



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 21-0208, Version: 1

REPORT TO COUNCIL

SUBJECT

Award Contracts to Zanker Road Resource Management, Ltd and Sustainable Organic Solutions, LLC to Process Organic Materials from the SMaRT Station® (F21-024)

REPORT IN BRIEF

Approval is requested for authorization for the City Manager to take the following actions related to Processing Organic Materials from the SMaRT Station®.

- Award a fifteen (15) year contract for processing of three organic material streams, specifically, Source-Separated Residential Yard Trimmings, SMaRT Station 2-inch minus Materials Recovery Facility (MRF) Fines, and Compostable Food-Soiled Paper products captured by the SMaRT Station mixed waste processing system in substantially the same form as Attachment 1 to the report to Zanker Resource Management, LTD
- Award a seven (7) year contract for processing Source-Separated Residential and Commercial Food Scraps captured by the SMaRT Station mixed waste processing system in substantially the same form as Attachment 2 to the report to Sustainable Organic Solutions, LLC (SOS)
- Authorize the City Manager to increase the contracts up to budgeted amounts.

BACKGROUND AND DISCUSSION

The SMaRT Station is located on nine acres of City-owned property, north of Caribbean Drive and immediately adjacent to the closed Sunnyvale Landfill. The SMaRT Station is a large volume materials recovery facility and transfer station serving the cities of Mountain View, Palo Alto, and Sunnyvale. The SMaRT Station is designed to process 1,500 tons of material per day and is currently accepting about 1,000 tons per day. The facility became operational in October 1993 for use as a transfer station and went into full operation as a Municipal Solid Waste (MSW) processing facility in July 1994. The SMaRT Station is currently operated by Bay Counties Waste Services (BCWS).

In addition to processing traditional solid waste and source separated curbside recyclables, there are three organic waste streams that are processed at the SMaRT Station.

- Stream #1. Source-Separated Residential Yard Trimmings
- Stream #2. SMaRT Station 2-inch minus MRF Fines (Materials Recovery Facility Fines - the small size organic matter that is a by-product of processing mixed waste)
- Stream #3. Source-Separated Residential and Commercial Food Scraps

In the future, a fourth stream, Compostable Food-Soiled Paper products, will be captured by the SMaRT Station mixed waste processing system.

Currently, Source-Separated Residential Yard Trimmings and MRF Fines are processed at the SMaRT Station and sent to Z-Best (owned by Zanker Recycling) for composting. This is done through the Cities' operating contract with BCWS. Source-Separated Residential and Commercial Food Scraps are pre-processed at the SMaRT Station under a separate contract with BCWS and resultant food mash is hauled by SOS to its facility in Santa Clara, where it is processed into ingredients for animal feed and/or fertilizer. These contracts with BCWS will expire on December 31, 2021. Compostable food-soiled paper is currently not captured at the SMaRT Station, but it will become a requirement with the implementation of Senate Bill 1383. New equipment is anticipated to be added as part of the SMaRT Station improvements that will provide this capability. The Cities will need a vendor to process the captured compostable food-soiled paper.

In anticipation of these contract expirations, the cities of Sunnyvale and Mountain View (Palo Alto will no longer be a partner beginning in 2022) needed to seek services to assist in achieving their Zero Waste goals of 90% diversion by 2030 (RTC No. 13-085) and comply with the organics diversion regulations requirements of Senate Bill 1383. In order to streamline operations and have more control on diversion, the City decided to seek contracts directly with vendors instead of the indirect arrangement that the Cities currently have through BCWS.

A Request for Proposals (RFP) was issued on October 31, 2020 and directly distributed to 20 potential proposers. In addition, the RFP was posted on the City's DemandStar public procurement network. The RFP requested proposals from vendors to accept and process organic materials into reusable finished products and/or energy for an initial seven-year contract term, with seven-year extensions possible. On December 1, 2020, three proposals were received.

The evaluation committee consisted of evaluators from the Department of Environmental Services and technical advisors from City of Mountain View, HF&H Consultants, HDR Engineering, and RGS. The proposals were evaluated based on the following key elements:

- Experience processing organic materials
- Programmatic Approach to meet the requirements of SB 1383
- Diversion Rate
- Acceptance of Terms in Agreement
- Financial wherewithal to perform the duties required under the contract

SOS and Recology submitted proposals for organics streams #1 and #4, and Zanker Recycling proposed for all four organic Streams.

Following the written evaluation, all three proposers, SOS, Zanker and Recology, Inc. were invited for a scripted presentation and interview. Based on an evaluation of the written proposals and the subsequent interviews, the committee unanimously recommended Zanker as the proposed exclusive vendor for the organic Streams #1, #2 and #3 and SOS as the proposed exclusive vendor for Stream #4. In addition, the committee recommended Zanker as a backup vendor for Stream #4 and SOS as a backup for Stream #1, in both cases due to the vendors' extensive experience and availability.

Following the interview, staff entered into contract negotiations with both Zanker and SOS to obtain best value in contract terms and price per ton. Zanker had included a discounted cost option for a ten

-year term contract for all four materials. Through negotiations, Zanker agreed to provide that discount for three materials in exchange for a 15-year term.

Following the negotiations, the final per ton pricing, excluding transportation, as proposed by Zanker and SOS is shown in Table 1 below. Table 1 also includes current pricing escalated to Jan. 1, 2022 for cost comparison purposes. As the SMaRT Station is not yet capturing compostable/food-soiled paper products, the current price shown for that material is the cost of disposal at the Kirby Canyon Landfill.

Table 1: Cost per ton Pricing - Current vs. Proposed

Organic Stream	Tonnage per Year	Current Price as of 1/1/2022	Zanker		SOS
			Undiscou	Discount term	7- year term
Source-Separated Residential Yard Trimmings	16,000	\$28.73	\$43.00	\$38.76	\$62.50
MRF Fines	34,320	\$72.26	\$90.00	\$82.19	N/A
Compostable Food-Soiled Paper products captured by the SMaRT Station mixed waste processing system	9,300	\$65.54	\$105.00	\$85.30	N/A
Source-Separated Residential and Commercial Food Scraps	11,000	\$62.80	\$85.00	\$85.00	\$65.15

Zanker offered the best proposal for the first three organic streams while also offering the lowest price. SOS offered the best proposal for pre-processed Source-Separated Residential and Commercial Food Scraps.

SOS's proposed pricing includes transportation cost while the Zanker proposal does not include transportation cost.

EXISTING POLICY

Consistent with the provisions of Sunnyvale Municipal Code Chapter 2.08, contracts for procurements of service are awarded pursuant to a Request for Proposals (RFP) process, unless otherwise exempt from the competitive bidding process. Additionally, City Council approval is required for the procurement of goods and/or services exceeding \$250,000 in any one transaction.

ENVIRONMENTAL REVIEW

Delivery of organics to SOS and Zanker facilities would be accomplished by reloading the organics into transfer trucks at the SMaRT Station in the same manner that garbage is transferred to Kirby Canyon Landfill and other recyclables are shipped to markets in the US and abroad. The City is entering into contracts with existing vendors of BCWS and the nature of the services will remain unchanged. The amount of tonnage and trips to Kirby Canyon Landfill has decreased since the initiation of these services. Operation of the SMaRT Station and marketing of these organic materials would be performed consistent with the Final Environmental Impact Report "Sunnyvale Material Recovery and Transportation Station (SMART)" dated September 14, 1990 and a subsequent addendum dated July 21, 1992 (SCH #89022812).

FISCAL IMPACT

Funding is available in the Solid Waste Management Fund through Program 363 - Solid Waste Management, and Project 830910 - Zero Waste Strategic Plan. The proposed cost of the recommended agreements is higher than the current cost due to changes in market conditions. Implementation of the new state organics diversion regulations will increase demand for composting and other diversion facilities faster than facility capacity can increase during the foreseeable future. This situation is leading to regional and statewide shortages of organic processing facilities and capacity and driving up the future processing costs. Another factor in the higher costs is processing technology upgrades that processors must perform to meet upcoming air quality requirements. Associated costs from such upgrades are anticipated to be passed on to jurisdictions generating organic materials.

Based on the regulation-driven market factors noted above, it is financially beneficial for the City to lock in capacity at this time and agree to longer terms for the Agreements. Although these contracts do not include any minimum tonnage/payment ("put or pay") commitments by the City, Zanker and the City have reached a mutual agreement that all produced organics in streams #1-3 will be delivered to their Z-Best facility. A similar commitment to SOS is made for stream #4 through the first four years of the agreement. Subsequent years provide an option for the City to begin diverting the food scraps to the WPCP to be co-digested along with the sludge. If activated by the City, this option would convert the food scraps into methane, then electricity with which to power the WPCP.

Awarding the fifteen-year contract to Zanker and seven-year contract to SOS is projected to increase annual net operating costs to the two cities by \$710,896. compared to current costs.

A cost increase is unavoidable. The current prices (\$/ton) are no longer available due to the expiration of the current contracts on December 31, 2021. The proposed prices reflect the current market for organics processing. Factors escalating the costs include higher demand for organics processing due to SB 1383, insufficient local organics processing capacity, increased regulation of

composting facilities, and the capital cost for Zanker to expand their facility to be able to continue to accept all of our materials.

Organic Stream	Tonnage per Year	Current \$/Ton as of 1/1/2022	Proposed \$/Ton 1/1/2022	Current \$/Year	Proposed \$/Year	\$/Year Increase
Source-Separated Residential Yard Trimmings	16,000	\$28.73	\$38.76	\$459,680	\$620,160	\$160,480
MRF Fines	34,320	\$72.26	\$82.19	\$2,479,963	\$2,820,761	\$340,798
Compostable Food-Soiled Paper products captured by the SMaRT Station mixed waste processing system	9,300	\$65.54	\$85.30	\$609,522	\$793,290	\$183,768
Source-Separated Residential and Commercial Food Scraps	11,000	\$62.80	\$65.15	\$690,800	\$716,650	\$25,850
TOTAL	70,620	N/A	N/A	\$4,239,965	\$4,950,861	\$710,896

Annually, Sunnyvale's operating cost share will be \$3,527,909 for all four organic streams and City of Mountain View's share will be \$1,422,952 for portions of stream #2 (MRF Fines) and stream #3 (compostable paper).

Streams #1, #2, and #4 are already budgeted in the Operating Budget and the Zero Waste Project Budget and therefore their cost is already included in the garbage rates. Stream #3 (compostable paper) is the only new cost. However, at a net increase of approximately \$185,000 per year, the ongoing impact on rates will be minimal. It is unlikely that the SMaRT Station will be ready to recover compostable paper from solid waste until 2023 at the earliest.

The anticipated contract values for the two vendors are: \$79 Million (with 3% CPI increase) to Zanker for a fifteen-year contract term to process three organic streams and \$5.5M (with 3% CPI increase) to SOS for a seven-year contract term to process one organic stream.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Award a fifteen (15) year contract for processing of three organic material streams, specifically, Source-Separated Residential Yard Trimmings, SMaRT Station 2-inch minus MRF Fines, and Compostable Food-Soiled Paper products captured by the SMaRT Station mixed waste processing system in substantially the same form as Attachment 1 to the report to Zanker Resource Management, LTD.
2. Award a seven (7) year contract for processing Source-Separated Residential and Commercial Food Scraps captured by the SMaRT Station mixed waste processing system in substantially the same form as Attachment 2 to the report to Sustainable Organic Solutions, LLC.
3. Authorize the City Manager to increase the contracts up to budgeted amounts.
4. Do not award the contracts in Alternative 1 or 2 and reject the proposals.

5. Take other action as determined by Council

STAFF RECOMMENDATION

Alternative 1, 2 and 3: (1) Award a fifteen (15) year contract for processing of three organic material streams, namely, Source-Separated Residential Yard Trimmings, SMaRT Station 2-inch minus MRF Fines, and Compostable Food-Soiled Paper products captured by the SMaRT Station mixed waste processing system in substantially the same form as Attachment 1 to the report to Zanker Resource Management, LTD; (2) Award a seven (7) year contract for processing Source-Separated Residential and Commercial Food Scraps in substantially the same form as Attachment 2 to the report to Sustainable Organic Solutions, LLC; and (3) Authorize the City Manager to increase the contracts up to budgeted amounts.

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Ramana Chinnakotla, Director of Environmental Services

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Zanker Recycling Draft Services Agreement
2. SOS Draft Services Agreement