



Date: April 15, 2022
To: Angela Calvillo, Clerk of the Board
From: Sailaja Kurella, Director of Office of Contract Administration (OCA) and Purchaser
Subject: **Resolution to approve third amendment to Term Contract 83150 – Refuse Collection Services with Recology**

Enclosed is a resolution authorizing a third amendment to Term Contract 83150 with Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco (Recology), increasing the contract amount by \$26.478 million for a total not-to-exceed amount of \$42.1 million; and to extend the term by two (2) years, to June 30, 2024, for a total contract duration of three (3) years and seven (7) months.

Summary of Refuse Collection in San Francisco

A number of ordinances, regulations, contractual agreements, and administrative bodies govern the collection and disposal of waste from San Francisco:

- The City's Refuse Ordinance defines how waste must be disposed by residents, business, and institutions in San Francisco; authorizes only licensed refuse collectors to transport waste through San Francisco; established routes for the collection of waste by licensed refuse collectors; and created the City's Refuse Collection and Disposal Rate Board to set rates for residential refuse collection and disposal. Modifying the Ordinance requires voter approval.
- The City's Refuse Collection and Disposal Rate Board (consisting of the City Administrator, Controller and San Francisco Public Utilities Commission General Manager) sets the rates for residential collection services following public hearings before the Director of Public Works. Commercial rates are not subject to the rate-setting process under the Refuse Ordinance. However, since the 2006 rate process, commercial expenses and revenues have been included in the formulas for determining rate increases, and Recology has applied approved rate increases and Cost of Living Adjustments (COLAs) to commercial rates.
- DPH issues licenses for collection services, and permits for specific routes. DPH could theoretically permit more than one collector on any given route(s) if the existing permitted collector is not providing adequate service. Recently, the Health Commission adopted new regulation in accordance to Resolution No. 22-06 to license refuse collectors and permit designed refuse collection routes within the City and County of San Francisco.
- The Department of Environment administers the City's Landfill Agreement with Recology for the use of their Landfill as the exclusive site for the disposal of all solid waste collected in San Francisco and obligates Recology to operate a Transfer Station in San Francisco where it processes City waste, separates recyclable and compostable material, and consolidates the remaining refuse for transport to the Landfill.

City's Contract with Recology

Since 2004, the City has entered into exclusive "sole source" contracts with Recology for the collection of refuse from City facilities. Term Contract 83150, the current refuse collection agreement, was similarly entered into under City Administrative Code Chapter 21 sole source authority in December 2020. The original \$5.6 million, seven-month agreement, from December 1, 2020 to June 30, 2021, was amended to extend the agreement to November 30, 2021 and increase the not-to-exceed contract amount to \$9.9 million, in order to meet the City's short-term needs. To ensure continuity of this essential service, OCA submitted a resolution for second amendment, and The Board of Supervisors approved second amendment to the contract on November 16, 2021 by File No. 21-1083/Resolution No. 532-21 to extend contract from December 1, 2021 to June 30, 2022 and increase contract amount from \$9,900,000 to \$15,622,000. This amendment is the third amendment to the original \$5.6 million agreement.

As with past City refuse collection agreements, charges under the current agreement are based on the Uniform Commercial Rates, with the inclusion of a "composting credit" that provides the City an additional discount off the base rates for processing compostables and other materials onsite. This negotiated rate structure allows for better alignment with the City's Zero Waste goals by incentivizing greater diversion of waste from City facilities through the composting credit.

Solicitation for Citywide Refuse Collection Services

The City's Refuse Ordinance does not prohibit the City from competitively soliciting for refuse collection services at City facilities.

OCA and the Department of the Environment have been working collectively to develop a Request for Proposals (RFP) for a new contract. OCA expects to issue the solicitation in June 2022. Following selection of a contractor through the solicitation process, the City may be required to undergo a California Environmental Quality Act (CEQA) environmental review, should the new contract be deemed a "project" under CEQA. Additionally, any new contractor may be required to obtain refuse collection vehicle permits and licenses in order to operate in the City. The award of a new contract following competitive solicitation is expected to take approximately 18-20 months, including completion of the solicitation and all City-required processes. The duration of the proposed amendment takes into consideration the time it will take to conduct a solicitation, conduct a CEQA review (which will be determine based on the selected proposal, not the selected vendor), process any required permits, and negotiate new terms and conditions.

Recommendation

This contract is critical for the City. Every City department utilizes this contract for their refuse collection needs, allowing for streamlined and efficient provision of services under common contractual requirements and rates. To ensure continuity of this essential service, OCA recommends extending the current refuse collection agreement with Recology (Term Contract 83150) to June 30, 2024, increasing the not-to-exceed contract value commensurate with expected usage.

Should you have any questions or require additional information, please contact Gloria Yuen, OCA Senior Purchaser, at 415-554-6258.

Enclosures:

TC 83150 Refuse Collection Services Agreement

TC 83150 Refuse Collection Services Agreement – First Amendment
TC 83150 Refuse Collection Services Agreement – Second Amendment
TC 83150 Refuse Collection Services Agreement – Third Amendment draft
Approved Resolution File No. 21-1083 for TC 83150
Resolution for TC 83150
S.F. Ethics Commission form 126f4, Notification of Contract Approval