

City of Sebastopol

Recommendation for Approval of Solid Waste Collection Agreement with Sonoma County Resource Recovery for Garbage, Recycling, and Organic Waste Collection Services

January 7, 2025

Presented by Garth Schultz

R3

How did we get here?

- Sebastopol's current 15-year solid waste agreement (2009) was originally set to expire Dec. 31, 2023.
- The agreement does not allow for City to extend term length without consent from Recology on terms, including rates.
- City negotiated extensively with Recology in 2023 regarding long-term extension of agreement.
- City and Recology agreed to extend term at current rate structure through Dec. 31, 2024, and then June 30, 2025.
- Recology would not agree to long-term extension without significant increases in rates for residents and businesses.
- **City was not agreeable to Recology's final rate proposal, which amounted to a 57% increase in rates from July 1, 2024, through July 1, 2027.**
- In February 2024, City Council voted to conduct a competitive Request for Proposals process for a new solid waste collection agreement.

How did we get here?

➤ **Timeline of Council Actions**

- February 20, 2024 – Directed staff to proceed with competitive request for proposals.
- April 2, 2024 – Established evaluation criteria for proposal evaluation.
- June 4, 2024 – Approved RFP and draft agreement for release.
- August 6, 2024 – Created Ad Hoc Committee for evaluation of proposals.
- October 10, 2024 – Authorized Ad Hoc Committee and Evaluation Panel to select top ranked proposer and proceed to negotiations

➤ **Two Proposals**

- Recology Sonoma Marin, City's incumbent solid waste contractor
- Sonoma County Resource Recovery (SCRR), with current operations in the Town of Windsor

➤ **Two Rate Options**

- **Option 1** – One larger adjustment to solid waste rates effective July 1, 2025 (followed by smaller annual adjustments thereafter)
- **Option 2** – Phased-in adjustments to solid waste rates effective July 1, 2025, 2026, and 2027 (and then followed by smaller annual adjustments thereafter)

How were proposals ranked?

- Evaluation Panel consensus scoring identified SCRR as the highest-ranked proposer

Maximum Points	Evaluation Criteria	Recology	SCRR
30	Service Rates & Value	20	25
18	Quality of Service & References	14	17
18	Sustainability	17	16
13	Proposed Services, Improvements & Technology	11	10
8	Community Employment & Partnership	6	7
8	Communication, Outreach & Customer Service	6	6
5	Financial Ability & Integrity	3	3
100	Total	77	84

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Why was SCRR's rate proposal ranked highest?

- **Single-family residents benefit from lower garbage rates with SCRR**
 - **SCRR proposed the lowest minimum monthly garbage rate** – single-family residents desiring the lowest rate can subscribe to 20-gallon service and save at least \$6.58 per month compared to Recology.
 - **SCRR proposed the lowest average monthly garbage rates** – across all single-family accounts, single-family residents will pay less with SCRR than with Recology (an average of 5% less via Option 1 and 9% less via Option 2).
 - **SCRR's proposed garbage rates for Option 2 are less than Recology's in 2025-26 for all residents** – for 2026-27 and 2027-28, SCRR's Option 2 rates are less for all residents except those subscribed to the larger 96-gallon service level (120 customers).
 - **Single-family residents comprise 88% of solid waste customers in the City (~2,400 of ~2,730 accounts).**
 - **All single-family residential garbage rates include 96-gallons of recycling and 96-gallons of organics service at no additional cost.**

Why was SCRR's rate proposal ranked highest?

- **Multi-family dwellings benefit from lower garbage rates with SCRR**
 - **SCRR proposed the lowest minimum monthly garbage rate** – multi-family dwellings desiring the lowest rate can subscribe to 32-gallon service and save at least \$6.47 per month compared to Recology.
 - **SCRR proposed the lowest average monthly garbage rates** – across all multi-family accounts, customers will pay less for garbage with SCRR than with Recology (an average of 9% less via Option 1 and 13% less via Option 2).
 - **SCRR's rate proposal benefits multi-family dwellings that generate less overall waste** – multi-family dwellings that work to reduce all waste types will pay less via the SCRR proposal compared to Recology. While it is important to participate in recycling and organics programs, all types of waste should be reduced to reduce costs and environmental impacts.
 - **All multi-family dwelling garbage rates include 96-gallons of recycling and 96-gallons of organics service at no additional cost.**

Why was SCRR's rate proposal ranked highest?

- **Commercial businesses benefit from lower garbage rates with SCRR**
 - **SCRR proposed the lowest minimum monthly garbage rate** – businesses desiring the lowest rate can subscribe to 32-gallon service and save at least \$6.47 per month compared to Recology.
 - **SCRR proposed the lowest average monthly garbage rates** – across all business accounts, customers will pay less for garbage with SCRR than with Recology (an average of 7% less via Option 1 and 11% less via Option 2).
 - **SCRR's rate proposal benefits businesses that generate less overall waste** – businesses that work to reduce all waste types will pay less via the SCRR proposal compared to Recology. While it is important to participate in recycling and organics programs, all types of waste should be reduced to reduce costs and environmental impacts.
 - **All business garbage rates include 96 gallons of recycling and 32 gallons of organics service at no additional cost.**

Why was SCRR's rate proposal ranked highest?

- **SCRR proposed cost-of-service rates for additional recycling and organics services**
 - **Proposition 218 requires that fees for property related services are proportionate to the costs of providing those services.**
 - Recycling and organics services are costly – the costs for collecting recycling and organics mirror the costs of collecting garbage.
 - It costs nearly as much (and in some cases more) to provide recycling and organics services as it does garbage service.
 - It was necessary and appropriate for proposals to include separate charges for additional recycling and organics services.
 - Such charges are only for additional amounts of recycling and organics service above the base levels provided to every customer – customers needing more than the base levels provided for via the garbage rate will pay for the additional services that they need.
 - While SCRR's proposed rates for additional multi-family and commercial recycling and organics are higher than Recology's, they are also more proportionate to the cost of providing service.

Why was SCRR's rate proposal ranked highest?

- **SCRR's proposal eliminates subsidies for additional recycling and organics services**
 - **Not charging separately for additional recycling and organics services would have required higher base garbage rates for all multi-family and commercial customers.**
 - This is because the costs of providing additional recycling and/or organics services to some multi-family and commercial customers would have to have been paid via the base garbage rates charged to all such customers, including those not needing the additional levels of recycling and organics service.
 - As result, multi-family and commercial garbage rates charged to all customers would have subsidized the additional recycling and organics services which are not needed or used by all customers.
 - The rate structure approach requested by the City in the RFP was designed to avoid such a subsidy and is in-keeping with best practices for compliance with Proposition 218's requirements that fees be proportionate to the cost of providing services.

Why was SCRR's rate proposal ranked highest?

➤ Overall, SCRR's rate proposal

- **Provides the lowest minimum monthly rates and service options for single-family residents, multi-family dwellings, and commercial businesses.**
- Provides for lowest average single-family rates.
- Provides for lowest average multi-family garbage rates.
- Provides for lowest average commercial garbage rates.

- **Benefits those generating the least overall amounts of waste, including garbage, recycling, and organics.**
- Incentivizes reduction of all types of waste while providing adequate financial incentives to divert recyclable and organic waste from landfill.
- Provides for individual hand-in-hand collaboration working with multi-family dwellings and businesses to right-size all waste services to reduce or eliminate apparent changes in costs.

How can businesses avoid increasing costs?

- **SCRR's proposal benefits those generating the least amount of waste**
 - **SCRR's lower garbage rates mean that businesses which generate low amounts of overall waste (including garbage, recycling, and organics) will pay less with SCRR than with Recology.**
 - Multi-family dwellings and businesses that generate larger amounts of waste (including garbage, recycling, and organics) will pay proportionate costs for those additional services.
 - The amounts of additional charges can be lessened or potentially even eliminated in one or more ways, and the City's analysis of the proposals takes these factors into account.
 - "Right-sizing" garbage, recycling, and organics service levels to provide the amount of needed service without excess amounts of service will lessen cost impacts associated with the additional charges.

How can businesses avoid increasing costs?

- **SCRR is committed to working with multi-family dwellings and businesses to make recycling and organics services efficient and cost-effective**
 - **No multi-family and business customers will be charged new rates without first having the opportunity to adjust their services levels (for garbage, recycling, and organics services) to provide the right levels of service and cost.**
 - SCRR will work collaboratively with every multi-family dwelling and businesses to right-size services. This means finding the best blend of garbage, recycling, and organics services to meet service needs while keeping overall costs as low as possible.
 - Service levels will be adjusted as necessary and feasible to provide adequate service while reducing costs.
 - Because multi-family dwellings and commercial businesses today can receive “free” recycling and organics services in large amounts, it is likely that some multi-family dwellings are not fully utilizing the services they receive, meaning that adjustments in services will reduce or eliminate apparent changes in costs.

How can businesses avoid increasing costs?

- **Cost-of-service pricing incentivizes movement towards zero waste**
 - **While it is important to participate in recycling and organics programs, all types of waste should be reduced to reduce costs and environmental impacts.**
 - Multi-family dwellings and businesses can seek to further reduce the impacts of the additional recycling and organics charges by reducing the overall amount of all types of waste (garbage, recycling, and organics) that they generate, which is important as the City seeks to move to a zero-waste future.
 - Multi-family dwellings and businesses can also seek to reduce or eliminate additional charges for additional recycling and/or organics services by selling or donating valuable commodities such as cardboard, cans and bottles, and pre-consumer food scraps, and using the community center cardboard bin.
 - SCRR has also committed to working with customers one-on-one to reduce rates below the maximums provided in the agreement to account for the better value of such materials as cardboard and pre-consumer food scraps.

What about other concerns that have been raised?

➤ Why isn't SCRR unionized?

- Whether a company's employees are unionized is not a decision of the company, but of the employees. SCRR's employees have not voted to unionize; however, all of SCRR's sister companies have workforces that are unionized.

➤ How does SCRR treat its employees?

- SCRR provides wages and benefits to employees that meet or exceed those provided to Recology's unionized employees. SCRR matches changes in wage provided to Recology's unionized employees via their collective bargaining agreement.

➤ What will happen to the Recology employees working in Sebastopol today?

- SCRR is required to provide offers of employment to any work-eligible Recology employees that may be displaced by transition of services. However, Recology represented to the City that no employees would be displaced if Recology was not awarded the agreement as they would continue to be employed by Recology in its other operations in Sonoma-Marin.

What about other concerns that have been raised?

➤ Where will garbage, organics and recyclables go?

- Garbage and organic waste materials are required to be delivered to Sonoma County facilities, so SCRR will be driving to the same facilities used by Recology. For recycling, SCRR will be transferring materials in Windsor to facilities in Ukiah, Napa, or Marin.
- It is important to understand that all recyclable materials are eventually shipped out of Sonoma County – though Recology has a processing facility in the County, once recyclables are sorted and prepped for marketing, they are shipped out of County to processing facilities in other parts of California, the United States, and other international commodities markets.
- Put simply, delivery to the recyclable processing facility is just the first of many steps in the long journey of recyclables.

➤ Will SCRR be building new local solid waste facilities?

- SCRR will soon be constructing a new transfer facility in Windsor for transloading of recyclable materials. Plans for that facility were pre-existing and services in Sebastopol are not dependent on this facility.

What about other concerns that have been raised?

➤ What about the future transition to Zero Emission Vehicles?

- Neither SCRR nor Recology proposed to provide zero emission solid waste collection vehicles – both proposed to use renewable diesel for now. Recology did propose an electric street sweeper in 2028.

➤ Will SCRR make me sort more of my waste?

- Though SCRR's operations in the Town of Windsor do require additional separation of recyclable materials, SCRR has not proposed the same approach in Sebastopol. All recyclables will be collected in single-stream containers (just like with Recology) and without additional sorting being necessary.

➤ Will SCRR issue penalties for bad waste sorting?

- Though the City's draft agreement issued with the RFP would allow for contamination charges, SCRR does not issue such charges unless extensive education and outreach with offending customers fails to result in the correct participation in recycling and organics programs.

What about other concerns that have been raised?

- **What will recycling and zero waste education be like?**
 - **The City’s draft agreement issued with the RFP included detailed outreach and education requirements that meet best practices for such activities. Additionally, SCRR will:**
 - Conduct commercial waste audits to identify materials in the waste stream and areas for improvement.
 - Provide businesses with staff training, interior bins, and signage to improve waste sorting practices.
 - Host presentations on waste sorting and landfill diversion for residents and property managers of multi-family housing.
 - Collaborate with property managers to provide site-specific signage and distributes informational flyers to tenants through channels such as resident newsletters and emails.
 - Plan and organize zero waste events in partnership with City staff and local organizations.
 - Be active with local organizations such as the Chamber of Commerce, Rotary, Sonoma County Alliance, and others.
 - Attend local events to distribute zero waste guides, waste sorting information, kitchen compost pails, and answer waste-related questions.
 - Conduct waste sorting presentations at community meetings. SCRR is available to any community organization that requests a presentation.

What about other concerns that have been raised?

➤ What will recycling and zero waste education be like? *(continued)*

- Meet monthly with the high school student groups to address waste sorting challenges and concerns.
- Work with school administration on implementing new waste sorting and diversion strategies.
- Visit school sites during the day, conducting visual waste audits, and work with staff to increase diversion.

➤ Will SCRR support local non-profits and businesses?

- SCRR is an active participant in its communities, sponsoring non-profit events, donating to Girl Scouts, working with local schools and community groups, attending and participating in local events and groups.
- SCRR has committed to work hand-in-hand with City staff to ensure all the city's needs are met and work collaboratively to bring issues to resolution.
- SCRR has a proven track record of being a good community partner and commits to being be actively involved in Sebastopol with a visual presence of their staff.

What about other concerns that have been raised?

- **Why did the City use consultants for the RFP, and how will those costs be paid?**
 - The City hired R3 Consulting Group, Inc. to support the City's RFP process because staff capacity was not sufficient to manage the process. The costs of R3's services will be covered by the contractor that is hired, via contractually-stipulated payment upon execution of final agreement (irrespective of which contractor is awarded).

- **Does the City benefit more from an agreement with SCRR?**
 - City's budget is not affected by selection of SCRR compared to Recology – franchise fee revenues from both proposers are assumed to be equivalent.
 - SCRR proposed to provide drain-inlet vactoring services with street sweeping services (a requirement of the RFP) which Recology declined to provide.
 - Through negotiations, the City secured additional community benefits including funding for new containers in the downtown area and services for community and non-profit events, which both SCRR and Recology offered as enhancements.

Questions and Next Steps

- **Questions from Council?**
- **Tonight:** Consideration of staff and Solid Waste Ad Hoc Committee recommendation of Approval of Solid Waste Collection Agreement with Sonoma County Resource Recovery for garbage, recycling, and organic waste collection services.
 - Minor revisions to posted agreement on following slides.
- **January 21 Council Meeting:** Council resolution selecting rate Option 1 or rate Option 2 and setting franchise fee amount.
- **February / March Council Meetings:** First and Second Readings of an Ordinance revising SMC Section 13.16.120 to align with 15-year agreement term.

Minor Corrections to Posted Agreement

➤ **Section 28.06 (Proposition 218 Release)** [red language added]

City intends to comply with all Applicable Law concerning the Maximum Service Rates provided under this Agreement. Upon thorough analysis, the parties have made a good faith determination that the Maximum Service Rates for the Solid Waste Collection provided under this Agreement are not subject to California Constitution Articles XIIC and XIID because, among other reasons, such services are provided by a private contractor and not by City, Contractor independently establishes the rates for services within the limits established in this Agreement, the receipt of services is voluntary and not required of any property within City, and any owner or Service Recipient of property within City has the opportunity to avoid the services available under this Agreement either through Self-Hauling or use of property in such a manner that Solid Waste is not generated. Accordingly, in the event that a third party challenges the Maximum Service Rates as being in violation of Article XIIC or XIID of the California Constitution, or otherwise asserts that the Maximum Service Rates are an invalid tax, assessment, or fee, Contractor agrees, subject to Section 6.12, to waive, release, and hold harmless the City Indemnitees from and against any and all claims Contractor may have against the City Indemnitees resulting therefrom, and to indemnify and defend City indemnitees, with legal counsel reasonably acceptable to City, from any third-party claim, suit, or other action, whether administrative, legal, or equitable, challenging the Maximum Service Rates authorized under this Agreement or as being in violation of Article XIIC or XIID of the California Constitution, or otherwise asserting that the Maximum Service Rate are an invalid tax, assessment, or fee, **except to the extent that such third-party claim, suit, or other action challenges any City-imposed fee (including, without limitation, the Franchise Fee described in Article 4) that is included in the Maximum Service Rates.** This Section will survive the expiration or termination of this Agreement for claims arising prior to the expiration or termination of this Agreement.

Minor Corrections to Posted Agreement

➤ **Section 40.01 (Assignment)** [red language added]

No assignment of this Agreement or any right occurring under this Agreement may be made in whole or in part by Contractor without the express prior written consent of the City. City will have full discretion to approve or deny, with or without cause, any proposed or actual assignment by the Contractor. Any assignment of this Agreement made by Contractor without the express written consent of the City will be null and void and will be grounds for City to declare a default of this Agreement and immediately terminate this Agreement by giving written notice to Contractor, and upon the date of such notice this Agreement will be deemed immediately terminated, and upon such termination all liability of City under this Agreement to Contractor will cease, and City will have the right to call the performance bond and will be free to negotiate with other contractors for the services that are the subject of this Agreement. In the event of any assignment approved by City, the assignee must fully assume all the liabilities of Contractor by way of an assignment and assumption agreement. The sale, assignment, transfer, or other disposition, on a cumulative basis, of twenty five percent (25%) or more of the ownership interest in Contractor or twenty five percent (25%) or more of the voting power of Contractor (whether Contractor is a corporation, limited liability company, partnership, joint venture or otherwise) shall constitute an assignment for purposes of this Agreement, requiring prior written consent of the City; provided, however, that a sale, assignment, or transfer of the ownership interest or voting power in Contractor by the owner of such interest or power to members of the owner's family or a trust for the benefit of his family to Contractor, **or to another owner of ownership interests or voting power in Contractor,** shall not constitute an assignment requiring City's consent. Further, the involvement of Contractor or its assets in any transaction or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout, or otherwise), whether or not a formal assignment of this Agreement, which reduces Contractor's assets or net worth by twenty-five percent (25%) or more, shall also constitute an assignment for purposes of this Agreement, also requiring prior written consent of the City. Upon notification to the City of any proposed assignment, Contractor shall provide to the City a payment of one hundred fifty thousand dollars (\$150,000) for the City to perform its due diligence related to the requested assignment.