



STAFF REPORT – CITY COUNCIL MEETING

May 17, 2023

TO: Honorable Mayor and City Council Members

FROM: Emily Sinkhorn, Director of Environmental Services

PREPARER: Brigitte Price, Administrative Specialist

DATE: May 10, 2023

TITLE: **Provide Prioritization of Potential New or Expanded Solid Waste, Recycling, and Organics Collection Services and Authorize the City Manager to Enter into Sole-Source Negotiations with Recology to Meet Senate Bill 1383's Requirements for Curbside Collection and Hauling.**

RECOMMENDATION:

It is recommended that the Council:

- 1) Provide prioritization of potential new or expanded solid waste, recycling, and organics collection services; and
- 2) Authorize the City Manager to enter into sole-source negotiations with Recology to meet SB 1383 requirements for curbside collection and hauling.

INTRODUCTION:

To comply with the provisions of SB 1383, City staff have begun discussions with Recology to understand the scope and appropriate contractual mechanism for curbside collection and hauling of organics. Through these discussions, it is clear that Recology's ability to provide curbside collection of organics is uniquely compatible with their existing contract to provide solid waste and recycling curbside collection services, which remains in full force and effect through 2029. Additionally, universal curbside collection of organics will build on existing optional curbside greenwaste collection services that Recology currently offers. Given Recology's compatibility with existing services, potential expansion of existing services, and because there are no other waste-haulers in the area with capacity to provide for universal curbside collection of organics, staff recommends the Council authorize the City Manager to enter into sole-source negotiations with Recology to meet the new SB 1383 requirements. Negotiations are anticipated to result in an amended and re-stated Franchise Agreement for collection and hauling of solid waste, recycling, and organics for a new 10-year term.

Additionally, before a draft Franchise Agreement is brought to the City Council for review, City staff requests the Council provide direction on potential priorities to include in the amended and restated Franchise Agreement, which could be incorporated in addition to updated industry standards for SB 1383 requirements.

The City has retained CSG Consultants to provide technical support services throughout the franchise agreement negotiation process. CSG Consultants has also been retained by the City of

Eureka and the County of Humboldt to provide a similar scope of work. As part of the negotiation process, City of Arcata staff and CSG Consultants have held individual meetings with Recology staff, and have also attended joint meetings between Recology staff, CSG Consultants, and Humboldt County jurisdictions who have franchise agreements with Recology. While each jurisdiction would have its own separate franchise agreement with Recology, joint meetings have been held with the intention of identifying cost savings opportunities where regional services could be offered (for example, providing regional education and outreach).

Staff expects to bring a draft Franchise Agreement to the Council in late summer 2023. It is anticipated that Proposition 218 rate noticing associated with the restated and amended Franchise Agreement will occur in Fall 2023. New rates could go into effect immediately following the noticing for any new services that are immediately provided, however, rates specific to SB 1383 services (such as curbside organic collection) would not go into effect until customers receive those new services. Considering lead-time for capital equipment purchases and deliveries, it is anticipated that full organics collection program roll-out would occur beginning in Fall 2025.

BACKGROUND:

To effectively consider priorities to include in the amended and restated Franchise Agreement, it is important to understand some of the current broader context of the local solid waste industry.

At their May 11 meeting, the Humboldt Waste Management Authority (HWMA) Board will be considering its annual budget. Due the several factors including but not limited to the rising CPI, high contamination rate of recyclables, need for capital improvements, and most notably significant increases in transportation costs (and associated loss of backhaul opportunities), it is anticipated that the HWMA budget will include 15%-30% increases to all fees. Both the Tip Fee and Recycling Processing Fee are considered pass-through costs in our current franchise agreement that are incorporated into Recology's annual rates.

Before factoring in costs associated with an amended and restated Franchise Agreement, it is anticipated that the FY 23/24 Recology rates will increase substantially to continue to provide the existing level of service. Recology rate increases for FY 23/24 will be associated with the increase in HWMA fees as well as CPI increase, which is projected at approximately 8%.

In addition to increases in HWMA fees and Recology rates, the local green waste industry has changed substantially in recent months. In October 2022, Mad River Hardwoods/Wes Green Company increased their green waste processing fee from \$59/ton to \$94.81/ton to keep pace with rising processing costs. On April 1, 2023, Morris Logging purchased Mad River Hardwoods which included assumption of the green waste drop-off and composting agreement with HWMA. Rather than contracting directly with a green waste processor, the City holds a green waste drop-off and processing agreement with HWMA, which includes the green waste fee as a pass-through cost. The 2023 green waste processing fee is anticipated to further rise to ~\$130/ton in July 2023.

Morris Logging plans to compost at the West End Road facility (previously Mad River Hardwoods) and accept green waste at their business in Glendale where they have a certified scale and grinder. City staff continues to work with HWMA to advocate for a green waste drop-off location within city limits. Until such a new arrangement can be identified, all Recology Arcata customers will need to drop off their green waste at the Glendale location or sign up for the current optional curbside green waste collection service..

Presently, the City provides no-cost green waste drop-off for Arcata residents for 24 1-cubic yard loads drop-offs per year. The average weight of a 1-yard greenwaste drop-off weighs 200 lbs. (0.1

ton). The City funds this program for free customer greenwaste drop-off and greenwaste drop-off for City operations through its Franchise Fee revenue, which costs approximately \$144,000 per year. In addition to funding the no-cost green waste drop-off program, Franchise Fee revenue supports City staff to be able provide solid waste pick-up throughout the City parks, facilities, and rights-of-way, solid waste education and enforcement, and compliance with solid waste-related state mandates. Because the green waste fee has increased 120% within the past year, the City will need to reduce the amount of no-cost drop-offs to residents from 24 cubic yards per year to 11 cubic yards (or 1.1 tons) per year to ensure the program is adequately funded.

DISCUSSION:

In light of the current local solid waste industry landscape, SB 1383 requirements, and the opportunity to restate and amend the City's Franchise Agreement, staff has identified key program areas for Council to consider prioritizing, as further described below.

1. **Frequency of Pick-Up**—Under the current Franchise Agreement, residents can subscribe to weekly, monthly, or bi-monthly garbage and recycling services. Recology estimates approximately 200 of the roughly 5,000 customers currently subscribe to either monthly or bi-monthly service levels. The current rate differential between weekly and monthly/bi-monthly collection of solid waste and recycling is minimal. State law mandates that solid waste is collected every seven days, due to putrescibles in the waste stream, and curbside collection of organics will be required to be a weekly service. Recology has indicated that the current system is difficult to manage with most households on a street receiving weekly service for 1 or 2 only allowed to put a can out monthly or bi-monthly and has advised against continuing this service level once mandatory weekly organics is operational. City Council could prioritize maintaining monthly and bi-monthly service level options for solid waste and recyclables.
2. **Community Compost Hauling**—Currently, two community composting operators offer curbside collection of organics. It is estimated that the combined tonnage that is collected by these entities is approximately 5% of total organics tonnage. The amended and restated Franchise Agreement could allow for community composting operators to collect and process a percentage of the community's overall tonnage. Staff anticipates that allowing up to 10% of overall tonnage could have minimal impacts to overall collection rates and continue to meet the flow control commitment provided to HWMA. Under this model, all Arcata residents and businesses would continue to be required to have curbside collection of all organics, and City staff would be required to ensure a customer is enrolled with a community composter if they do not have Recology organics collection services.
3. **No-Cost Organics Kitchen Caddies**—Upon commencement of organics collection, Recology could provide customers with kitchen caddies in addition to organics bins to help facilitate appropriate source-separation of organics. At a cost of approximately \$28 per kitchen caddy, this would add a one-time cost of approximately \$140,000 spread across the customer base.
4. **No-Cost Community Greenwaste Services**—At full program roll-out, universal curbside collection of organics, including greenwaste, will be required of Arcata residents and businesses to comply with SB 1383. Currently, \$144,000 of the City's franchise fee revenue funds no-cost greenwaste drop-off for Arcata residents. After organics curbside collection roll-out, no-cost greenwaste drop-offs could continue to be funded by franchise fee revenue at an updated level, no-cost greenwaste drop-offs could shift to a different model (i.e. semi-annual amnesty days, additional collection options within city limits at

set times of year, etc.), or franchise fee revenue could be re-allocated to support other solid waste and diversion program areas.

5. **Bulky Item Pick-up in City Right-of-Way**—Currently, City parks, facilities, and streets crews are deployed to collect and dispose of illegally dumped solid waste (including bulky items) in City rights-of-way. Right-of-way bulky item collection and disposal could be shifted to Recology.
6. **Multifamily Bulky Item Collection**—Under the current Franchise Agreement, two no-cost bulky item collections are built into single-family garbage rates. The City and Recology could investigate potential cost-effective options for building a multi-family bulky item pick-up program into multi-family rates.
7. **Community Clean-Up Dumpsters**—The City often supports community clean-up days on City-owned land or rights-of-way by coordinating dumpster drop-off and collection, and paying for the cost of disposal. Should this service continue to be prioritized, it will need to be more clearly defined in the amended and restated Franchise Agreement.
8. **Education & Outreach**—Senate Bill 1383 provisions include education and outreach requirements as well as contamination monitoring and allowable levels of contamination. To provide for consistent messaging across the region, facilitate effective contamination reduction, and realize potential cost-savings, education and outreach requirements could be included in the amended and restated Franchise Agreement with Recology. These requirements could range from minimum necessary to meet SB 1383 provisions or could be more comprehensive to focus on all waste streams as well as provide technical support to individual customers on an as-needed basis.

To assist with Franchise Agreement negotiations, City staff recommends that Council members prioritize program areas to incorporate into the restated and amended Franchise Agreement using the table below:

Program Description	Prioritization		
	High	Medium	Low
Frequency of Pick-Up (i.e. Monthly, Bi-Monthly)			
Community Compost Hauling			
No Cost Organics Kitchen Caddies			
No Cost Community Greenwaste Services			
Bulky Item Pick-up in City Right-of-Way			
Multifamily Bulky Item Collection			
Community Clean-Up Dumpsters			
Education & Outreach			

BUDGET/FISCAL IMPACT:

Currently, the fiscal impact of an amended and restated Franchise Agreement is unknown. Adding any new services, including those required by SB 1383 will add some additional costs to customer rates. Recology will provide cost estimates for the programs that Council prioritizes, as well as for industry standard compliance with SB 1383 provisions, in the form of a technical cost proposal. The City has retained Bell & Associates, a CPA firm, to provide due diligence and assist with review of the financial documents that Recology provides. The cost to retain Bell & Associates, as well as CSG consultants, is funded out of FY22/23 Activity 73 funds. A draft Franchise Agreement is anticipated to be brought to City Council for review and approval in Fall 2023. After approval of the Franchise Agreement, Proposition 218 rate noticing will take place.