

JAN 28 2010

Memorandum  
 City Manager's Office

**TO:** HONORABLE MAYOR AND  
 CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT: COMMERCIAL SOLID  
 WASTE SYSTEM REDESIGN**

**DATE:** 01-28-10

Approved



Date

1/28/10

**INFORMATION**

On March 24, 2009, Council directed Staff to separate the Requests for Proposal (RFP) for the processing of organic materials from the RFP for the commercial solid waste collection and processing of recyclables. The redesigned commercial solid waste system will still require the City to issue a franchise to collect and process recyclables. However, the Administration is planning to directly contract for organic processing capacity. The procurement for an exclusive franchisee for collection and processing of recyclables would require the franchisee to deliver their organic material to an approved organic processor as a condition of the franchise. This memorandum discusses the revised RFP timeline, the reasons for separation of the procurement and directly contracting for organics processing, and the implications of these decisions on the determination of Living Wage and Prevailing Wage requirements for the facilities. The RFP for organics processing capacity is scheduled to be released on or about February 3, 2010.

**RFP Timeline**

Due to the integral nature of the two types of services, the Administration is planning to release the Collections and Recyclables RFP after the release of the Organics Processing RFP. The final selection of an organic processor will depend on the nature of the recommended commercial solid waste collection system. The method of collection will impact the specifications required for processing of the organic material. By overlapping the two RFPs, the City will be able to analyze the best relationship between collection and processing options to maximize benefits to the City in meeting Green Vision goals. The current time-line is summarized below:

On or about February 3, 2010	Release Organics Processing RFP
Spring 2010	Organics Processing RFP due
Spring 2010	Release Collections and Recyclables Processing RFP
Summer 2010	Collections and Recyclables RFP due
Fall 2010	Evaluation of proposals for both RFPs
Winter 2010	Recommendation of award to Council
Spring 2011	Negotiations for commercial solid waste system completed and execution of contracts
Summer 2012	Commercial Solid Waste Service begins

### **Organics RFP**

Development of local organic waste processing infrastructure is critical to the City's zero waste goals. The City has informed the solid waste industry of the need to divert greater waste and of its interest in energy generation through various planning processes for the Zero Waste Strategic Plan, the 2009 Green Vision Workplan, and the Energy Strategic Plan. Further, San Jose was a principal organizer for the Northern California Anaerobic Digestion (AD) workshop, held on November 17, 2009, to bring AD technology vendors and the local hauling companies together. As a result of this outreach, the Administration learned of significant interest from vendors of new technology to provide organic processing services. These vendors have been conferring with the local hauling community to evaluate long term infrastructure commitments in the San Jose area.

There are several advantages to conducting a separate procurement for Organics Processing services. A separate RFP allows the Administration to solicit innovative processing solutions; to specify the type of materials that would need to be collected based on technology selections; to facilitate more proposals for both processing and collection; and to be in a better position to compete for stimulus funding. Moreover, a separate procurement would provide potential proposers additional time to complete the California Environmental Quality Act review process in the event the proposals require the construction of new facilities or an expansion of existing facilities.

### **Direct Contract to Secure Organic Processing Capacity**

The Administration is planning to directly contract for organic processing capacity in order to more closely regulate compliance with organic processing performance standards; and to reserve the ability of the City to direct other waste streams to these processors in the future. However, removing this service from the commercial collection franchise will also require the City to become more involved in the coordination of services between the collection franchisees and the organic processors, including providing adequate provisions for the payment of services.

In March 2009, when Council approved various aspects of the commercial system redesign and recommended two separate procurements, the assumption was that organics processing would be a component of the commercial franchise. Council was informed that the collection franchisees could only be required to pay living wage and to provide information regarding their process to maintain labor peace. If the City contracts directly for organics processing capacity, as planned, prevailing wage could be required. For various reasons articulated below, the Administration continues to work under the existing Council direction to require compliance with the City's living wage policy as part of this procurement process.

Currently, three large Bay Area counties are actively seeking additional capacity and evaluating South Bay facilities for meeting their organics recycling needs. The Administration anticipates that many of the potential proposers for this Organics Processing RFP will be companies seeking to locate new regional facilities in San Jose. These facilities would likely accept waste from multiple jurisdictions, and would not be dedicated to processing organic waste from San Jose only. If the San Jose requires prevailing wage for workers in these facilities, the higher cost of labor would likely be loaded onto rates charged on material from San Jose, resulting in higher

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overall costs for the commercial system, which would then be borne by San Jose businesses. Moreover, the increase labor cost may discourage potential proposers seeking to establish innovative advanced technology solutions at existing facilities like landfills. However, requiring compliance with living wage is unlikely to have significant impact on the overall cost of the redesigned commercial solid waste collection and processing system.

/S/

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For questions, please contact Jo Zientek, Deputy Director, Integrated Waste Management Division, at 408-535-8557.