



*City of Arts & Innovation*

# Finance Committee

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**TO: FINANCE COMMITTEE MEMBERS** **DATE: October 9, 2019**

**FROM: PUBLIC WORKS DEPARTMENT** **WARDS: ALL**

**SUBJECT: SOLID WASTE AND RECYCLING PROGRAM STRATEGY AND ECONOMIC STUDY REPORT BY R3 CONSULTING GROUP, INC.**

## **ISSUE:**

Receive and provide input on the draft Solid Waste and Recycling Program Strategy and Economic Study report prepared by R3 Consulting Group, Inc.

## **RECOMMENDATIONS:**

That the Finance Committee:

1. Receive and provide input on the draft Solid Waste and Recycling Program Strategy and Economic Study Report prepared by R3 Consulting Group, Inc.;
2. Provide a recommendation to City Council whether to retain City residential waste collection services or pursue outsourcing through renegotiation with existing residential contract provider, Burrtec Waste Industries, Inc., or issue a Request for Proposals;
3. Recommend to City Council that staff prepare an amendment to commercial waste collection agreements with Athens Services, Burrtec Waste Industries, Inc., and CR&R, Inc., by early 2020 to adopt and implement a state-mandated organics recycling program and rate plan with an effective date of July 1, 2020, through June 30, 2023, in order to comply with AB 1826; and
4. As part of a long-term strategy, provide a recommendation to City Council to either renegotiate commercial waste collection contracts with existing providers, Athens Services, Burrtec Waste Industries, Inc., and CR&R, Inc., or issue a Request for Proposals 18-24 months prior to contract expiration date of June 30, 2023.

## **LEGISLATIVE HISTORY:**

AB 341 (Mandatory Commercial Recycling), and AB 1826 (Mandatory Organics Recycling) are existing regulations that mandate recycling programs. While the City of Riverside has some programs in place and is improving compliance with AB 341, CalRecycle, the state's regulatory agency responsible for waste disposal in California, placed the City on notice on November 27, 2017, and on August 24, 2019, that existing programs were insufficient for both regulations.

AB 1826 requires businesses that generate four cubic yards or more of commercial solid waste to recycle organic waste after April 2016. This law also requires local jurisdictions to adopt and implement an organic waste recycling program to divert organic waste generated by businesses, including multi-family dwellings with five or more units. Organic waste includes food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food soiled paper waste. The law allowed a phased-in approach to meet the requirement over time.

SB 1383 is a newer regulation that builds on California's efforts to reduce greenhouse gas emissions and air pollution throughout the state by establishing methane emissions reduction targets. The requirements of SB 1383 are currently in draft form, but are anticipated to be substantial.

## **BACKGROUND:**

On January 8, 2019, the City Council received an independent Public Works Department Performance Audit report (Audit) which recommended the City retain a municipal solid waste consultant to compare City solid waste collection and sweeping services to contract services. On January 9, 2019, Finance Committee requested that staff conduct analysis outlining the financial impact between maintaining current City staffed services versus outsourcing residential waste collection and street sweeping functions.

On March 13, 2019, Finance Committee received staff's report on the estimated fiscal impact of contracting those services. Staff's findings were that without the benefit of an in-depth look at City operations, including a review of contract services and terms in light of significant legislative changes, there was no apparent cost savings to the City by contracting services. Specifically, staff noted that a significant amount of City costs, including unfunded CalPERS costs, would remain if city solid waste collection operations were outsourced, unless City Council reduced supporting staff and services throughout the City. Staff referred to the Audit recommendations and suggested retention of a consultant specializing in municipal solid waste services to do a thorough review of the waste system. The Finance Committee directed staff to return to Finance Committee with the consultant's findings.

On April 23, 2019, City Council authorized a Professional Consultant Services Agreement with R3 Consulting Group, Inc., (R3) to provide a Solid Waste and Recycling Program Strategy and Economic Study to review city solid waste collection operations, finances and contract services.

## **DISCUSSION:**

R3's work included a comprehensive review of documents, on-site meetings and operational observations, as well as an in-depth review of financial documents. R3's draft report addresses three primary objectives:

- 1) Evaluation of City operating costs and private costs for both waste collection and street sweeping services and whether outsourcing yields cost savings to the City. Should the City Council elect to retain City waste collection, this objective also includes recommendations for operational improvements;
- 2) Ensure the City is in compliance with existing State mandates AB 341 and AB 1826 through contract modification and program implementation with supporting rates; and

- 3) Prepare a longer term waste management strategy to address future regulatory requirements, contracting needs, and procurement methods.

**FISCAL IMPACT:**

There is no fiscal impact to the General Fund associated with receiving and providing input to the draft Solid Waste and Recycling Program Strategy and Economic Study report prepared by R3 Consulting Group, Inc.

Prepared by: Kris Martinez, Public Works Director  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer  
Approved by: Rafael Guzman, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

**Attachments:**

1. Draft Solid Waste and Recycling Program Strategy and Economic Study Report
2. Presentation