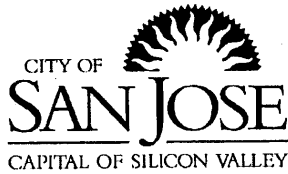


T&E AGENDA: 03-04-13
ITEM: D(4)



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Kerrie Romanow

SUBJECT: COMMERCIAL SOLID WASTE
TRANSITION REPORT

DATE: 02-13-13

Approved 

Date 2/13/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Accept this report on the progress of the new commercial solid waste system, which began servicing all businesses in the City on July 1, 2012.

OUTCOME

The Committee is apprised of the initial level of success and progress of efforts by the City, Republic Services and Zero Waste Energy Development Company (ZWED) to transition San José's business community from service provided by multiple haulers to a single hauler system that includes innovative wet/dry collection service with an energy-efficient fleet.

BACKGROUND

On June 21, 2011, Council granted Allied Waste Services (now known as Republic Services, their parent company) two exclusive franchises for north and south San José to provide solid waste collection, recyclables processing, and disposal services for most of the City's commercial waste, and authorized an agreement with ZWED to provide commercial organic waste processing services. On July 1, 2012, the transition commenced, and businesses switched from the non-exclusive franchise system (involving more than 20 different haulers) to service with a single hauler, Republic, serving the entire City. Beyond consolidating service with one hauler, the transition introduced new technologies and approaches. Approximately 8,000 business sites are now participating in a new wet/dry collection system with waste materials being separated into two categories: 1) wet or organic material such as food waste or plant trimmings, and 2) dry material such as paper or plastic. All solid waste collected is delivered to Republic or ZWED facilities for processing, and residual garbage from the processing operations is sent to landfill for disposal.

ANALYSIS

The transition of the commercial solid waste system represents a major accomplishment for the City, Republic Services, and ZWED. The new system has attracted interest from across the country and now stands as the most comprehensive, innovative commercial solid waste and recycling systems in the United States. Highlights include:

- Efforts to ensure a seamless transition resulted in few service issues and lower than expected customer calls during the initial weeks of the service change. City staff assisted with the transition by making sure that both Republic and ZWED met key milestones and other contract requirements, and by supporting the contractors with permitting, Code and franchise compliance, outreach, and customer service issues.
- Republic began operations of a highly advanced recycling facility, the world's largest, and ZWED began construction of the country's first commercial-scale dry fermentation anaerobic digestion facility. This significant infrastructure investment in San José will ultimately include the creation of approximately 100 recyclables processing jobs.
- The commercial recycling rate has already increased from approximately 25 percent to a current estimate of 70 percent. The increased waste diversion from the commercial system will boost overall citywide diversion (currently at 73 percent, without the significant increases in commercial diversion) and help to meet Green Vision Goal #5 - Divert 100% Waste From Our Landfill and Convert Waste to Energy.
- Republic's conversion to trucks fueled by compressed natural gas has already reduced greenhouse gas emissions by 550 metric tons and is projected to reduce greenhouse gas emissions by 19,000 metric tons (equivalent to the annual emissions from 4,000 passenger vehicles) over the life of the franchise.

Specific updates on outreach efforts, facility progress, and City oversight of the commercial franchise system are detailed below.

Outreach

In late 2011, Republic began acquiring commercial accounts from other San José haulers, thereby obtaining more than 90 percent of the existing customer base prior to the July 1, 2012 start date. These early acquisitions enabled Republic to enter all customer information into their database; establish billing; become familiar with the waste stream; and familiarize drivers with routes. These steps helped Republic develop a customer engagement strategy for the transition to a new wet/dry service.

From March through June 2012, Republic and the City notified the business community of the transition by direct mail (letters, postcards, and newsletters), electronic medium, paid advertising, and in-person presentations at business association meetings. In addition, Republic launched a targeted customer engagement strategy to inform individual businesses. This outreach was tailored to each business based upon information gathered from the acquisitions and existing

customer base. Depending on their anticipated service needs, businesses received on-site scheduled meetings, drop-in appointments, or telephone consultations. However, even with extensive outreach efforts of the City and Republic, the new services were a surprise to some employees at certain businesses. This led to frustration from some who felt that there was insufficient communications about the new program, particularly about changed collection days and times. Additionally, because maximum customer rates were approved just six weeks prior to the program start, Republic could not provide outreach regarding rates until early June. An estimated 42 percent of customers received an increase (with 58 percent receiving a rate decrease), resulting in the majority of customer complaints to Republic and escalated calls to the City. While Republic call volumes were initially high (approximately 260 calls per day), by November calls had decreased by half, to approximately 130 per day. Republic added additional temporary staff to assist with increased call volume. Given the size and complexity of the transition, call volume was lower than expected.

After the July 1, 2012, start of the wet/dry service, Republic's staff continued to ensure that customers understood the new program and helped with any needed service modifications. This included helping customers adjust containers to ensure wet and dry materials were properly segregated or adding separate containers for challenging materials like glass. Republic also assisted customers in purchasing more environmentally-friendly food and beverage containers and bags for collecting waste. Many businesses that were over-subscribing to service reduced their service in an effort to control increased costs from rate increases. It is estimated that over half the customer base changed containers type or reduced their container size during the first six months of the new service. Republic did not plan for this degree of change and experienced considerable inventory and staffing challenges as a result. The time required for Republic to make container changes improved significantly in recent months. Additionally, these service changes could affect maximum commercial solid waste service rates for 2013-2014, as Republic revenues factor into the rate review currently underway.

Since stabilization of service level adjustments and container exchanges, Republic is implementing a convenient "Paint in Place" program to repaint containers with appropriate wet/dry colors and signage at customer collection sites. Paint in Place will continue through June 2013 when all containers are required by the franchise agreement to be uniform in appearance. This color-coding will help customers easily identify which container to put materials in and will help drivers identify the container they need to pick up – two steps that should further improve waste diversion rates.

In total, during the first six months of the program, outreach efforts included 1,700 on-site waste assessments, two newsletter mailings to Republic's 8,000 accounts, seven business presentations, and 10 facility tours. For the duration of the 15-year term of the agreement, Republic is required to continue providing customer outreach and technical assistance to businesses, including presentations, facility tours, quarterly newsletters, program how-to materials, sustainability awards, and on-line chat with recycling experts.

Facilities

Newby Island Resource Recovery Park

Republic owns and operates the Newby Island Resource Recovery Park (NIRRP), located in north San José. The NIRRP is among the Bay Area's very few "one stop" solid waste facilities, and it includes a large-scale materials recovery facility (MRF), composting operation, hauling company, and landfill. Republic and City staff worked closely to transform the MRF into a world-class recycling facility. Unique features of this facility include four different incoming waste sorting lines that keep the types of waste separate to prevent contamination, thus increasing the value of the recovered material. One of the lines handles the wet material (organics) from San José, which is delivered to ZWED after pre-processing. Despite Republic's best efforts, the opening of the facility was delayed by three weeks (primarily due to issues with establishing utility services), which unfortunately resulted in some material being landfilled without any processing. The facility became fully operational on July 23, 2012. Due to the scale and complexity of the facility, and as more was learned about the waste stream, adjustments were made to the equipment and processes to improve the recovery of recyclable material. Until these modifications could be made, ZWED expressed concern to the City and Republic about the amount of organics being recovered at the NIRPP for ZWED to process. In December 2012, significant equipment modifications were made, including the replacement of a "bag-breaker" unit with a "reducer" unit. While both of these units automatically tear open bags of wet waste to allow it to be manually sorted, the reducer has proven to be much more effective at evenly metering the material onto a sorting belt, so that workers have a better opportunity to capture certain types of material. These improvements more than doubled the amount of organics delivered to ZWED daily. Because of its sheer size and innovative processes, the MRF is generating interest from other service providers and government agencies across the United States. The newly expanded NIRRP was unveiled at a grand opening event in August 2012 that attracted numerous representatives from the media, solid waste industry, and State and local governments (including the Director of the State of California's Cal-Recycle Agency). Furthermore, Republic, the country's second largest publicly traded waste management company, is looking to San José as a model for shaping their facilities and operations nationwide.

ZWED Waste to Energy Facility

ZWED will convert the organic portion of the commercial waste to energy at its dry fermentation anaerobic digestion facility, now under construction on land leased from the San José/Santa Clara Water Pollution Control Plant. This will be the first such facility in the nation. Dry anaerobic digestion uses less water and energy and emits fewer greenhouse gases than the wet anaerobic digestion processes typically used at wastewater treatment plants and dairy farms. ZWED is targeting early 2014 for completion of the facility. Grading and building permits have been issued, and all construction approvals have been received from Cal-Recycle, the Bay Area Air Quality Management District, and the City. Nearly all earthwork has been completed for Phase I, including the underground storm water management infrastructure for the entire site. The gas capture system is in place, and the initial foundation pour will be completed by the end

of February. Meanwhile, ZWED is using their Z-Best Composting Facility in southern Santa Clara County to process San José's commercial organics. They are also working with Republic to analyze the commercial waste stream in order to maximize processing efficiency for anaerobic digestion.

Commercial Franchise System

Prior to the transition to Republic's wet/dry system, approximately 20 non-exclusive franchised haulers competed for servicing businesses in an open market system with minimal oversight from the City. In an effort to ensure that a degree of competitive and shared market remains, two large components of the commercial waste stream continue to be collected through the non-exclusive franchise system: construction and demolition debris and residential cleanout materials. For these components, there are currently 19 non-exclusive franchised haulers, with four more applications pending. In order to ensure compliance with the San José Municipal Code and the various franchise agreements, the addition of two Environmental Inspectors dedicated to field enforcement was approved with the City's 2012-2013 Adopted Operating Budget. This enforcement function helps ensure that the cost of the new system is distributed appropriately among all customers covered by the franchise, thus mitigating risk of rate increases. The inspectors also ensure that franchisees are collecting waste per the terms of their agreements and are meeting requirements for the quality of services to the customer. To date, the inspectors have investigated 45 cases, conducted 59 inspections, and issued 13 courtesy notices and two violation notices. These enforcement actions recently triggered four new non-exclusive haulers to apply for a franchise.

EVALUATION AND FOLLOW-UP

Staff is pleased with the success of the initial transition phase, and work can now begin on other initiatives such as ensuring that all the necessary steps are taken to achieve a 75 percent waste diversion rate for 2013 and an 80 percent waste diversion rate for 2014 and thereafter. Additionally, staff anticipates returning to Council in May 2013 with a recommendation on Maximum Commercial Solid Waste Service Rates for 2013-2014.

PUBLIC OUTREACH

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a

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Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

This recommendation does not meet any of the public outreach requirements above; however, it will be posted as part of the March 4, 2013, Transportation and Environment Committee agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office

CEQA

Not a Project, File No.PP10-069(a), Staff Reports that involve no approvals of any City Actions.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions please contact Jo Zientek, Deputy Director, Environmental Services Department, at (408) 535-8557.