated directly with Waste Management as part of the SMaRT Station MOU and/or included in the collection services RFP.

Each option is discussed in detail below and then evaluated based on the following criteria: diversion potential, cost, risk, capacity/facility availability, and customer convenience. The schedule presented for each option is based on the ideal of having new agreements in place at least 12 months prior to the start of services to allow for transition and acquisition of new trucks, equipment, personnel, and operation yards as needed.

Option 1: Negotiate with Existing Service Providers

The City would enter into negotiations directly with Recology, Sunnyvale, and Waste Management. Staff recommends establishing a deadline of June 2020, by which time staff would evaluate the status of the negotiations and ask Council to decide whether to continue talks or revert to a competitive bidding process.

Recology Agreement. Implementing this option presumes the Council feels the quality of services currently provided is good. While staff has noted some concerns, they are of a nature that can probably be addressed in a negotiation process. To negotiate a new service agreement with a likely term of 10 years for collection and composting services, Recology would receive a “mini-RFP” outlining the additional or revised services desired and then respond with pricing and other detailed information for City review. The City’s consultant would utilize a benchmark pro forma to evaluate costs or proposed services.

SMaRT Station MOU. Sunnyvale recently provided a report with an analysis of refurbishing the SMaRT Station to fit a variety of different development options, each serving a unique mixture of potential member agencies. The study explored different ways of renovating or improving each of the existing processing systems—mixed waste, curbside recycling, and yard trimmings/wood. The intent of the report is to

provide the basis for more formal discussions with current and potential partners to refine pricing and develop a new draft MOU.

Pursuing Option 1 presumes the Council has an interest in continuing to use the SMaRT Station for materials processing and other services. In staff's opinion, the long-established relationship with Sunnyvale as a party to the SMaRT MOU has worked well and could continue to do so. However, staff has some concerns which have been raised with Sunnyvale and would need to be addressed in further discussions:

- Sunnyvale has a history of taking longer than anticipated to complete projects. The development options report discussed above was completed about eight months later than scheduled. This is of concern because upgrades to the facility cannot be started until a new MOU is in place, and improved diversion is dependent on the facility upgrades. Some kind of assurance or penalty for missed deadlines during the negotiation and capital improvement construction processes is needed.
- Additional information regarding the assumptions which form the basis of the proposed options is needed for staff and City consultants to evaluate cost and diversion conclusions.
- The current cost-sharing methodology, which is based on incoming garbage tons alone, can result in unexpected costs at the annual reconciliation. Measures to provide more cost certainty and add cost-containment provisions to the operator's contract are desired.
- Various issues faced by the contracted operator, such as the current lack of transportation options, can negatively affect diversion. While this can happen at any facility, the City has little recourse to encourage correction through the existing MOU.

Landfill Disposal Agreement. Staff believes the City is currently paying above-market prices for landfill disposal. Because landfill disposal is closely tied to mixed-waste processing (the processor delivers the residual waste to a landfill), issuing an RFP for disposal services alone is not recommended. If the City continues to utilize the SMaRT Station, including for mixed-waste processing, then attempting to negotiate an extension of the Waste Management agreement is a logical first step as Sunnyvale has an agreement to send residual waste from the SMaRT Station to Kirby Canyon through 2031. If either collection or processing service negotiations are unsuccessful, and the City reverts to a bid process, landfill disposal services could be included in an RFP at that time.

The schedule for Option 1 is presented below. As noted earlier, if negotiations with the existing providers are not proceeding well, the City would pursue competitive bidding; however, that process would not be completed in time for service providers to begin in October 2021. Therefore, extension of the current agreements for a short period of time, likely 6 to 12 months, would be necessary. The Recology and Waste Management agreements already allow for this possibility. The SMaRT MOU does not; therefore, staff recommends that an agreement with Sunnyvale for a short-term extension to the current MOU be a condition of Mountain View engaging in negotiations.

Option 1 Schedule		
Authorize Negotiations	January 2020	Council approves negotiating parameters for SMaRT MOU and scope for Recology services.
Negotiation Status	June 2020	Council authorizes continuation of negotiations or reverting to bid process.
EITHER		
Recology Agreement Approval	October 2020	
SMaRT MOU Approval	June 2021	It would be highly desirable for the SMaRT MOU to be completed sooner, but this is the latest agreement should be reached.
New Services Begin	October 15, 2021	
OR		
Issue RFP for Needed Services	September 2020	RFP could be for collection only, collection and landfill disposal or all services.
Agreement Approvals	June 2021	
New Services Begin	July 2022	

Option 2: Competitive Bidding for All Services

The City would initiate a competitive bidding process with the issuance of an RFP requesting proposers to provide all needed services, either using their own companies and facilities or through subcontracts with other companies. In order to meet desired timelines if this option is chosen, staff would need to work quickly to develop a full scope of services for Council review in January 2020 so that an RFP can be issued in early February. As noted previously, there are a number of reputable companies that would be interested in and capable of providing services to Mountain View. However,

this option would mostly likely exclude the possibility of utilizing the SMaRT Station as Sunnyvale has stated they are interested in SMaRT Station partners and not in being a service provider. They are unlikely to respond to an RFP.

Option 2 Schedule		
Authorize Bid Process	January 2020	Council approves Scope of Services for collection and processing.
Issue RFP for All Services	February 2020	
Recommend New Service Providers	September 2020	Council authorizes negotiation of agreements with selected service providers.
Approve New Agreements	December 2020	
New Services Begin	October 15, 2021	

Option 3: Competitive Bidding Plus Direct Negotiation

An RFP would be issued for collection and compost processing services to replace the existing Recology agreement, and negotiations would begin with Sunnyvale for a SMaRT Station MOU and Waste Management for landfill disposal services. There are other companies willing to provide these services to Mountain View, although a bid package that includes all services (Option 2) would likely attract more and better proposals.

As with Option 1, staff recommends establishing a deadline of June 2020 by which the Council would evaluate the status of the negotiations and decide whether to continue or revert to a competitive bidding process. To maintain the option of issuing an RFP for all services, rather than just for collection services, staff recommends delaying issuance of the collection services RFP. This will allow time to report on the status of the MOU negotiations. If the Council decides to revert to competitive bidding for processing and/or disposal services, then one RFP for all the needed services could be issued. In other words, while the Council would be deciding now to issue an RFP for collection services, that RFP would be delayed until the status of the MOU negotiations is reviewed.

Option 3 Schedule		
Authorize SMaRT MOU Negotiations	January 2020	Council approves negotiating parameters for SMaRT MOU.
Negotiation Status	June 2020	Council authorizes continuation of SMaRT MOU negotiations or reverting to bid process.
Issue RFP for Needed Services	September 2020	Following Council approval of scope of services. RFP could be for collection only, collection and landfill disposal, or all services.
Agreement Approvals	June 2021	
New Services Begin	July 2022	

Evaluation of Options

Each of the three options has been evaluated based on the following criteria:

Diversion Potential. The likelihood or ability of the option to deliver the programs identified in the Zero Waste Plan over the next 5 to 10 years and to meet new State diversion regulations (as required by SB 1383).

Cost. The relative cost of the option as compared to the other options. The assessment is relative in nature, so “low” does not necessarily mean low cost but lower relative to other options.

Risk. The degree to which the option poses operational risk (e.g., impacts to services such as short-term disruptions from contractor transition), and contractual risk (e.g., contract changes more or less advantageous to the City).

Capacity/Facility Availability. A “low” rating means little to no available facility capacity to receive, process, transfer, or dispose of materials. A “high” rating means significant available capacity exists to receive, process, transfer, and/or dispose of materials. Lack of capacity can negatively affect competitive bidding or negotiating outcomes.

Customer Convenience/Access to a Transfer Station. The extent to which self-haul (public) customers and/or City operations have access to a transfer station facility in close proximity as compared to the current use of the SMaRT Station.

Table 4 summarizes the results of applying the criteria to each option and a discussion of the criteria relative to each option follows. Criteria with the best ratings for each

option are highlighted in red. Overall, Option 1 ranks slightly higher than Option 2 or Option 3.

Table 4 – Evaluation Scoring Summary			
	Option 1	Option 2	Option 3
Diversion Potential ¹	Medium	Medium/High	Medium
Cost ²	Medium	Low/Medium	Medium
Risk ²	Low/Medium	Medium/High	Medium
Capacity/Facility Availability ¹	High	Low/Medium	High
Customer Convenience ¹	High	Low/Medium	High
¹ High rating is better than low.			
² Low rating is better than high.			

Option 1 Evaluation

Diversion Potential and Cost. Zero waste services desired can be defined in the collection services scope but will be subject to negotiation for the SMaRT MOU, which will have to take into account the desires and positions of Sunnyvale as well as other potential partners. Recology is providing good value for collection and organics processing services, and the recent report provided by Sunnyvale indicates that while increased capital costs per participating city will be needed to upgrade the facility, they could be offset by economies of scale in operating costs, resulting in future overall costs similar to current costs. However, there are many unknown factors yet to be reviewed and discussed by potential partners.

Risk. There is minimal operational risk as there would be no change in service providers, allowing for smoother transitions for any new services. However, while both Recology and Sunnyvale should be considered highly motivated incumbents, the City cannot definitively know whether it could have achieved better contract terms without a competitive bidding process. Additional one-time expenses could be incurred should the negotiations fail and a competitive bidding process through an RFP process be pursued.

Capacity/Facility Availability. Both Recology and the SMaRT Station are capable providers that are known to have the capacity and ability to meet the City's desired outcomes for waste processing, dual-stream recycling, and organics processing/composting. In the case of dual-stream recycling, no nearby facility other than the SMaRT Station is currently offering this service. Given the current state of the recycling markets and the success the City has had marketing the clean materials

derived from the dual-stream residential recycling program (whereby paper is kept separate from containers), staff believes it is highly desirable to maintain this dual-stream system.

In addition, mixed-waste processing (sorting garbage to remove recyclables prior to landfilling) contributes to Mountain View's successful diversion efforts. Staff believes it will be even more important in the future given the State mandate under SB 1383 to divert at least 75 percent of organics from the landfill by 2025. Mixed waste processing can contribute greatly to the removal of organics from the garbage prior to landfilling. Organic fines (small pieces of material) currently comprise half of the total materials diverted from the garbage delivered to the SMaRT Station, and it is a service the SMaRT Station is clearly committed to.

Customer Convenience/Access to a Transfer Station. With this option, there is assured continued access to the services offered by a nearby transfer and disposal facility for residents, businesses, and City personnel.

Option 2 Evaluation

Diversion Potential and Cost. A competitive process can often result in more diversion innovation and capabilities than a direct negotiation with current providers. However, not all of the additional diversion anticipated by the Zero Waste Plan can be achieved through the collection and processing contracts. Legislation, behavior change, and similar actions are equally important components. A bidding process could yield better pricing for services, although there is also a risk that it will not. In the current recycling market, many cities with single-stream recycling programs have been approached by their service providers seeking help to offset losses.

Risk. Anytime a switch is made to new service providers, there is a risk of operational and transition problems. While Recology could win a new collection services agreement through a bidding process, the City would surely be working with a new processor as this option most likely eliminates the possibility of utilizing the SMaRT Station.

Capacity/Facility Availability. It appears there is sufficient collection, organics processing, single-stream recycling processing, and disposal capacity available through other providers. There is much more limited access to mixed-waste processing, with GreenWaste Recovery most likely the only other facility able to accommodate Mountain View in the near future. Staff is not aware of any other currently available processing provider for dual-stream recycling.

Customer Convenience/Access to a Transfer Station. Resident, business, and City personnel access to a nearby disposal and services site would likely be impacted, although it is possible a new service provider may be able to fill this gap.

Option 3 Evaluation

Option 3 has similar rankings as Option 1 for all categories except Risk. There is slightly higher operational risk if a new collection services provider is selected.

Next Steps

No matter which option is chosen, staff will return to Council in January 2020 to begin the process.

- For Option 1, Council would adopt a resolution committing Mountain View to an MOU negotiation process with Sunnyvale, detailing the City's interests and desired outcomes, and approve the scope of services for the Recology "mini-RFP."
- For Option 2, Council would approve the scope of services for a full RFP for collection, processing, and landfill services.
- For Option 3, Council would adopt a resolution committing Mountain View to an MOU negotiation process with Sunnyvale and detailing the City's interests and desired outcomes. The RFP scope of services for collection would be approved at a later time.

FISCAL IMPACT

Ruth Abbe and Associates will assist the City with the RFP and negotiation process under an existing contract with the City (CIP Projects 18-57 and 19-42). This contract has a maximum budget provision for this phase of \$150,955, which is to provide the services needed for a full RFP process under Option 2. Options 1 and 3 are expected to cost less, but if initial negotiations are unsuccessful under either of these options, a budget augmentation may be required to implement a bid process.

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

CONCLUSION

Three options for the procurement of new solid waste agreements have been presented. While staff usually recommends a competitive bidding process to procure new services in order to ensure the best price, there are unique circumstances with these solid waste services. Recology has provided good service to the City for many years, and their costs benchmark well. The SMaRT Station is not a typical service provider and would not likely be available for City use if a bid process is undertaken. Pursuing a negotiation process with the current providers also ranked slightly higher in the evaluation results. For these reasons, staff recommends the Council approve Option 1 and authorize negotiations with the current service providers. The status of the negotiations would be evaluated in June 2020, at which time the Council could choose to put any or all of the services out to bid through issuance of an RFP.

ALTERNATIVES

1. Authorize staff to begin a competitive bidding process for all new solid waste service agreements through issuance of an RFP (Option 2).
2. Authorize staff to begin a competitive bidding process for collection services and begin a negotiation process with the City of Sunnyvale for processing services at the SMaRT Station and with Waste Management for disposal services at Kirby Canyon Landfill (Option 3).
3. Provide other direction for a procurement process to establish new solid waste service agreements.

PUBLIC NOTICING

Agenda posting, notice sent to community members, stakeholders on the zero waste interest list, current vendors and partners, and other service providers, and social media posts.

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944-10-29-19CR-2
190482

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