



MEETING DATE: December 12, 2017

TO: Honorable Mayor and Council Members

FROM: Erica Mertens, Administrative Analyst II

SUBJECT Final Negotiated Solid Waste Franchise Agreement Proposal

APPROVED BY \_\_\_\_\_

*Jeff Loux*  
Jeff Loux, Town Manager

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**RECOMMENDATION:** Authorize the Town Manager to execute a franchise agreement with Tahoe Truckee Sierra Disposal, subject to final review for clerical errors and incorporation of non-substantive changes.

**DISCUSSION:** Town staff is bringing to Council the negotiated 10-year solid waste franchise agreement, with significant changes from the existing agreement to address the Town's environmental ethos, diverse community needs, and increasing state legislative requirements. The current solid waste franchise agreement with Tahoe Truckee Sierra Disposal (TTSD) expires June 30, 2018. The expiration of this contract presents an opportunity to expand and improve services. The Town hired HF&H Consultants—solid waste industry experts—in May 2016 to assist throughout the process. The year and a half process consisted of public outreach, Town Council workshops, an RFP development, and many rounds of negotiations to reach this final result.

Town staff conducted public outreach during the summer of 2016 to gather feedback from the community and Council. Stakeholder outreach included an online survey with 500 respondents, tabling special events booths, scoping stakeholder workshops, and a Council workshop. The survey responses reflected a strong aversion to the blue and green bags that are currently used for collecting recyclables and yard waste. Commentary about the bags included the following: the expense of purchasing the bags; environmental concern with the plastic bag waste being landfilled; unsightly large piles of green bags; questionable efficacy of using bags for recycling; and lack of efficiency of utilizing green bags for large yard waste and defensible space clean up. Council members expressed similar concerns with the bag programs, as well as a desire to hold the waste hauler more accountable, through improved communication and clearer explanation of billing. The Town Manager and Town staff met with Tahoe Donner leadership recently to discuss resident concerns about the new agreement.

Additionally, Council addressed the need to meet the increasing regulatory requirements in the state, particularly regarding commercial food waste collection to comply with AB 1826, which requires recycling of organic waste generated by businesses. AB 1826 was signed by Governor Brown in October 2014, requiring businesses to recycle their organic waste. One third of the materials disposed of statewide are organic materials. As the organic waste breaks down in the

landfill, it emits greenhouse gases (GHG). In an effort to meet California's GHG reduction goals, the state is mandating businesses to recycle their organic waste. Currently, only large generators producing 4 cubic yards of organic waste or more per week are required to have organics recycling. Beginning January 1, 2019, businesses that generate 4 cubic yards or more of commercial solid waste per week will be required to have food waste recycling. This will impact nearly all Truckee businesses.

Community members and Council expressed the desire to prioritize the natural environment. This has been reinforced by many recent Town actions. On June 13, 2017, Town Council approved a climate change commitment proclamation, declaring the Town's commitment to reduce its greenhouse gas impacts, including improved solid waste and recycling efforts. More recently, at a Council meeting on November 28, 2017, the Town Council discussed the sustainability actions taken by the Town and our local special districts, and adopted five resolutions related to renewable energy. The discussions from both June 13th and November 28th were met with overwhelming support and enthusiasm by the many community members and Council in attendance. As a core value, the Truckee community prides itself on being sustainability-minded and a leader in the region. The new garbage contract, while not perfect, provides a unique opportunity to make a local change that will impact every single resident, visitor, and business in Truckee on a daily basis.

Implementation of recycling and yard waste containers will contribute to the Town's sustainability goals. The transition to containers for these waste types may prevent up to 2.5 million blue bags and 600,000 green bags from going to the landfill over the 10-year contract term. Additionally, by utilizing containers for recycling, the recyclable materials are kept uncontaminated by other waste, providing a better opportunity for the materials to be recycled. While the mixed waste stream will continue to be processed to capture recyclable materials, the recyclables container will protect the materials from contamination that would otherwise occur in the garbage can, ultimately leading to a higher diversion rate. Town Staff are currently negotiating a new materials processing memorandum of understanding (MOU) with Placer County, as Placer County owns the processing facility, ERL. The MOU will ensure that the clean recyclables and clean yard waste materials will be handled separately from the mixed waste processing stream, which will also help yield a higher diversion rate.

Town staff was directed to explore new programs including containerization of recyclables, containerization of yard waste, and increased accountability of the waste hauler with more transparent billing. Taking this direction into consideration, staff drafted a new franchise agreement with the assistance of HF&H. The current franchise agreement contractually obligates the Town to conduct sole-source negotiations with TTSD, before going out to bid. Because of this, Town staff worked with HF&H to prepare an RFP that could be used both with TTSD, and potentially with other interested waste haulers if an agreement could not be reached with TTSD. The RFP was set up to detail the current base services as well as the following additional enhanced services:

- Residential Mixed Materials Cart collection (no customer cans)
- Containerized Recyclables Collection (reduced blue bags)
- Containerized Yard Trimmings Collection (no green bags)
- Residential Food Scraps Collection
- Containerized Commercial Food Scraps Collection
- Yard Trimmings Bin Service
- Bulky Item Collection Service
- Multi-Family Recycling Toolkits
- Recyclables Drop-Off Facility
- Expanded Commercial Services

- Expanded Other Services such as expanded public education and online billing

TTSD's proposal comprised of a narrative, technical proposal, draft franchise agreement, and cost forms detailing cost of service for base and enhanced services. The cost forms were developed in a way to detail the costs, not set rates. This mimicked a competitive process while in sole-source negotiations, ensuring the determination of true cost of services.

Over the course of the last year, the Town has gone through extensive negotiations with TTSD to formulate the final proposal. This was an exhaustive yet collaborative process to find practical solutions for new program requests. Seven in-person negotiations meetings were held with TTSD in addition to many phone calls. The first meeting in December 2016 was used to explain the Town's RFP and how the negotiations process would function. The subsequent pair of meetings was utilized to understand TTSD's initial proposal, the assumptions used in their cost forms, and revisions needed to bring the cost of base services to essentially no cost increase. The following meetings were utilized to clarify the enhanced services requests. Through the collaborative and open process, certain services have been deemed cost-prohibitive or impractical from a service standpoint. Town staff held a solid waste workshop with the Town Council May 19, 2017 to check in regarding the status of the negotiations. At that meeting, staff presented to Council the progress on negotiations to that point, and were directed by Council to continue forward in negotiations with TTSD. The following services from the original proposal were explored in detail, but have been removed from the final contract largely because they appeared to be cost-prohibitive:

- **Residential Mixed Materials Cart collection:** This program would replace the customer-provided garbage can and presented a significant cost increase, but would not provide added benefits or convenience to customers.
- **Containerized Recyclables Collection Cart Alternatives:** A great amount of time was spent discussing alternative solutions to recycling containers that would fit inside of a bear box to eliminate the use of blue bags altogether. While it is possible for TTSD to service bear boxes containing an additional container, such as a crate, the cost of this program would be extremely high due to the manual nature of servicing bear boxes. This would also require an additional route and would double the recyclables truck routes.
- **Yard Trimmings Complete Green Bag Collection:** The Town explored an option that would collect all green bags with no weekly limit; however this was cost-prohibitive. TTSD is unable to predict the needed capacity on a weekly basis, and would need to prepare for maximum capacity, making this extremely labor intensive and a strain on TTSD's resources.
- **Yard Trimmings Bin Service:** The Town explored providing one 6-yard dumpster to each resident for free; however this was a large cost due to the capital needed and manual servicing of a bin for each household. After assessing the cost and true needs of residents, staff recommends increasing the yard trimmings dumpsters available for rent, instead of providing one to each household.

The Town Council gave direction to staff to finalize the negotiations of the following programs at its meeting on July 25, 2017. The final negotiated contract contains the following programs:

### **Residential**

- **Mixed Waste:** Customer-provided cans will be utilized for mixed waste materials; no changes will be made.

- **Recyclable Carts:** Utilize TTSD-provided 64-gallon blue carts for recyclables, serviced every other week. Residents will receive a notice with the option to opt-out of cart participation. The carts will be provided at no additional cost. The recyclables carts will begin with a one year pilot program in the Glenshire neighborhood beginning fall 2018, and then will roll out to the remaining parts of town excluding Tahoe Donner in 2019, and Tahoe Donner residents in 2020.
  - **Blue Bags:** Residents may choose to opt-out of the recyclables carts and continue utilizing blue bags, which will continue to be serviced weekly. At any point, a resident who has a recyclable cart may continue to utilize blue bags for recycling. While is not an ideal solution from an environmental standpoint, it is the most practical solution given the Town’s mix of full time residents and homeowners or visitors who are here part-time.
- **Recyclables Drop-Off Facility:** Two new locations will be secured for recyclables drop-off, similar to the cardboard drop-off locations. These will be available from July-August, providing greater capacity for recyclables disposal during peak visitor months and providing an additional option to the recyclables carts.
- **Residential Food Scraps:** Food scraps can be placed in customer-provided yellow bags and placed directly into the mixed waste cans at no added cost. The local compost facilities do not currently accept biodegradable bags.
- **Yard Waste Carts:** Utilize TTSD-provided 96-gallon green carts for yard waste, serviced every other week May 1 through October 31, depending on the weather in a given year, alternating with recyclable carts. Residents may choose to receive up to three carts. The carts will be provided at no additional cost.
  - No green bags will be accepted after June 30, 2018.
- **Subsidized Yard Waste Bin Rentals:** An increased number of bin rentals will be made available for residents to rent May 1 through October 31, depending on the weather in a given year. These bins are reserved through TTSD, then dropped off at the customer’s location, and picked up after one week. TTSD may increase availability up to 700 bins per year, doubling the current capacity, depending on customer demand to be assessed over the first three years of the new contract. This service is available at a first year cost of \$70.
- **Self-haul of Yard Waste Materials:** Up to 6 cubic yards of yard waste materials may be dropped off at Eastern Regional Landfill (ERL) for free, per household, per year.
- **Self-haul Yard Waste Materials Coupon:** A unique code will be provided to each resident so that a hired contractor may drop off up to 6 cubic yards of yard waste material for free on behalf of the household. Residents may obtain this code on the new online customer system, or by phone. This service has been requested by many customers, particularly in the Tahoe Donner neighborhood.
- **Free Bulky Item Collection:** Two pickups of large items (e.g. couch, furniture) will be available to each residential customer per year at no added cost, but must be scheduled in advance.
- **Can Credits/ Overages Allotted:** Can credits will no longer be applied. Instead of the

confusing and antiquated can credits system, each resident will be allotted four overages of up to 96-gallons equivalent of waste to be used each year. Residents must schedule these overages either online or by phone one day in advance.

- **Online Customer System:** An online system for account management and email notification capabilities will be available for use. This system will be utilized for more up-to-date notifications regarding scheduled services, extra billing, special scheduled pick-ups, or routine communications.

## Commercial

- **Mixed Waste:** The current containers will be utilized for mixed waste materials. Commercial can customers may transition to TTSD-provided carts of a similar capacity. Commercial carts will be serviced weekly, and 3-, 4-, and 6-yard bins and compactors serviced up to five times per week.
- **Containerized Commercial Food Scraps:** Serviced up to three times per week in TTSD-provided wildlife-resistant carts or 2- and 3-cubic yard bins. These containers will provide more efficient collection of food waste than the current yellow bag program, and ensure compliance with AB 1826.
- **Commercial Mixed Recyclables Carts:** Utilize TTSD-provided 64- or 96-gallon carts for recyclables, serviced weekly.
- **Commercial Cardboard:** Collection of clean cardboard available in varying bin collection sizes.
- **Outreach:** A new Town solid waste staff member has been hired to provide technical assistance to businesses. This staff will work with businesses to right-size their subscription needs. The staff will provide training to each business and multi-family customer, each year, to ensure compliance with State recycling regulations. The staff will be providing targeted outreach to businesses affected by the new AB 1826 regulations that begin January 1, 2019.

Other items that were discussed throughout the negotiations process that may impact the overall costs are: reviewed financials instead of audited; timing of Town payment to TTSD for residential service; excess liability insurance; reporting requirements; and performance bond requirements.

Town Staff were tasked with shaping programs that would meet the sustainability focus of our community, complex issues of our permanent residents and second home owner populations, unique wildlife and weather constraints, customer service communication needs, and increasing regulatory burdens from state recycling laws. While there is no one-size-fits-all solution for the complex needs described, Town Staff worked with TTSD to come up with the best options, while trying to maintain rates as close to the current rates as possible.

**FISCAL IMPACT:** Increased rates will affect residential and commercial rate payers differently as a result of the differing service changes. It is notable that currently, regardless of service changes, the Town applies an waste industry-specific CPI-based rate escalator each year, which accounts for a 1-3% increase annually.

The programs have been developed to roll out in a manner that will phase in programs strategically over a three year period to smooth the impact of the rate increase. After the programs are fully

implemented in year 3, the base rate will increase from \$21.15 to \$26.19 per month, amounting to a \$60.48 annual increase per household for the additional services described. (Note that this amount is less than the annual cost of purchasing green and blue bags).

|                                | Year 1  | Year 2  | Year 3  |
|--------------------------------|---------|---------|---------|
| Residential Base Rate          | \$24.43 | \$25.36 | \$26.19 |
| Residential Base Rate Impact   | \$3.28  | \$0.94  | \$0.83  |
| Residential Base Rate Impact % | 15.5%   | 3.8%    | 3.3%    |

Commercial customers do not have a standard base subscription; however, the following information is modeled off of a 3-yard dumpster weekly service, as billed monthly. Similar to the residential services, the Town allows TTSD to apply an industry CPI each year to the commercial rates, which account for a 1-3% increase annually. To help offset the rate increases to businesses, TTSD agreed to accept a lower profit margin on new commercial services, and the Town will not collect franchise fees on any new commercial services for the first two years of the agreement. The most significant program impact added to commercial services results from the implementation of the food waste containers. These will be implemented midway through the first year of the contract, on January 1, 2019, which coincides with the start date of AB 1826 Phase 3 regulations.

Commercial rates have also been established to incentivize more sustainable behavior. By subscribing to the free recycling container, subsidized cardboard and subsidized food waste programs, businesses have an opportunity to achieve cost savings if they are able to divert a portion of their waste stream and decrease their trash subscription. The new outreach staff will provide assistance to each business to assist in set up and subscription of the new programs accordingly.

The current 3-yard dumpster cost is \$255.31 per month.

|                               | Year 1   | Year 2   | Year 3   |
|-------------------------------|----------|----------|----------|
| Commercial Base Rate          | \$301.25 | \$322.49 | \$331.93 |
| Commercial Base Rate Impact   | \$45.94  | \$21.24  | \$9.43   |
| Commercial Base Rate Impact % | 18.0%    | 7.1%     | 2.9%     |

The following is an example of the rate impacts on a commercial customer who right-sizes their subscriptions to best capture the waste streams. The average commercial waste characteristics from CalRecycle’s most recent statewide waste characterization study in 2014 have been applied.

|                                |         |
|--------------------------------|---------|
| 3 x 64 gallon food waste carts | \$84.25 |
| 3 cubic yards cardboard bin    | \$30.14 |
| 1 x 64 gallon mixed waste cart | \$56.17 |
| 1 x 96 gallon mixed waste cart | \$82.35 |

|                              |          |
|------------------------------|----------|
| 2 x 64 gallon recycling cart | \$0.00   |
| Total new monthly services   | \$252.91 |

If the average business generating 3 cubic yards of waste generates approximately 35% food waste, 25% mixed waste, 20% cardboard, and 20% recyclables and subscribed to services accordingly, they would see a cost savings of \$2.40 per month from their current rates.

**PUBLIC COMMUNICATIONS:**

Communications for this meeting have included:

- Agenda posting
- Press release and newspaper coverage in Moonshine Ink, Lake Tahoe News
- Social Media posts on Town of Truckee, Keep Truckee Green, and Mantengamos Truckee Verde Facebook accounts
- Postcard mailer was sent to all residents and businesses who receive property tax bills in Truckee, or who receive direct billing from TTSD
- Radio mentions on KTKE 101.5
- Eblasts were included in the Tahoe Donner newsletter and Truckee Chamber of Commerce newsletter

Throughout the year and a half long process, the additional following communication means were utilized to bring attention to the changing programs:

- Presentations were made at the following events:
  - Tahoe Talks, June 2016
  - Good Morning Truckee, June 2016
  - Truckee Rotary Club, August 2016
- Town staff table at the following public outreach events:
  - Truckee Day, June 2016 & June 2017
  - Glenshire Day, June 2016
  - Tahoe Donner Annual Members BBQ, June 2016
  - Public Agencies Block Party at Glenshire, October 2016; at Tahoe Donner September 2017
  - Truckee Thursday events 2016 & 2017
  - Earth Day Festival, April 2017
  - Boreal Community Day 2017
- Residential billing Prop 218 notices were mailed June 2016 and 2017
- Commercial billing notices were mailed June 2016 & 2017
- Newspaper and online media ads were taken out in Moonshine Ink and the Sierra Sun in Summer 2016

**ATTACHMENTS:**

- Final Draft Franchise Agreement