



# City of Sunnyvale

## Agenda Item

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15-1075

Agenda Date: 1/5/2016

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### REPORT TO COUNCIL

#### SUBJECT

Award of Four Multi-year Contracts for Services Related to the Food Scrap Collection Program (F16-43)

#### REPORT IN BRIEF

Approval is requested to award four multi-year contracts, not to exceed budgeted amounts, for the processing of commercial (and ultimately residential) compostable materials (food scraps or organics) to Bay Counties Waste Services (Bay Counties), Zanker Road Resource Management Ltd. (Z-Best), Zero Waste Development Company LLC (ZWED), and Recology Blossom Valley Organics (Recology). Approval is also requested to delegate authority to the City Manager to renew the contracts up to three additional years, subject to available funding and acceptable pricing/services.

The City now diverts about 1,800 tons of commercial food scraps annually, but this number will significantly increase over the next several years due to increasing demand, implementation of the Council-approved Zero Waste Strategic Plan and new State regulations. This will include a residential food waste diversion program to be added in 2016. Currently, the City has a contract with Browning Ferris Industries for materials from commercial food waste pilot program. That agreement was extended by Council in August 2015 for several months so that staff could conduct a Request for Qualifications (RFQ) process to establish new contracts for the expanded programs (RTC No. 15-0744).

#### EXISTING POLICY

Consistent with the provisions of Chapter 2.08 of the Sunnyvale Municipal Code, contracts greater than \$100,000 require Council approval.

#### ENVIRONMENTAL REVIEW

Delivery of organics to Recology and Zanker Road Resource Management, Ltd. facilities would likely 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. Operation of the SMaRT Station and marketing of these organic materials would be performed consistent with the Final Environmental Impact Report "Sunnyvale Materials Recovery and Transfer Station (SMART)" dated September 14, 1990 and a subsequent addendum dated July 21, 1992 (SCH#89022812).

For Zanker Road Resource Management, Ltd. and Bay Counties, organics would likely be delivered directly to the processing facility by Specialty Solid Waste, the City's franchised hauler. Specialty's operations are consistent with the Negative Declaration approved by Council on January 30, 1990

when the franchise was awarded. No additional CEQA review is required for either direct haul or the SMaRT transfer scenario.

### **BACKGROUND AND DISCUSSION**

On April 23, 2013, Council approved the Zero Waste Strategic Plan (RTC No. 13-085) and directed staff to pursue actions to achieve specific solid waste diversion goals, including 75 percent diversion by 2020. Staff is presently implementing that direction with funding provided in Project 830910, Zero Waste Strategic Plan.

Results of the most recent waste characterization study conducted by the City indicated that compostable organics (including food, yard trimmings, and food-soiled paper) made up 33 percent of the waste the City disposed at the Kirby Canyon Landfill. This makes organics from residential, commercial and other sources the largest component of disposed waste and the top target for diversion as the City implements the Zero Waste Strategic Plan. The City implemented a pilot commercial organics collection program in 2011 which has grown steadily since inception and now collects 150 tons per month, or 1,800 tons per year. New commercial participants are routinely being added to the program, a trend that will be accelerated by California's enactment in 2014 of AB 1826, which requires both businesses and jurisdictions to implement organics recycling programs, starting in January, 2016 with the largest generators.

In the single-family residential sector, the City and Bay Counties Waste Services conducted a 500-home residential food scraps pilot program between March and December, 2015. The pilot tested the technical feasibility, cost-effectiveness, outreach techniques and diversion achieved by using a split garbage cart for management of residential waste. Staff is presently compiling and analyzing the data produced by the pilot program and working with Bay Counties to prepare recommendations to Council for Citywide implementation of a residential food scraps collection program. Staff anticipates bringing forward a citywide residential plan during 2016.

If the City reaches its goal of 75% diversion by 2020, it will have diverted approximately 26,000 tons of commercial and residential organics, based on current estimates. It will be advantageous to establish contracts with several on-call firms to ensure that the anticipated volume can be handled on any given day. In support of this effort, staff conducted a Request for Qualifications (RFQ) process to evaluate potential vendor solutions. The RFQ was distributed to twelve known firms and posted on the City's public procurement network. Sixteen firms requested the RFQ documents. Three firms submitted Statements of Qualifications (SOQs) on November 4, 2015 which included four organics processing options: Bay Counties Waste Services (Bay Counties), Recology Blossom Valley Organics (Recology), Zanker Road Resource Management (Z-Best and ZWED). The firms were evaluated on their qualifications and experience in handling organics and their programmatic approaches to diversion. All three firms are highly qualified and each proposed solutions that had different processing components, as explained below.

Zanker Road Resource Management provided two programmatic options, including aerobic composting at its Z-Best facility near Gilroy and a new dry fermentation anaerobic digestion process operated by Zero Waste Energy Development Company (ZWED). The ZWED option would allow Specialty Solid Waste trucks to direct haul materials to its facility in Alviso. The Z-Best option would require trucking the organic material from the SMaRT Station to Gilroy under a separate hauling contract.

Bay Counties has proposed to partner with Garden City Sanitation and Sustainable Alternative Feed Enterprises (SAFE) to process the food scraps in Santa Clara with a drying and sterilization process that converts the material into animal feed. This is a promising option for which small test loads have been piloted by the City. Full implementation to handle greater loads would require Bay Counties to install (at no cost to the City) a receiving hopper and screw press at the SMaRT Station to prepare the materials for final processing in Santa Clara. Installation of these improvements is expected to be completed within two months after contract award.

Recology has proposed to use aerobic composting to create fully cured soil amendments. This option would require a separate trucking contract to transfer the materials from the SMaRT Station to Vernalis, in the Central Valley. This option is similar to the Z-Best proposal, but would require hauling the material over a greater distance at a higher cost.

Each firm’s proposed pricing per ton for both commercial and residential food scraps is show below.

<u>Firm</u>	<u>Commercial Cost/Ton</u>	<u>Residential Cost/Ton</u>
Bay Counties	\$84.60	\$84.60
Recology	\$75.00	\$55.00
Z-Best	\$85.00	\$82.00
ZWED	\$97.00	\$94.00

In addition to the unit cost pricing shown above, there are other factors to consider in evaluating the merits of each type of material processing solution that increase costs and/or result in environmental impacts. These impacts are discussed in greater detail below.

The City’s preferred contractor is Bay Counties because its solution proposes the highest and best composting use (food for animals is ranked higher than compost by the USEPA), it has a local delivery destination which minimizes the potential for service interruptions due to traffic conditions, and it is actually the overall lowest cost when factoring in transportation costs that will be incurred with the other proposers. Additionally, Bay Counties is willing to make a substantial capital investment at no cost to the City valued at approximately \$600,000. Bay Counties also has an alternate location at the East Bay Municipal Utilities District (EBMUD) to bring material in the event that the Santa Clara facility is not available. Finally, Bay Counties will hold its pricing for five years if the City enters into a contract for that duration.

Recology has proposed the lowest unit cost to process the organics, but third party hauling costs will be substantial because the material must be trucked over the Sunol Grade and Altamont Pass to the Central Valley. This also increases the risk of service interruptions and increases the amount of transportation-related air emissions released into the environment. Recology has also proposed to increase pricing annually beginning after the first year of operation.

The Z-Best option is similar to the Recology method, but the hauling location in Gilroy is closer to the City, reducing transportation-related air emissions and potentially lowering overall transportation costs. The ZWED option has the highest unit cost but Specialty Solid Waste could directly haul the materials to its facility, obviating the need to enter into a separate hauling contract. The City would

incur hauling costs under the Specialty Solid Waste contract, but this would be reflected in the franchise payment which can be absorbed in the operating budget. Both Z-Best and ZWED have agreed to hold pricing for three years.

#### Potential Facility Constraints

Another factor to consider is that each facility has daily tonnage limits (tons per day or TPD) and other operating constraints that are stated in their Local Enforcement Agency (LEA) permits issued by CalRecycle. This is an important consideration that will impact the amounts and types of material that can be brought to the facilities at any given time, and a main reason why multiple contracts are necessary to achieve the City's diversion goals.

Based on the reasons enumerated above, staff recommends awarding three-year contracts to Z-Best, ZWED and Recology, and a five-year contract to Bay Counties, not to exceed budgeted amounts. Staff intends to utilize Bay Counties as the primary processor, especially once the new equipment is installed. Staff will also utilize Z-Best, ZWED and Recology, but at lower volumes. Staff also recommends that Council delegate authority to the City Manager to renew the contracts for up to three years, subject to budgeted funding, and acceptable pricing and service. A sample draft contract that will be used with all four firms is contained in Attachment 1, and a listing of each firm's services and fees is contained in Attachment 2.

Awarding the contracts in this fashion will help the City provide reliable and innovative composting options/services to the community, maximize environmental benefits consistent with Council policy goals, and obtain composting services at the best overall value.

#### **FISCAL IMPACT**

Capital Project 830910, Zero Waste Strategic Plan, is budgeted at approximately \$30 million over the next twenty years. It is estimated that 50% of this amount, or \$15 million, will be spent on diverting food scraps. Over the next six years (the total amount of time recommended for these contracts), budgeted funding for the food scraps program is approximately \$4.4 million.

It would be very difficult to determine exact contract amounts given the processing facility constraints and other factors discussed in this report. Staff anticipates diverting 70% of the food scrap volume to Bay Counties; 20% to ZWED; and 5% each to Z-Best and Recology. These amounts are best guess estimates and are very likely to change as the programs become fully operational and grow in scope. For this reason, staff is requesting that Council delegate authority to the City Manager to modify the contracts as operationally necessary, so long as the total budgeted amount is not exceeded.

The current capital budget is based on the diversion goals established in the Zero Waste Strategic Plan. As the program expands over the next several years the actual diversion amounts will be refined. Staff will evaluate annual funding levels and recommend adjustments as necessary in successive budget cycles.

In terms of transportation costs, prices are currently estimated to be \$10.00/ton to haul organics to Gilroy (the Z-Best option), and \$14.50/ton to haul to the Central Valley (the Recology option). Contracts will be established with trucking firms for material transport and will be awarded under the City Manager's award authority.

#### Funding Source

This project is funded by the Solid Waste Management Fund

**PUBLIC CONTACT**

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

**RECOMMENDATION**

1) Award four contracts, not to exceed budgeted amounts, to Bay Counties Waste Services, Recology Blossom Valley Organics, Zanker Road Resource Management, Ltd., and Zero Waste Development Company LLC; and 2) delegate authority to City Manager to renew the service agreements for up to three (3) additional years, subject to budgeted funding and acceptable pricing and service.

Prepared by: Pete Gonda, Purchasing Officer

Reviewed by: Grace K. Leung, Director, Finance

Reviewed by: John Stufflebean, Director, Environmental Services

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Sample Draft Services Agreement
2. Service and Fee Summaries