



**DATE:** September 18, 2012

**CATEGORY:** New Business

**DEPT.:** Public Works

**TITLE:** **Final Agreement with Recology Mountain View for Recyclable Materials, Organic Materials and Solid Waste Services**

## **RECOMMENDATION**

1. Authorize the City Manager to execute an agreement with Recology Mountain View (Recology) to provide Recyclable Materials, Organic Materials, and Solid Waste Collection Services and Organics Processing Services for the term of April 27, 2013 through October 14, 2021.
2. Authorize the City Manager to amend a professional services agreement with HF&H Consultants, LLC, of Walnut Creek, California, for assistance in developing a new solid waste and recyclable materials collection agreement, Project 11-29, increasing compensation by \$10,000, for a total not-to-exceed fee of \$180,000.

## **BACKGROUND**

The City's current collection services agreement with Recology expires on April 26, 2013.

Previous City Council actions guiding the development and negotiation process for the new recyclable materials, organic materials, and solid waste collection services agreement include:

- The decision to grant Recology an Exclusive Right to Negotiate a new services agreement (September 13, 2011);
- Approval of a Request for Proposal to be presented to Recology for response (December 13, 2011);
- An initial review of the services proposal received from Recology, discussion of negotiating objectives for a final agreement with Recology, and input regarding

new services to implement as part of the new agreement (June 19, 2012, Study Session); and

- Direction to staff to negotiate a final agreement for recyclable materials, organic materials, and solid waste collection and organic processing services with Recology (June 26, 2012).

## **ANALYSIS**

The recommended agreement with Recology responds to the negotiating objectives approved by the City Council, includes new and modified services desired by Council, and contains enhanced contractual language providing greater clarity on important requirements of particular interest to the City (e.g., compensation review and adjustment, customer service call center, data reporting, etc.).

### **Collection and Processing Services**

Attachment 1 describes the services to be provided under the new agreement. All existing recycling and collection services will continue, with the addition of a number of new/improved services.

The services to be provided under the agreement are discussed below as either Base Services, services similar to those currently provided by Recology with some minor modifications, or Zero Waste Services, new services identified in the 2011 zero waste planning process that the City Council has endorsed for inclusion in the new agreement.

The new agreement will become effective on April 27, 2013; however, new services will not begin until July 1, 2013, the start of Fiscal Year 2013-14 (also referred to as Year 1 of the agreement).

### **Base Services**

New and improved Base Services provided in the recommended agreement are summarized below. Most of these services will be provided by Recology at little or no additional cost to the City:

- Multi-family yard trimmings collection;
- Extra recycling and yard trimmings set-outs (for occasional overflow);

- Curbside collection of used cooking oil, compact fluorescent bulbs, and cell phones;
- Expanded operating hours and drop-off (e.g., cooking oil, compact fluorescent bulbs, e-waste, mattresses) at the Mountain View Recycling Center;
- Semiannual reuse/drop-off events ("Environmental Days");
- Multi-family bin recycling program (for high-density developments with recycling chutes);
- Neighborhood Waste Reduction Rewards Program;
- Annual recycling clean-out service (for businesses and schools);
- Bin-For-A-Day clean-up service (for residents);
- Junk removal clean-up service (for residents and businesses); and
- Conversion of Recology's collection vehicle fleet from diesel to compressed natural gas as each vehicle is fully depreciated.

### **Zero Waste Services**

As directed by Council, staff obtained cost proposals from Recology for a number of new services to increase diversion. Table 1 lists the new Zero Waste Services currently proposed for the new agreement, with full descriptions of each new service provided in Attachment 1. Diversion from these programs is estimated at 5,150 tons. Should Council choose not to include any of these services, Recology's total compensation, as shown in the next section of this report, will be adjusted by the amounts shown in Table 1 prior to City Manager authorization of the agreement. Services for which proposed pricing was provided, but that staff recommended not be implemented during the term of this agreement, are described in Attachment 2.

TABLE 1 NEW ZERO WASTE SERVICES	
Service	Year 1 Cost
Limited Weekly Yard Trimmings Collection – during a specified 10-week "fall leaves" period	\$56,754
Enhanced Recycling Program – for multi-family and commercial customers	\$458,068
Organics (food scraps) Program – for commercial customers	\$420,296
Additional Recyclables Drop-Off – accept materials at Mountain View Recycling Center not currently accepted in the curbside program (e.g., milk cartons, aerosol cans, textiles)	None (Recology retains revenue from sale of materials)
Residential Food Scraps Collection Pilot – collect food scraps separate from yard trimmings	None (costs related to any future program based on pilot results will be negotiated per agreement)

### Optional Services

Also, as directed by Council, staff has negotiated cost proposals for two optional services, weekly residential recycling collection, and weekly residential yard trimmings collection.

- Weekly Recycling Collection: \$398,512
- Weekly Yard Trimmings Collection: \$417,033  
(with or without food scraps)

These represent Year 1 costs. If implemented in Year 2, costs would be slightly higher as they include projected inflationary increases. Should the City opt to implement either or both of these services in Year 3 or later, the costs will be escalated accordingly. Although weekly service would increase convenience to customers, it is relatively expensive in terms of cost-per-ton diverted. In addition, a majority of residents indicated they were not interested in paying extra for weekly services. However, implementation of either of these services could become desirable to capture incremental diversion as progress towards zero-waste goals is measured. In addition,

weekly yard trimmings service could be implemented with a food scraps program depending on results of the pilot.

### **Negotiating Objectives**

Negotiations with Recology focused generally on additions, modifications, and clarifications to Recology's original proposal, and specifically on the negotiating objectives endorsed by Council on June 26, 2012. Below is a description of the major negotiated items and outcomes. The first 10 items relate to the specific objectives endorsed by the Council (Attachment 3).

**Wages**—Recology's proposal assumed automatic and inflationary increases to wages. The final negotiated compensation includes a wage freeze for Years 1 and 2 at the Fiscal Year 2012-13 level, and the recommended agreement stipulates that Year 3 and beyond costs cannot include increases to make up for the freeze. This change represents approximate cost savings to the City in the amount of \$75,000. Because wage costs are compounded, further savings will be realized throughout the term of the agreement.

**Fuel Pricing**—Assumptions used by Recology to estimate fuel costs for the first two years of the agreement, while acceptable to staff, result in a significant rise in total fuel costs compared to current. To temper the risk to both parties (unrecovered expenses for Recology if assumed too low and overpayment by City if assumed too high), the recommended agreement allows for an adjustment to compensation in a future year based on actual fuel expenses in Years 1 and 2. Recology will submit audited fuel usage records for Fiscal Years 2012-13 and 2013-14, and compensation will be adjusted up or down based on actual expense. Fuel cost in Year 3 and on of the agreement will be projected by Recology utilizing approved fuel indices.

**Equipment Leasing**—The agreement language has been modified to allow Recology to recover the cost of financing charged by their affiliated leasing company at the same cost as incurred by the affiliated leasing company but with a cap on premiums.

**Route Supervision**—To ensure the level of route supervision reflects industry standard and supports the delivery of quality services, the level of supervision will be increased from 1.0 FTE to 1.5 FTE, at no additional cost to the City.

**Container Maintenance**—Recology's original proposal included a \$100,000 increase for container maintenance in response to new agreement language seeking to ensure bins are maintained at appropriate levels. To address current maintenance needs of the older bin stock without undue financial impact, Recology will be permitted a \$25,000

increase in maintenance expenses to allow bins to be evaluated and refurbished, based on need, over a four-year period (with approximately 300 bins addressed per year). Normal ongoing maintenance will continue and steam cleaning will occur on a more regular basis.

**Multi-Family Bin Recycling**—Staff has identified a need for a new service to allow bin recycling at high-density developments utilizing recycling chutes. Such a service would allow these developments to use separate bins to collect containers and paper more efficiently than the group carts used for the multi-family program. Staff and Recology have agreed on the most cost-efficient approach to providing this service, and estimated the number of new developments likely to be in need of this service through Fiscal Year 2014-15. To provide for this service, compensation has been increased over Recology's original proposal by \$15,000 for Year 1 and \$25,000 for Year 2. Program expenses can be reevaluated in later years if substantially more developments than projected request this service.

**Agreement Exceptions**—In their proposal, Recology indicated that certain contract provisions specified by the City related to customer service, data reporting, and liquidated damages could not be met without increasing the Base Services cost proposal. Staff and Recology have agreed to minor modifications that still result in enhanced delivery of services to the City at no additional cost to the City and without undue additional expense to Recology.

**Front-Door Household Hazardous Waste Collection Credit**—This service was offered by Recology at no cost to the City, but not selected for implementation. A credit of \$92,400 (the first-year cost of the program) has instead been applied to the enhanced recycling and organics programs to reduce those costs by an equivalent amount.

**Rewards Program**—A residential Waste Reduction Rewards Program, similar to a program developed by Recology affiliate CleanScapes, will be jointly implemented by Recology and City staff in late Year 1 or early Year 2, at no additional cost to the City. The program will provide education and rewards to encourage waste reduction. For example, a reward would be offered to the collection area that "loses" the most weight over a 12-month period.

**Diversion Incentives**—To increase the amount and quality of recovered materials from the new services, diversion goals and financial incentives are included in the recommended agreement. The Diversion Incentive Program will apply only to the two new commercial programs (enhanced recycling and organics). Recology has finalized a diversion benchmark of 4,975 tons for these two programs. High and low targets have

been established based on the benchmark. Recology will earn an incentive payment in any year that the tons collected from these two programs exceeds the high target, and will pay a penalty in any year the collected tons miss the low target. The initial payment/penalty amount is \$70 per ton for each ton over or under target. The payment/penalty is capped at \$100,000 for any given year.

**Mountain View Recycling Center**—A number of improvements, including expanded drop-off services and extended operating hours, are planned for the Mountain View Recycling Center. Current operating hours are Tuesday through Saturday, 9:00 a.m. to 3:00 p.m. The new operating hours will be as follows:

- Buy-Back Center: Tuesday through Saturday, 9:00 a.m. to 4:00 p.m.
- Material Drop-Off: Monday through Friday, 8:00 a.m. to 4:00 p.m.;  
Saturday, 9:00 a.m. to 4:00 p.m.
- Office Hours: Monday through Friday, 8:00 a.m. to 4:00 p.m. (purchase extra garbage stickers or pick up SMaRT® Station vouchers)

Staff will continue to work with Recology to finalize improvements to the site to accommodate these changes, including any necessary permitting, by July 1, 2013. Improvement costs are factored into Recology's compensation.

**Indoor Containers for Multi-Family Recycling and Commercial Organics**—In a June 20, 2011 letter to City Council, Recology indicated that, among other programs, internal containers to help residents and businesses recycle (Buddy Bags and Slim Jims) could be offered at no additional cost to rate payers. These costs were included in the original proposal, but have now been removed, resulting in a reduction of \$16,023 in Year 1 and \$80,850 over the term of the agreement.

**Multi-Family Yard Trimmings**—The intent of providing this new service is to divert yard trimmings that are currently being placed in the trash, not offer a free collection option to complexes that already have trimmings removed by landscaping services. Therefore, Recology will target small to medium-size complexes that have observable yard trimmings in their trash containers to receive this service. Complexes requesting this service will be evaluated based on need and diversion opportunity.

**Transition and Implementation Plan**—It was agreed that while the new agreement will become effective April 27, 2013, the already approved compensation from Fiscal Year 2012-13 will be in place until July 1, 2013, at which point new services and

negotiated compensation for Year 1 will begin. Many start-up activities will be taking place between October 1, 2012 and July 1, 2013, however, to ensure all new services are ready to be rolled out. Staff and Recology continue to develop a detailed transition and implementation plan.

Table 2 summarizes the cost adjustments for those items discussed above that impacted the original cost proposal as a result of negotiations.

TABLE 2 SUMMARY OF NEGOTIATED ITEMS WITH COST IMPACTS	
Negotiated Item	Cost Impact*
Wage Freeze	(\$75,000) approximate
Container Maintenance	(\$75,000)
Household Hazardous Waste Credit	(\$92,400)
Indoor Containers (Slim Jims and Recycling Buddies)	(\$80,850)
Multi-Family Bin Recycling Program	Year 1 \$15,000 Year 2 \$25,000

\*Plus or (Minus) Relative to Recology's Original Cost Proposal

### **Overall Compensation**

The existing compensation methodology will be retained, which compensates Recology for services based on a return-on-investment (or percent profit) formula. However, the annual allowed rate of return range has been lowered to between 6 percent and 10 percent (from 6 percent and 12 percent previously). Compensation will be set for the first two years of the agreement (Fiscal Years 2013-14 and 2014-15). This means the allowed compensation for Fiscal Year 2013-14, as shown in Table 3 below, is equal to Recology's total expenses plus a minimum return of 6 percent. However, the contract does not provide a mechanism for Recology to retroactively recoup any revenue shortfalls when actual returns are less than projected, nor the City to recoup excess revenues when Recology's actual revenues exceed the defined level (i.e., 10 percent rate of return).

The compensation for Fiscal Year 2014-15 is set at 1.1 percent above that for Fiscal Year 2013-14, primarily due to inflationary escalators and other factors such as lease payments for new equipment added in Year 2. Thereafter, Recology's allowable expenses will be adjusted using various indices applied to the Fiscal Year 2014-15 costs



in accordance with the procedures described in the new agreement. The multiple cost indices (fuel pricing, vehicle maintenance, wages CPI, and urban consumers CPI) will help track the general reasonableness of changes in costs, and allow the City to perform a detailed cost review every other year rather than annually.

Overall compensation for all new services for Year 1 of the new agreement, as compared to the current compensation, is shown in Table 3. All figures are still subject to a final review, so those contained in the signed agreement could vary slightly from those presented here. While the new agreement effective date is April 27, 2013, new services and additional compensation will not begin until July 1, 2013. Compensation previously approved for Fiscal Year 2012-13 will remain in effect through June 30, 2013.

TABLE 3 RECOLOGY MOUNTAIN VIEW COMPENSATION				
	Current FY 2012-13*	Year 1 FY 2013-14	Difference FY 2012-13 vs FY 2013-14	% Increase
Base Services Compensation	\$12,361,200	\$12,593,620	\$232,420	1.88%
Zero Waste Services Compensation	\$0	\$935,118	\$935,118	NA
Total Compensation	\$12,361,200	\$13,528,738	\$1,167,538	9.45%

\* Higher than budgeted Fiscal Year 2012-13 because budgeted compensation is net of buy-back center revenue, which does not pass through the City.

### **Base Services Compensation Increase**

The increase in base compensation of \$232,420 from the current fiscal year (2012-13) to Year 1 of the new agreement (2013-14) is due to a range of factors, including CPI, fuel assumptions, new vehicles and equipment, recycling center improvements, increased container maintenance costs, new multi-family bin recycling program, and increases in benefit costs.

### **Organics Processing Services Compensation**

Organics from the commercial pilot are currently being processed by GreenWaste at a cost of \$84 per ton. That agreement will expire on April 13, 2013, at which time Recology will begin processing all commercial organics. Compensation for organics

processing services will be separate from the collection compensation noted above. Recology will subcontract with their affiliated company, South Valley Organics, located in Gilroy, to provide transfer and composting of materials collected in the commercial organics program and any organics collected from residential programs (e.g., food scraps pilot), as may be directed by the City. The price per ton for this service is \$63.50 in Year 1, increased annually based on CPI, so there are savings associated with the change in processor. Similar to the SMaRT Station, the actual cost will vary each year based on the number of tons delivered to the processor. The cost to transfer and compost an estimated 5,900 tons of commercial organics (current pilot tons plus expanded program tons) would be \$374,650.

### **Rate Impacts**

Estimated rate impacts reflect a range developed based on Recology compensation for Fiscal Year 2013-14, and are based on the current rate structure. They are not presented as proposed rate changes, but rather as a way to understand the costs associated with the new services and agreement. The rate impacts presented reflect increases in the SMaRT Station budget only in as much as those costs are affected by new programs. The rate impacts do not take into account other possible changes to the SMaRT Station or City solid waste and recycling program costs as those will not be known until Fiscal Year 2013-14 budget development begins.

When reviewing the potential rate impacts, it is important to consider the cost of service study that is currently under way. Based on changes in law and information from a 1998 cost-of-service study, staff is expecting that some changes to the rate structure will be required. Staff anticipates the changes would generally result in an upward trend in cart rates (primarily serving single-family one to four units) and a downward trend in bin rates (primarily serving multi-family five-plus units and commercial). This means that Fiscal Year 2013-14 rate impacts resulting from new programs servicing bin customers (e.g., commercial organics) could be offset by probable rate decreases resulting from the study.

The cost-of-service study is also evaluating possible changes to the rate structure needed to stabilize revenues linked to a declining solid waste base resulting from Zero Waste programs and policies. Changes in the rate structure will affect the actual rate impact of selected programs.

### Estimated Base Services Rate Impact

The increase to Fiscal Year 2013-14 Recology compensation for Base Services equates to an estimated rate impact of between 1 percent and 2 percent.

### Estimated Zero Waste Services Rate Impacts

Table 4 indicates the estimated rate impacts for each new Zero Waste Service. These estimated rate impacts take into account lost revenue due to reduced solid waste subscription levels and organics processing costs. The rate impacts for Zero Waste Services are specific to only certain rate categories (e.g., residential carts or commercial bins), whereas the Base Services rate impact shown above would apply to all rates. So, when evaluating a total rate impact for residential cart customers, there is little impact from recommended Zero Waste Services in addition to the Base Services impact. For commercial bin customers, there is a greater impact from recommended services, especially when combined with the Base Services impact. However, as mentioned previously, these impacts are likely to be diminished by decreases in commercial bin rates overall resulting from the cost of service study.

TABLE 4 RATE IMPACTS – ZERO WASTE SERVICES		
Service/Program	Affected Rates	FY 2013-14 Rate Impact
Fall Leaves – Weekly Yard Trimmings Collection	Carts (Residential)	0.2% to 0.4%
Food Scraps Collection Pilot	Carts (Residential)	No Impact <sup>1</sup>
Enhanced Recycling Program and Technical Assistance	Bins, Compactors (Commercial)	9% to 11%
Expanded Organics Program and Technical Assistance	Bins, Compactors (Commercial)	6% to 9%
Added Recyclable Materials and Processing (Drop-Off)	All Rates	No Impact
<sup>1</sup> Costs and rate impacts for a full-scale program will be determined following evaluation of pilot.		

### **California Environmental Quality Act**

Pursuant to CEQA Guidelines, Section 15061(b)(3), the proposed project is subject to the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Because it can be seen with certainty that there is no possibility that the proposed project may have a significant effect on the environment, the activity is not subject to CEQA.

Further, pursuant to CEQA Guidelines, Section 15301, the proposed project is subject to the Class 1 categorical exemption for the operation, permitting, leasing, licensing, or minor alteration of existing public or private facilities where there is a negligible or no expansion of use beyond that currently existing. Because the proposed project is a reauthorization of the City's existing routes with a minor addition of two routes, and which will result in a reduction of waste to the landfill, the activity would have a Class 1 categorical exemption.

### **FISCAL IMPACT**

1. Compensation to Recology for collection services under the recommended agreement will be funded from the Solid Waste Management Fund. Total compensation (for both Base and new Zero Waste Services) for Fiscal Year 2013-14 is \$13,528,738, a 9.45 percent increase over the current Fiscal Year 2012-13 compensation. Compensation for Fiscal Year 2014-15 will be \$ 13,679,743, a 1.1 percent increase over Fiscal Year 2013-14.

Compensation for organics processing will be paid at the rate of \$63.50 per ton and is not likely to exceed \$374,650 in Year 1. The solid waste and recycling program operating budget will be increased during the Fiscal Year 2013-14 budget process to offset this expense.

Rate increases will be required to provide the necessary funds to support the cost of services provided under the new agreement. Based on the current rate structure, the cost of Recology's services in Fiscal Year 2013-14 is estimated to require rate increases in the range of 1.5 percent to 2.5 percent for cart customers (primarily residential) and 16 percent to 22 percent for bin and compactor customers (primarily commercial). These are preliminary estimates and subject to change based on any additional cost increases associated with the SMaRT Station and City solid waste and recycling program budgets, and possible revisions to the Solid Waste rate structure being considered for Fiscal Year 2013-14. The Council will evaluate rates in a Study Session later this fall. Any necessary rate changes

will be adopted with the Fiscal Year 2013-14 budget, and become effective July 1, 2013.

2. The development of the new collection agreement, Capital Improvement Project 11-29, is funded from the Solid Waste Management Fund in the amount of \$200,000. The recommended action to increase the HF&H Consultants, LLC, professional services agreement from \$170,000 to \$180,000 is within the project budget.

The Solid Waste Management Fund supports the City's solid waste collection, transportation, recycling, and disposal services. The Fund also pays for maintenance activities associated with the City's two closed landfills.

## **CONCLUSION**

Based on Council direction, staff has negotiated a new services agreement with Recology for the term of April 27, 2013 through October 14, 2021. A number of new and improved services will begin on July 1, 2013, including programs to increase diversion, primarily in the commercial sector. Compensation for Base and Zero Waste collection services in Fiscal Year 2013-14 will be \$13,528,738, a 9.45 percent increase over current compensation. Many of the new services will be provided by Recology at no additional cost to the City. The value to the City of the no-cost items that can be quantified is about \$250,000 (slim jims and recycling buddies; HHW program credit; reuse events; increased route supervision). Other no-cost items included but not easily quantified include multi-family yard trimmings, expanded curbside collections, expanded operations at the recycling center and a rewards program. Rate increases to support the new services will be necessary, but cannot be determined until the results of a current cost-of-service study are known. However, the new services equate to an estimated rate impact of 1.5 percent to 2.5 percent for cart customers and 16 percent to 22 percent for bin and compactor customers. Staff believes the new agreement represents a good value for the City and recommends Council approval.

## **ALTERNATIVES**

1. Direct staff not to include one or more of the new Zero Waste Services in the new agreement, as described in Table 1 above, and reduce Recology's total compensation by a commensurate amount.
2. Direct staff to modify other terms or services of the new agreement as may be desired by Council. Depending on whether such modifications require additional

negotiation or analysis, they may or may not result in a delay to execution of the agreement.

### **PUBLIC NOTICING**

In addition to the City's standard agenda posting requirements, notice of this meeting was provided via e-mail to neighborhood associations, the Zero Waste interest list, Recology Mountain View, the Chamber of Commerce, and the Central Business Association. Notice was also posted on the City's web site.

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Attachments: 1. Collection Services  
2. Services Not Selected  
3. Council-Endorsed Negotiating Objectives

## COLLECTION SERVICES

Current	Additions
<b>RESIDENTIAL CART SERVICES (1-4 units, split-cart recycling)</b>	
<b>Garbage (weekly)</b> <ul style="list-style-type: none"> <li>Fully automated (w/ dismount required as needed for parked cars and extra garbage bags with pre-paid stickers)</li> <li>20, 32, 64 and 96 gallon cart choice</li> <li>Backyard service, disabled only, no fee</li> </ul>	<b>Garbage (weekly)</b> <ul style="list-style-type: none"> <li>Waste Reduction Rewards Program (see below for description)</li> </ul>
<b>Recyclables (every other week)</b> <ul style="list-style-type: none"> <li>Fully automated (w/ dismount required as needed for parked cars and extras like cardboard, batteries, etc.)</li> <li>64 gallon split-cart (96 gallon on request)</li> <li>Extra cart on request</li> <li>Backyard service, disabled only, no fee</li> <li>Unlimited Extra Setout - 2 weeks after Christmas</li> </ul>	<b>Recyclables (every other week)</b> <ul style="list-style-type: none"> <li>Limited Extra Setout year-round (2 additional containers up to 32-gallons each) with cart</li> </ul>
<b>Yard Trimmings (every other week)</b> <ul style="list-style-type: none"> <li>Fully automated (w/ dismount required as needed)</li> <li>96 gallon cart (64 gallon on request)</li> <li>Extra cart on request (up to 2)</li> <li>Backyard service, disabled only, no fee</li> <li>Holiday Tree collection</li> </ul>	<b>Yard Trimmings (every other week)</b> <ul style="list-style-type: none"> <li>Weekly collection during a limited 10-week "fall leaves" period</li> <li>Limited Extra Setout year-round (2 additional containers up to 32-gallons each) with cart</li> </ul>
<b>Organics (food scraps )</b> <ul style="list-style-type: none"> <li>Not offered</li> </ul>	<b>Organics (food scraps)</b> <ul style="list-style-type: none"> <li>Pilot program to test feasibility of collecting food scraps separate from (or possibly along with) yard trimmings</li> </ul>
<b>Other Curbside Collection</b> <ul style="list-style-type: none"> <li>Household batteries</li> <li>Motor oil and filters</li> <li>Bundled large cardboard</li> </ul>	<b>Other Curbside Collection</b> <ul style="list-style-type: none"> <li>Cooking oil</li> <li>Compact Fluorescent Bulbs</li> <li>Cell Phones</li> <li>In customer provided containers</li> </ul>

Current	Additions
<b>On Call Plus Clean Up Program</b> <ul style="list-style-type: none"> <li>▪ 3 appointments annually</li> <li>▪ 4ft x 4ft x 8ft of material</li> <li>▪ Plus up to 3 bulky items each appointment</li> <li>▪ SMaRT® Voucher available in-lieu of appointment</li> <li>▪ Also available to Condo and Townhome bin customers</li> </ul>	<b>On Call Plus Clean Up Program</b> <ul style="list-style-type: none"> <li>▪ No changes</li> </ul>
<b>RESIDENTIAL BIN SERVICES (5+ Units, group cart recycling)</b>	
<b>Weekly Garbage</b> <ul style="list-style-type: none"> <li>▪ Bin size range from 1 to 6 cubic yards</li> <li>▪ Optional twice-weekly collection for high density, by exception</li> </ul>	<b>Weekly Garbage</b> <ul style="list-style-type: none"> <li>▪ No changes</li> </ul>
<b>Every-Other-Week Recycling</b> <ul style="list-style-type: none"> <li>▪ 96 gallon shared group carts (source-separated)</li> <li>▪ Optional weekly collection for limited space developments, by exception</li> </ul>	<b>Every-Other-Week Recycling</b> <ul style="list-style-type: none"> <li>▪ Unlimited Extra Setout – 2 weeks after Christmas (if arranged by property manager)</li> <li>▪ Bin (source-separated) collection for high density with chutes</li> </ul>
<b>Every-Other-Week Yard Trimmings</b> <ul style="list-style-type: none"> <li>▪ Not offered</li> <li>▪ Holiday Tree collection – one time by appointment within 4 weeks after Christmas</li> </ul>	<b>Every-Other-Week Yard Trimmings</b> <ul style="list-style-type: none"> <li>▪ Offered to targeted complexes - 96 gallon carts</li> </ul>
<b>Other Curbside Collection</b> <ul style="list-style-type: none"> <li>▪ None offered</li> </ul>	<b>Other Curbside Collection</b> <ul style="list-style-type: none"> <li>▪ Household batteries, motor oil and filters, cooking oil, compact fluorescent bulbs, cell phones (if location of stored items and pick up schedule arranged and monitored by property manager)</li> </ul>
<b>COMMERCIAL SERVICES</b>	
<b>Garbage Collection</b> <ul style="list-style-type: none"> <li>▪ Varied bin/cart size and collection frequency available</li> </ul>	<b>Garbage Collection</b> <ul style="list-style-type: none"> <li>▪ No changes</li> </ul>



Current	Additions
<b>Recyclables Collection</b> <ul style="list-style-type: none"> <li>Mixed recycling bin service or source-separated carts</li> <li>Cardboard only bins available</li> <li>Generally weekly service, but more frequent service available</li> </ul>	<b>Recyclables Collection</b> <ul style="list-style-type: none"> <li>Expanded program to ensure every business, multi-family complex, school and special event has an opportunity to recycle, or maximize current recycling, through increased technical assistance and services, including: waste assessments; education; customer training; and free internal collection containers (buddy bags and mini-bins)</li> <li>Recycling Clean-Out Service (extra containers provided once per year, one week period, up to daily service)</li> </ul>
<b>Organics (food scraps)</b> <ul style="list-style-type: none"> <li>Pilot for limited number of businesses</li> </ul>	<b>Organics (food scraps)</b> <ul style="list-style-type: none"> <li>Implement full program for all businesses, targeting large generators first and then other organics generators, through increased technical assistance and services, including: waste assessments, education; customer training; and free internal collection containers (slim jims)</li> </ul>
<b>ROLL-OFF SERVICES (debris boxes and compactors)</b>	
<ul style="list-style-type: none"> <li>Debris box containers ranging in size from 10-40 cubic yards</li> <li>Discounted boxes offered for recyclables (“rock/soil”, green trimmings, cardboard)</li> </ul>	<ul style="list-style-type: none"> <li>No changes</li> </ul>
<b>MOUNTAIN VIEW RECYCLING CENTER</b>	
<ul style="list-style-type: none"> <li>Buy-back center hours (T-S, 9-3)</li> <li>Drop-off recyclables (only those accepted curbside)</li> <li>Drop-off batteries during buy-back hours</li> </ul>	<ul style="list-style-type: none"> <li>Expanded materials drop-off and extended operating hours</li> <li>Appointments</li> <li>Reuse Events</li> </ul> <p>(see below for description of these services)</p>

Current	Additions
<b>OTHER</b>	
<b>For-Fee Services</b> <ul style="list-style-type: none"> <li>▪ Extra Collections</li> <li>▪ Bulky Item Collection</li> </ul>	<b>For-Fee Services</b> <ul style="list-style-type: none"> <li>▪ Bin For A Day</li> <li>▪ Junk Removal</li> </ul> (see below for descriptions of these services)
<b>Collection Vehicles</b> <ul style="list-style-type: none"> <li>▪ Biodiesel (B20)</li> </ul>	<b>Collection Vehicles</b> <ul style="list-style-type: none"> <li>▪ Replace with alternative fuel (CNG) as depreciated</li> </ul>

### **Neighborhood Waste Reduction Rewards Program**

The Neighborhood Waste Reduction Rewards program will provide rewards based on which neighborhood area, based on collection day, loses the most “weight” over a 12-month period. Residents will be provided tips and information on how to reduce the amount of waste they generate and the tons tracked on the website. Other features could include such things as small rewards for the best monthly waste reduction tip submitted by a resident, and school presentations to get children involved. Promotion will be done with a combination of advertising, billing inserts, public service announcements, and social media. Staff will also explore opportunities to create jobs for Mountain View residents, use volunteers, or neighborhood groups for any improvement projects.

### **Mountain View Recycling Center**

#### **New Operating Hours:**

- Buy-Back Center: Tuesday through Saturday, 9:00 a.m. to 4:00 p.m.
- Material Drop-Off: Monday through Friday, 8:00 a.m. to 4:00 p.m.  
Saturday, 9:00 a.m. to 4:00 p.m.;
- Office Hours: Monday through Friday, 8:00 a.m. to 4:00 p.m. (purchase extra garbage stickers or pick up SMaRT Station Vouchers)

**Drop-off expanded** beyond basic curbside recyclables to accept additional items (no fee):

- Milk/juice cartons
- Aseptic containers
- Aerosol cans
- Waxed paperboard frozen food boxes

- Rigid plastics
- Textiles
- Scrap metal
- Film plastic
- Clothing for donation
- Textiles for recycling
- Used cooking oil in screw-top plastic containers
- Compact fluorescent light bulbs (u-waste) in sealed plastic bags
- E-waste such as computers, monitors, televisions, printers, cell phones, etc.  
(personal identification required to drop off e-waste devices with a 4 inch or larger screen to meet State redemption fund regulations for processor)
- Mattresses (possible fee)
- Used motor oil and filters (u-waste) in screw-top plastic containers and sealed plastic bags (if directed by staff)
- Polystyrene packaging blocks (if directed by staff)

**Appointments** for certain reusable or recyclable household goods (no fee):

- All items accepted at drop-off listed above
- Appliances, small and large including washers, dryers, refrigerators, water heaters, stoves
- Furniture (reusable)
- Toys
- Mattresses and box springs (possible fee)
- Wood, clean lumber
- Yard Trimmings
- Other items determined to be reusable or recyclable by Recology

**Reuse Events** (no fee):

- Scheduled twice per year at the Mountain View Recycling Center or other location, most likely on a Saturday
- Materials accepted include the same items listed under *Appointments* above plus one passenger truck pickup-size load of construction debris for home remodelers
- End use for materials will be with various non-profit (thrift) organizations such as the Society of St. Vincent de Paul, Goodwill Industries, Salvation Army, the online Freecycle Network™, Resource Area for Teachers (RAFT), local schools, and other community organizations in need of reusable goods.

## **For-Fee Services**

**Bin for a Day** is an intermediate clean up service for residents needing more than an On Call Plus appointment but less than a debris box.

- Available to residential customers.
- Container is one 4-yard bin on wheels with open top (6' x 4' x 4').
- Bin will be delivered to resident's driveway or other designated area.
- Collection within seven days from delivery.
- Materials collected include recyclables, yard trimmings, solid waste, small household items consistent with home and yard cleanups, and light remodeling or construction debris.
- No paints, e-waste or hazardous materials accepted.
- City establishes rates for this service based on a pass-through of Recology costs.

**Junk Removal Services** is an intermediate clean up service for residents and businesses unable to place materials at curbside for collection. This service fills the gap between On Call Plus Clean Up programs and roll-off box service, protects revenues by reducing illegal hauling (residents using services in violation of the exclusive agreement with Recology) and increases diversion. Recology's proposed service, RecycleMyJunk, would operate as follows:

- After the customer's call, Recology visits the site to estimate the type and volume of materials and where the items would be collected, such as a garage, backyard or inside a home or business.
- City establishes rates for this service based on a pass-through of Recology costs (but similar rate as other junk removal companies).
- Collection is scheduled for any non-holiday weekday using an existing flatbed truck to minimize damage to reusable items.
- Materials are transported to Mountain View Recycling Center and segregated for reuse, recycling or disposal.
- Reusable items would be offered to non-profit (thrift) organizations such as Society of Saint Vincent De Paul, Goodwill Industries, and the Salvation Army for redistribution into the community.
- Recyclable materials that are accepted at the SMaRT Station, and solid waste, will be transported by Recology to the SMaRT Station.
- All recyclable materials that are not accepted at the SMaRT Station will be made available to third-party processors of such materials, such as metal recyclers.
- Recology will provide diversion reports to the City to verify reuse, recycling and disposal activities.
- Existing trucks and drivers would be used initially until the program expands to the point of requiring more resources.

## **SERVICES NOT SELECTED**

### **Residential Front Door Household Hazardous Waste Collection**

This service would be provided through a subcontractor, Curbside Inc. (a subsidiary of Waste Management). Collection would be from single-family dwellings (1 to 4 units) only. Residents call to schedule a pick up and are sent an HHW kit in advance of their appointment with materials and instructions for preparing their items. The materials are then placed by an entrance door, garage door, or yard gate the morning of the appointment, for collection by 5 pm that day.

Long-term costs for this service are not fully formed. Recology committed to covering the \$92,400 program cost for the first two years of the new agreement, but thereafter, if costs escalate, either based on increased participation or operating costs, those additional costs would need to be reflected in customer rates. Because it is not practical to provide this program to multi-family dwellings, the City would need to remain a participant in the County-wide program (by drop-off appointment), so overlapping costs would be paid for the same program. The county-wide program also provides valuable services in addition to the drop-off program including retail take-back partners for batteries and bulbs, small business participation in the drop-off program and legislative advocacy.

To implement the front door program, the City would be required to become a permanent HHW facility collector and obtain permits through the Certified Unified Program Agency (CalEPA) and Department of Toxic Substances Control. Cupertino staff reports this requires a significant amount of paperwork and requires the City to acknowledge acceptance of more liability (and additional reporting responsibilities) than under the current county-wide system.

### **Residential RecycleBank Reward Program**

This program would be a partnership with RecycleBank to bring a rewards program to Mountain View, at a cost of \$0.55 per household, or approximately \$92,400.

RecycleBank is a for-profit company that started a “loyalty and rewards” program in 2004 to create incentives for households to recycle more material. The incentive program rewards each home with points for the amount of material recycled; the more they recycle, the more points they will earn. The points can be redeemed for discounts and deals at thousands of national, regional and local businesses that are RecycleBank Rewards Partners. Staff believes RecycleBank provides the most benefit to newly-

established recycling programs that have low initial participation rates and high landfill disposal costs for each additional ton disposed. It appears least beneficial to well-established programs with high participation rates and low marginal disposal costs, such as Mountain View. An alternative rewards program that encourages residents to reduce their overall waste generation, rather than just increase their recycling (and perhaps be tempted to place in their recycling carts materials not accepted in our program), and that offers rewards that do not encourage additional consumption, will be provided instead.

### **Commercial Targeted Wet/Dry Re-Routing**

This program would replace the entire commercial solid waste system city-wide with a “Wet/Dry” program where customers would be categorized into “primarily dry” or “primarily wet” waste types. The existing business recycling program and commercial organics pilot would continue, but the Enhanced Recycling and Expanded Organics programs would not be implemented.

The proposed program would require a new route (driver and truck) along with a half time outreach specialist. Recology would teach dry waste customers to put their wet wastes (organics and bathroom waste) into clear plastic bags (customer provides); and then place those bags into the larger bin of loose, dry wastes for collection. Recology would then collect customers with mostly dry wastes in one truck; and customers with mostly wet wastes in another truck. This program is similar to a new system soon to be implemented in San Jose by Allied Waste. Recology noted that program diversion is far more dependent on the capabilities of the processor, but did not offer any processing solutions for this new system.

### **Food Scraps Drop-Off at Mountain View Recycling Center**

For single-family residents who do not generate yard trimmings but still want to divert their food scraps, this material would be accepted for drop-off at the Mountain View Recycling Center. Residents would use their own containers or bags to transport the food scraps to a container in the drop-off area. However, it is unlikely that a large number of residents would be willing to transport their food scraps in this manner. If so, the food scraps would have to be transported frequently because they are putrescible, and this would increase transportation costs and greenhouse gas emissions.

## NEGOTIATING OBJECTIVES

Issue	Description	Objective
Wages	Assumes inflationary and automatic wage increases to be passed through to rate payers.	<ul style="list-style-type: none"> <li>Wage cost freeze for FY 13/14 and FY 14/15 at FY 12/13 levels (as offered by Recology)</li> <li>FY 15/16 and beyond wage costs not to reflect "delayed" increases</li> </ul>
Fuel Pricing	Projected fuel prices result in large increase in Base Services costs.	<ul style="list-style-type: none"> <li>Share risk for future prices through compensation adjustments to reflect actual fuel prices</li> </ul>
Equipment Leasing	A Recology affiliate leases trucks to Recology Mountain View at a rate intended to cover borrowing costs plus 3%.	<ul style="list-style-type: none"> <li>No additional compensation above reasonable cost of capital</li> </ul>
Route Supervision	Level of supervision is far below benchmark for comparable contracts.	<ul style="list-style-type: none"> <li>Ensure level of route supervision reflects industry standard and meets the quality standard in Mountain View at an appropriate FTE level</li> </ul>
Container Maintenance	City compensates Recology for reasonable wear and tear with a portion of the utility rates for bin rental. Appears container maintenance has been deferred inappropriately.	<ul style="list-style-type: none"> <li>Provide container maintenance for reasonable wear and tear out of the compensation previously provided</li> </ul>
Multi-Family Recycling	Group recycling cart service not practical in high-density, multi-family developments. RFP request for a bin program not included in proposal. Response to staff questions reveals a proposed cost increase to provide.	<ul style="list-style-type: none"> <li>Determine most cost-efficient collection method</li> </ul>
Agreement Exceptions	Recology took broad exceptions to contract provisions requiring mostly the same reporting and services as previously contracted.	<ul style="list-style-type: none"> <li>Consider minor modifications to achieve same goals/standards within Base Services cost proposal</li> </ul>
Front Door Household Hazardous Waste Collection	Staff recommends not implementing this offered Base Service.	<ul style="list-style-type: none"> <li>Apply value of this service to commercial recycling and organics programs to reduce costs</li> </ul>

## NEGOTIATING OBJECTIVES

Attachment 3

Issue	Description	Objective
Rewards Program	Proposed RecycleBank service not recommended.	<ul style="list-style-type: none"> <li>▪ Accept Recology offer to develop a waste reduction rewards program similar to one offered by affiliate CleanScapes at no or low cost to City</li> </ul>
Diversion Incentives	Diversion incentive is important to achieving Zero Waste goals. Recology will receive additional compensation based on their diversion estimates, which staff believes have not yet been independently analyzed.	<ul style="list-style-type: none"> <li>▪ Ensure Recology independently analyzes and fully "owns" its diversion estimates before incentive program is finalized</li> </ul>