

AGREEMENT BIBLIOGRAPHY

Agreement With:	Republic Waste Services of Southern California, LLC dba Garden Grove Disposal
Agreement Type:	To provide an Organic Waste Recycling Program for commercial premises and multi-family dwelling customers
Date Approved:	04 24 2018
Start Date:	04 24 2018
End Date:	06 30 2024
Contract Amount:	See Agreement
Comments	File No. S-55.1 Amendment No. 3 Public Works
Insurance Expiration:	N/A



CITY OF GARDEN GROVE

OFFICE OF THE CITY CLERK

*Safeguard all official records of the City.
Conduct municipal elections and oversee legislative administration.
Provide reliable, accurate, and timely information to the
City Council, staff, and the general public.*

May 22, 2018

Republic Services
dba: Garden Grove Disposal
1131 North Blue Gum Street
Anaheim, CA 92806

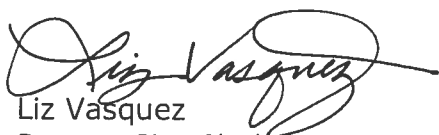
Attention: Sonia Garcia

Enclosed is a copy of Amendment No. 3 to the Agreement by and between the City of Garden Grove, the Garden Grove Sanitary District, and Republic Waste Services of Southern California, LLC, to add an Organic Waste Recycling Program for commercial premises and multi-family dwelling customers in Garden Grove.

The Amendment was approved by the Garden Grove City Council and by the Garden Grove Sanitary District Board at their meeting held on April 24, 2018.

Sincerely,

Teresa Pomeroy, CMC
City Clerk/Secretary

By: 
Liz Vasquez
Deputy City Clerk/Deputy Secretary

Enclosure

c: Finance Department
Public Works Department

Steven R. Jones
Mayor

Kris Beard
Mayor Pro Tem - District 1

John R. O'Neill
Council Member - District 2

Thu-Ha Nguyen
Council Member - District 3

Patrick Phat Bui
Council Member - District 4

Stephanie Klopfenstein
Council Member - District 5

Kim Bernice Nguyen
Council Member - District 6

**AMENDMENT NO. 3 TO AGREEMENT AMONG CITY OF GARDEN GROVE,
GARDEN GROVE SANITARY DISTRICT AND REPUBLIC WASTE SERVICES OF
SOUTHERN CALIFORNIA, LLC dba GARDEN GROVE DISPOSAL
FOR SOLID WASTE HANDLING SERVICES
(ORGANIC WASTE)**

This Amendment No. 3 ("Amendment") to the Agreement for Solid Waste Handling Services is entered into to be effective as of the 24th day of April, 2018, by and among the City of Garden Grove, the Garden Grove Sanitary District, a subsidiary special district formed and existing pursuant to the Sanitary District Act of 1923, California Health and Safety Code Section 6400 et seq., and Republic Waste Services of Southern California, LLC ("Republic"), a Delaware Limited Liability Company dba Garden Grove Disposal. The City and District are hereby collectively referred to as "City." The City, District and Republic are hereby collectively referred to as the "Parties."

R E C I T A L S:

A. Effective July 1, 2010, the Parties hereto entered into the Agreement Between City of Garden Grove, Garden Grove Sanitary District and Republic Services of Southern California, LLC dba Garden Grove Disposal for Solid Waste Handling Services ("Agreement").

B. Pursuant to Section 8.3.4 of the Agreement, Republic is required to design and present a program to the City to comply with any new requirement imposed upon the City or Republic by CalRecycle, or any Federal, State or Local law or regulation, and the Parties are required to meet and confer in good faith to determine a fair and reasonable adjustment to the maximum rates set forth in the Agreement for the implementation of any new source separated program for the collection of any waste material not already covered under the Agreement.

C. In 2014, the State of California enacted AB 1826, requiring the implementation of mandatory commercial organics recycling beginning in 2016, which services require a new source separated program that is not currently contemplated in the Agreement.

D. Pursuant to Recital E of the Agreement, incorporated into the Agreement by reference per Section 1 thereto, the Parties intend that Republic, and not the City, shall be solely responsible for establishing and collecting all charges for Solid Waste Handling Services provided by Republic pursuant to the Agreement.

C O V E N A N T S:

NOW, THEREFORE, for and in consideration of the terms and conditions of this Amendment, the Parties hereby agree as follows:

SECTION 1. Section 2 (Definitions) of the Agreement is hereby amended to include the following definitions:

AB 1826

“AB 1826” means the Organic Waste and Recycling Act of 2014 (Chapter 27, Statutes of 2014 modifying AB 939, the California Integrated Waste Management Act of 1989, Division 30 of the California Public Resources Code (commencing with Section 40000 et seq.), as amended, supplemented, superseded, and replaced from time to time.

Food Waste

“Food Waste” means all kitchen and table food scraps; animal or vegetable waste that is generated during or results from the storage, preparation, cooking or handling of food stuffs; discarded paper that is contaminated with Food Waste; fruit waste, grain waste, dairy waste, meat, and fish waste, which has been source separated from other Solid Waste. Food Waste is a subset of Organic Waste.

Organic Waste

“Organic Waste” means Food Waste, Green Waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper that is mixed in with food waste.

Organic Waste Processing Facility

“Organic Waste Processing Facility” means a permitted facility where Organic Waste is sorted, mulched or separated for the purposes of Recycling, reuse or composting.

SECTION 2. Section 8.3 of the Agreement is hereby amended to add the following provisions:

8.3.6 Organic Waste Recycling Program for Commercial Premises and Multi-Family Dwelling Customers

(a) Republic shall implement and be responsible for ensuring that the source separated Organic Waste Recycling program meets the requirements of AB 1826. If AB 1826 is subsequently amended and if such amendment requires a modification of the Organic Waste Recycling program in a manner not anticipated by this Agreement, then City and Republic shall meet and confer regarding such modifications as provided in Section 8.3.4 of the Agreement.

(b) Republic shall be responsible to ensure that all Organic Waste is processed using methods that are approved by CalRecycle for Diversion credit.

(c) Republic shall offer Organic Waste Recycling services to all Commercial Premises and Multi-Family Dwellings and City Facilities.

(d) Republic shall offer Organic Waste Recycling services based on the Container size and service frequency as contained in the Rate Schedule in Exhibit 1. The services offered shall include a two-cubic yard bin and a 64-gallon cart, collected one to

three times per week. If CalRecycle determines that mandatory commercial Organic Waste service shall be provided to Customers on or after January 1, 2020 that subscribe to two-cubic yards or more of solid waste service per week, then Republic will also offer a 35-gallon cart at the rate identified in Exhibit 1 for Customers who generate a small amount of Organic Waste.

(e) The method(s) for contacting customers as described in this Amendment, unless otherwise specified, shall be accomplished through means which may include direct mail, email, telephone calls, site visits and/or other methods in Republic's discretion, provided that such methods meet the regulatory requirements of CalRecycle.

(f) In the event Republic encounters a contaminated Organic Waste Container, Republic shall document the contaminated Container using a driver on-board system, forward the message to dispatch and retain photos of the incident. Republic shall advise the Customer that Republic will return the following business day to provide Collection service for the contaminated Container. Republic shall contact and provide education materials to the Customer on appropriate items to be placed in the Organic Waste Container. For each instance of a contaminated Organic Waste Container, Customer shall be charged the fee identified in Exhibit 1.

(g) Republic shall identify and target Commercial Premises that create large amounts of Organic Waste, such as hotels, business parks, and Multi-family Dwelling Customers with significant landscaping waste disposed of in non-recyclable material container(s). Republic shall also target Commercial Premises Customers that have food service operations such as restaurants, grocery stores, hospitals, corporate cafes, bakeries, etc. If necessary or if requested by CalRecycle, Republic shall conduct visual waste audits of Commercial Premises and Multi-Family Dwellings to evaluate the Organic Waste service requirements and service level needs. Republic shall provide access to training materials to train Customer employees such as servers, food preparers, hospitality and maintenance staff, taking into consideration employee turnover, and shift changes. If necessary or if requested by CalRecycle, on an annual basis, Republic shall conduct Customer surveys and onsite waste assessments of Commercial Premises and Multi-Family Dwelling Customers subject to the requirements of AB 1826 that do not receive Republic provided Organic Waste Recycling, utilize an in-house program, donate edible foods to a charitable organization or Recycle using a third party vendor. Republic shall provide copies of waste assessments performed each quarter until January 2020 or later if requested by CalRecycle or City and shall submit copies of all waste assessments as part of the annual report to the City in accordance with Section 23.2 of the Agreement [as amended pursuant to Section 3 of this Amendment]. In the event a Customer that meets the requirements in AB 1826 refuses Republic's Organic Waste Recycling service and does not report to Republic that they achieve Organic Waste Recycling via in-house, food donations, or through a third party Recycling program that meets the requirement under applicable laws, Republic shall provide to the City information including Customer's name, address and contact information on a City approved template for inclusion with State reporting.

(h) Republic, with City support, shall contact and provide outreach to participating Commercial Premises and Multi-Family Dwelling Customers as follows:

- (i) **Initial Direct Mailing Outreach to be performed by Republic**
- Upon approval of an Organics Waste collection program, Republic will prepare a multi-lingual letter regarding the requirements of AB 1826 for City approval. Upon receipt of City approval the letter is to be printed using the City's electronic letterhead and mailed or delivered by Republic to all Commercial Premises and Multi-Family Dwelling Customers, informing Customers of the Republic-provided Organic Waste Recycling Program and the requirements for compliance with AB 1826. The letter shall note that participation is mandatory under State law for customers that meet the participation thresholds under AB 1826.
- (ii) **Initial Direct Mailing of Compliance Outreach to be performed by Republic**
- Republic will prepare a letter for City approval and send to all non-compliant Customers detailing their non-compliance and annual reporting requirements to CalRecycle. The letter is to be printed using the City's electronic letterhead. Republic will contact all non-compliant Customers identified using the Republic's database. Republic will provide the City a list of all non-compliant Customers, including but not limited to, contact person, service and billing addresses, phone number, email, account notes and any information relating to the previous refusal of Organic Waste Recycling program services to report to CalRecycle.
- (iii) **Annual Outreach to be performed by Republic**
- Republic shall contact all Customers that fall under the requirements of AB 1826, but that do not have a CalRecycle approved program in place, and are not in compliance with the requirements set forth in AB 1826.
- (iv) **Ongoing Outreach to be performed by Republic**
- Provide Organic Waste Recycling information to all Commercial Premises and Multi-family Dwelling Customers including step by step process; guidelines for new employee training; do's and don'ts of separation; signage examples; source reduction suggestions; links to online City programs/resources; Good Samaritan Law definition; information on environmentally preferable purchasing policies; and resource list of sustainability programs and toolkits from trade organizations like the National Restaurant Association and US Composting Council Curb to Compost Toolkit and/or government agencies like the EPA toolkit for Reducing Food Waste and Packaging and FTC Guidelines on compostable and degradable claims.
 - Provide samples of indoor and outdoor Container options and signage.

- Contact or provide information to help identify Customer's "startup team" to implement the program and provide long term support.
- If necessary or if requested by Customers, conduct, comprehensive, in-house, multi-lingual trainings with kitchen and janitorial staff at no additional charge.
- Follow-up and monitor to ensure successful participation, which shall include visual audits and additional training when necessary.
- Create solutions for the identified challenges and waste stream specifics.
- Connect Customers with food donation programs where applicable (Senate Bill 1383 requires recovery of twenty percent (20%) of edible food for human consumption that is currently landfilled by 2025).
- Republic shall produce, keep current, and provide information to the public on AB 1826 and identification of Commercial Premises and Multi-Family Dwelling Customers affected by the legislation.
- The information for the Republic provided Organic Waste Recycling program shall be promoted through Republic's website, mailers, brochures, billing inserts, email content, social media, and online announcements.

SECTION 3. Section 23.2 (Quarterly Reports) of the Agreement is amended to read as follows:

23.2 Quarterly Reports

23.2.1 Minimum Requirement

At a minimum, Republic shall report the following to City on a quarterly basis: the information required in the monthly reports; the complaint summary for the quarter summarized by nature of complaints; copies of promotional and public education materials sent during the quarter; description of Republic outreach activities conducted the previous quarter; and such other information or reports that the City may reasonably request or require. Republic shall, upon demand by City, provide true and accurate copies of landfill disposal (tipping) receipts and similar such documents in order to enable City to verify Republic's quarterly reports.

23.2.2 Quarterly Commercial Premises and Multi-Family Dwellings Organic Waste Recycling Program Reporting Requirements

Republic shall provide the following to the City on a quarterly basis (until January 2020), and annually thereafter, in a format approved by the City:

- The total number of Commercial Premises and Multi-Family Dwelling Customers serviced by the Republic that meet the thresholds of AB 1826.
- The number of these Customers that:
 - Subscribe to the Republic provided Organic Waste Recycling program;
 - Recycle Organic Waste via an in-house program;
 - Donate edible food to charitable organizations;
 - Use a third-party vendor for Organic Waste Recycling; and,
 - Are without a known Organic Waste Recycling program.
- A listing of all contact, surveys and onsite waste assessments performed for customers that are required under State law, but that refuse organics service and copies of onsite waste assessments.
- Contact information for Commercial Premises and Multi-Family Dwellings Customers (as available in the Republic's data base) that do not currently have an Organic Waste Recycling program.
- All documents provided shall, upon request include detailed support.

SECTION 4. Section 24 (Compensation) of the Agreement is hereby amended to add the following provisions:

24.9 Organic Waste Recycling Compensation Adjustment

(A) Republic shall provide Organic Waste Recycling services at rates it sets, charges to, and collects from Customers, which rates are listed in Exhibit A, subject to a rate adjustment to the existing Commercial Solid Waste handling services rates of 3.4 % to be phased-in with two equal increments of 1.7% each as follows: beginning July 1, 2018, Republic will implement a one-time rate increase of 1.7% for Commercial rates in addition to the annual rate adjustment per Section 24 of the Agreement. Republic will subsequently implement an adjustment of 1.7% to Commercial rates on January 1, 2019 in addition to the annual rate adjustment per Section 24 of the Agreement. The sector-wide increase will also be adjusted to include application of the City's Franchise Fee.

(B) The parties acknowledge that effective July 1, 2019 and annually thereafter, Commercial rates will be adjusted for changes in the Organics Waste disposal/processing fee per ton based on the formula in Exhibit 2 hereto - Organic Waste Processing Component Adjustment, except that such formula will not be applied in any year that the Rate Adjustment Rebalancing Formula is applied in accordance with Section 24.9(C) and 24.9(D) below.

(C) Effective July 1, 2022, the Organic Waste Collection rate increases previously implemented will be adjusted based on the Rate Adjustment Rebalancing Formula in Exhibit 3 hereto to reflect the actual level of participation in the program. Republic will provide for City review all data and documentation requested by the City supporting the number of units (tons, hours, container count) and related calculations in Exhibit 3. Such data shall include any allocation methods used to allocate tons or hours to the City from shared organics collection routes in other cities.

(D) If the actual number of tons for the Organic Waste collected under this program in calendar year 2019 exceeds the tonnage threshold of 4,148 tons, then the rebalancing calculation may be performed effective July 1, 2020 upon Republic's written notice to City, if received by the City prior to February 1, 2020, and will be performed again effective July 1, 2021 and July 1, 2022. The rebalancing procedure will not be performed again after July 1, 2022.

(E) The processing cost per ton to be used in Exhibit 2 and Exhibit 3 is based on the tipping fee at the third party's CORE Organic Waste Processing Facility in the City of Orange. If Republic develops its own Organic Waste Processing Facility and proposes to use it for processing Organic Waste generated in the City, and provided that Republic's facility is competitive with market rates, City and Republic shall meet and confer in good faith to determine a fair and reasonable adjustment to the maximum rates set forth on Exhibit A based on the processing cost per ton that reflects the proposed facility's costs, and a method of adjusting the processing cost per ton.

SECTION 5. The "Approved Republic Rate Schedule" in Exhibit A of the Agreement is amended to include the refuse/organics collection rates shown in Exhibit 1.

SECTION 6. Exhibit 2, Organics Waste Processing Component Adjustment, is added to the Agreement.

SECTION 7. Exhibit 3, Rebalancing Mechanism, is added to the Agreement.

SECTION 8. Exhibit 4, Documentation of the Rebalancing Adjustment Factor, is added to the Agreement.

SECTION 9. Except as expressly set forth herein, nothing in this Amendment shall affect or modify any other of the provisions of the Agreement.


[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

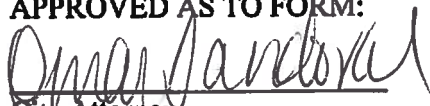
CITY OF GARDEN GROVE

By: 
Scott C. Stiles, City Manager

ATTEST:


City Clerk

APPROVED AS TO FORM:


City Attorney

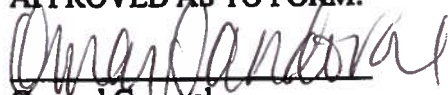
GARDEN GROVE SANITARY DISTRICT

By: 
Scott C. Stiles, General Manager

ATTEST:

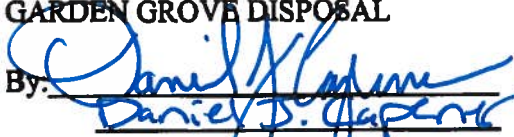

Secretary

APPROVED AS TO FORM:

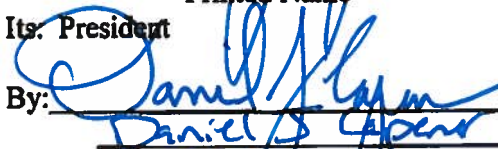

General Counsel

(Corporate Seal)

REPUBLIC WASTE SERVICES OF
SOUTHERN CALIFORNIA, LLC dba
GARDEN GROVE DISPOSAL

By: 
Printed Name

Its: President

By: 
Printed Name

Its: Secretary

CERTIFICATE OF SECRETARY

**RELATING TO AMENDMENT NO. 3 TO AGREEMENT AMONG
CITY OF GARDEN GROVE, GARDEN GROVE SANITARY DISTRICT AND
REPUBLIC WASTE SERVICES OF SOUTHERN CALIFORNIA, LLC
DBA GARDEN GROVE DISPOSAL
FOR SOLID WASTE HANDLING SERVICES (ORGANIC WASTE)
IN THE STATE OF CALIFORNIA**

The undersigned, Secretary of **REPUBLIC WASTE SERVICES OF SOUTHERN CALIFORNIA, LLC**, a Delaware limited liability company (the "Company"), hereby certifies that the following is a true and correct copy of the resolution which was duly adopted by **REPUBLIC SERVICES, INC.**, a Delaware corporation, the sole member of the Company (the "Member") by written consent of the Member on February 24, 2016, that such resolution has not been rescinded, amended or modified in any respect, and is in full force and effect on the date hereof:

RESOLVED, that (i) any individual at the time holding the position of General Manager or Area Director, Finance be, and each of them hereby is, appointed as an Authorized Agent, to act in the name and on behalf of the Company and to include the execution of related documents, in connection with the day-to-day business activities of the Company, and further, that (ii) in addition to the General Manager or Area Director, Finance, any individual at the time holding the position of Area Director, Business Development; Area Director, Operations; or Market Vice President be, and each of them hereby is, appointed as an Authorized Agent to execute any bid and proposal, and if awarded, any related contract for services to be performed by the Company and any bond required by such bid, proposal or contract, all in accordance with the existing Levels of Authority and other relevant policies and procedures.

I further certify that **DANIEL J. CAPENER** holds the title of General Manager and in such capacity has full authority to act in the name and on behalf of the Company as set forth in the foregoing resolution.

WITNESS MY HAND, this 23rd day of April, 2018.

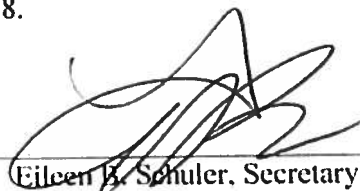

Eileen B. Schuler, Secretary

EXHIBIT 1
Refuse and Organic Collection Rates

CITY OF GARDEN GROVE				
Container Size	Monthly Rate based on Collection Frequency			Organics Container Contamination Fee per Occurrence
	1x	2x	3x	
2 Cubic Yard Bin - Refuse or Organics ⁽¹⁾	\$ 155.83	\$ 248.08	\$ 340.30	\$ 100.00
64 Gallon Organics Cart ⁽²⁾	\$ 45.00	\$ 90.00	\$ 135.00	\$ 50.00
35 Gallon Organics Cart ⁽³⁾	See footnote #3 below.			

Footnotes:

⁽¹⁾ Bin rates have not been adjusted yet to include the commercial and industrial sector-wide rate increase due to Organic Waste program implementation, and the annual rate adjustment due July 1, 2018.

⁽²⁾ 64-Gallon organics cart rate effective July 1, 2018. Not subject to July 1, 2018 annual rate adjustments or the sector-wide organics increases on July 1, 2018 and January 1, 2019. Rate will be adjusted effective with the regular annual rate adjustments beginning July 1, 2019.

⁽³⁾ If CalRecycle determines that mandatory commercial organics service shall be provided to customers on or after January 1, 2020 that subscribe to two-cubic yards or more of solid waste service per week, then Contractor will also offer a 35-gallon organics cart collected one to three times per week at the same rate for commercial "Barrel Service" for customers who generate a small amount of organic waste. As of July 1, 2017 rate is \$24.03 per month for 1x/week service. The rate for 2x/week service shall be twice the 1x/week rate, and the rate for 3x/week service shall be 3 times the 1x/week rate.

EXHIBIT 2
Organics Material Processing Component Adjustment
Example Garden Grove Calculation

Note: This formula is only to be applied if the processing cost per ton for organic waste changes from previous year and if the rebalancing procedure in Exhibit 3 is not implemented that year.

Step 1: Calculate the organics processing price increase per ton by inputting existing and new organic waste cost per ton in blue columns.

Row	A	B	C	D	E
Adjustment Factor	Existing Organic Waste Processing Cost per Ton	Input Most Recent CPI Adjustment % to Commercial/ Industrial rates	Adjusted Cost per Ton with CPI Adjustment (Column C = Column A x (1 + Column B))	New Organic Waste Cost per Ton effective July 1, 2018	Change In Cost per Ton (Column D - Column C)
1	Organic Waste Processing Cost per Ton \$ 91.00	3%	\$ 93.73	\$ 100.10	\$ 6.37

Step Two: Determine the commercial sector-wide percentage adjustment to commercial and industrial rates for increases in organic processing costs by entering in Column F the higher of the annual organics tonnage threshold established in Exhibit 4, footnote 6 or the actual organics tonnage processed in the past 12 months. Enter the annual commercial and industrial rate revenue from Contractor in Column I.

Row	F	G	H	I	J
Rate Category	Higher of Organics Tonnage Threshold or Actual Collected Tonnage ⁽¹⁾	Change in Cost per Ton (From Column E)	Additional Processing Costs (Column F x Column G)	Commercial and Industrial Annual Rate Revenue from Contractor ⁽²⁾	Total Percent Change to be applied to Commercial and Industrial Rates ((Column H + Column I) ÷ I) ⁽³⁾
2	Organic Waste Recycling Program 4,148	6.37	\$ 26,423	\$ 14,358,000	0.18%

⁽¹⁾ Initial tonnage based on Contractor's 9/26/2017 proposed organics tonnage threshold.

⁽²⁾ Contractor to provide annual rate revenue for the commercial and industrial sectors.

⁽³⁾ To be applied to Commercial and Industrial rates at the time of next rate adjustment by adding the percentage in Column J to the regular annual adjustment.

Note: This formula is only to be applied if the processing cost per ton for organic waste changes from previous year and if the rebalancing procedure in Exhibit 3 is not implemented.

**EXHIBIT 3
CITY OF GARDEN GROVE
Step 1. Calculate the Commercial Organics Program Cost**

Description:

- Use the table to calculate the updated annual organics program costs by entering data in Columns A, D and E in the highlighted and outlined boxes. See footnotes below for clarification on data entry. Any cell that is not highlighted and outlined is a calculation.
- Enter most recent CPI adjustment in footnote 4 to automatically import into Rows 2 through 5, Column B.
- Calculated result on Row 10 will be utilized in Step 3, Row 1 to calculate the rebalancing adjustment.

Row	Cost Category	Unit Cost at Time of Last Adjustment (Column A) ⁽¹⁾	Adjustment Method (Column B)	Adjustment % to Unit Cost (Column C)	Updated Cost per Unit (Column D = Column A x (1+Column C))	Actual Number of Units (Column E)	Monthly Cost (Column F = Column D x Column E)
1	Processing - Pass Through	\$ 100.10 /ton ⁽²⁾⁽³⁾	Actual	4.9% ⁽³⁾	\$ 105.00 /ton ⁽³⁾	692 tons/month ⁽⁵⁾	\$ 72,660
2	Collection	\$ 105.78 /hour ⁽²⁾	CPI ⁽⁴⁾	10.0% ⁽⁴⁾	\$ 116.36 /hour	600 hours/month ⁽⁶⁾	\$ 69,815
3	Outreach	\$ 45,180 /year ⁽²⁾	CPI ⁽⁴⁾	10.0% ⁽⁴⁾	\$ 49,698.00 /year	12 months/year	\$ 4,142
4	Containers - Carts	\$ 0.50 /cart/month ⁽²⁾	CPI ⁽⁴⁾	10.0% ⁽⁴⁾	\$ 0.55 /cart/month	0 carts ⁽⁷⁾	\$ -
5	Containers- Bins	\$ 8.33 /bin/month ⁽²⁾	CPI ⁽⁴⁾	10.0% ⁽⁴⁾	\$ 9.16 /bin/month	362 bins ⁽⁷⁾	\$ 3,317
6	Subtotal (Sum of R1 through R5)						\$ 149,933
7	Contractor Margin at 10% (R6 x 10%)						\$ 14,993
8	Total Organics Program Monthly Cost (R6+R7)						\$ 164,927
9	Months per Year						\$ 12
10	Total Organics Program Annual Cost (R8 x R9)						\$ 1,979,120

⁽¹⁾ Original Unit Costs are based on the costs used in Exhibit 4 - Documentation of the Rebalancing Adjustment Factor.

⁽²⁾ For initial rebalancing on or before 7/1/2022, unit costs, except for processing costs as described in footnote 3, are initially set as shown in Exhibit 4. Unit Costs to be entered from previous rebalancing Column D Unit Costs in Exhibit 3, Step 1, if an additional rebalancing occurs per the guidelines of the Amendment Section 4.c.

⁽³⁾ Enter most recent organics processing cost per ton used to determine the sector-wide increase from Exhibit 2, Column D. Enter Updated Cost per Unit Category in Column D to automatically calculate the Adjustment % in Column C.

⁽⁴⁾ Use Consumer Price Index for All Urban Customers (CUURA421SA0). Adjustment to be calculated for 7/1/2022 (or earlier if applied prior to that under Section 4.c of the Amendment). As an example, if the first rebalancing adjustment is calculated for July 1, 2022, then the change in the CPI would be calculated based on the average annual CPI index for calendar year 2017 compared to the same index for calendar year 2021, a four-year change. Insert CPI adjustment percentage below for automatic calculation.

10.0% Insert CPI change since last rebalancing adjustment

⁽⁵⁾ Input average monthly tonnage from the most recent 12 months. Tonnage from routes that crossover City boundaries will be allocated to jurisdictions based on container capacity.

⁽⁶⁾ Input average monthly collection hours from the most recent 12 months. Route hours from routes that crossover City boundaries will be allocated to jurisdictions based on container capacity.

⁽⁷⁾ Input most recent available container count.

EXHIBIT 3

CITY OF GARDEN GROVE

Step 2. Calculate the Current Rate Revenues from the Commercial Organics Program

Description:

1. Enter the most recently available number of customers for each service level provided by Contractor in Column A.
2. Enter the current rates for organics under each service in Column B.
3. Upon data population, the monthly and annual program rate revenue will automatically calculate and be utilized in Step 3.

Step 2 - Calculate the annual rate revenue generated from the commercial organics program.				
Row #	Container Size and Frequency	Number of Customers for Each Service Level (Column A)	Current Rates for Organics Services (Column B)	Rate Revenue per Service Type (Column C = Column A x Column B)
	2 Yard Bin			
1	1x per week			\$ -
2	2x per week	336	\$ 248.08	\$ 83,354.88
3	3x per week			\$ -
	Cart Rate			
4	1x per week			\$ -
5	2x per week			\$ -
6	3x per week			\$ -
7	Sum of Organics Program Monthly Revenue (Sum R1 - R6)			\$ 83,354.88
8	Months per Year			12
9	Annual Organics Program Revenue (R7 x R8)			\$ 1,000,258.56

**EXHIBIT 3
CITY OF GARDEN GROVE
Step 3. Calculation of the Difference Between Organics Program Cost and Revenue**

Description:

1. Step 3 will automatically calculate by carrying data forward from Steps 1 and 2 to determine the difference between Organics Program Rate Revenue and Costs before applying the commercial sector-wide increase. Row 3 will be utilized in Step 5.

Row #	Line Item	Units	Notes
1	Annual Organics Program Cost	\$ 1,979,120 /year	From Step 1, Row 10
2	Annual Rate Revenue for Organics	\$ 1,000,259 /year	From Step 2, Row 9
3	Annual Difference (R1 - R2)	\$ 978,861 /year	Calculation R1 - R2

**EXHIBIT 3
CITY OF GARDEN GROVE
Step 4. Calculate the Negotiated Annual Program Costs.**

Description:
 1. Step 4 requires input of the most recent commercial and industrial rate revenue provided by Contractor (including the most recent CPI adjustment) and the previously applied sector-wide increase percentages in the highlighted and outlined cells. This step calculates the current negotiated cost of the commercial organics program. Row 5 will be utilized in Step 6.

Step 4 - Calculate the annual negotiated costs of the commercial organics program.				
Row #	Line Item	Units	Notes	
1	Total commercial and industrial rate revenue	15,291,557 /year	For the most recent Fiscal Year.	
2	Negotiated % sector-wide increase for commercial and industrial rates	3.40%	For the first rebalancing the percentage is the amount shown in this Exhibit. For subsequent rebalancing use the percentage from Step 7, Row 3.	
3	Cumulative Organic Waste processing component adjustments since the most recent rebalancing	0.18%	Cumulative of all sector-wide increases calculated by Exhibit 2 under the Amendment since the last rebalancing.	
4	Cumulative negotiated sector-wide % increase (R2 + R3)	3.58%	Calculation R2 + R3	
5	Annual Negotiated Costs of Organics Program (R1 x R4)	\$ 519,913 /year	Calculation R1 x R4	

EXHIBIT 3
CITY OF GARDEN GROVE
Step 5. Calculate the New Funding Requirements

Description:

1. Upon completion of Steps 1-4, Step 5 will automatically calculate the new funding requirement in order to calculate the rebalanced sector-wide adjustment in subsequent steps.

Step 5 - Calculate the new funding requirement for sector-wide adjustment.			
Row #	Line Item	Units	Notes
1	Difference between commercial organics program revenue and costs	\$ 978,861 /year	From Step 3, Row 3 Previously negotiated rebalancing adjustment factor as documented in Exhibit 4. This factor does not change in future rebalancing.
2	Rebalancing adjustment factor	<u>1.12</u>	
3	New Funding Requirement for Rebalanced Sector-wide Adjustment (R1 x R2)	\$ 1,096,000 /year	

**EXHIBIT 3
CITY OF GARDEN GROVE
Step 6. Calculate the Rebalancing Percentage**

Description:

1. Step 6 will automatically calculate the future sector-wide rebalancing percentage to be applied to commercial and industrial rates.

Row #	Line Item	Units	Notes
1	New funding requirement for rebalanced sector-wide adjustment	\$ 1,096,000 /year	From Step 5, Row 3
2	Negotiated cost of organics program	\$ 519,913 /year	From Step 4, Row 5
3	New funding requirement for new sector-wide adjustment (R1 - R2)	\$ 576,087 /year	
4	Total commercial and industrial rate revenue	\$ 15,291,557 /year	From Step 4, Row 1
5	Additional Percentage for Rebalancing (R3 + R4)	3.77%	To be applied to the commercial and industrial rates with next annual CPI adjustment.

**EXHIBIT 3
CITY OF GARDEN GROVE**

Step 7. Calculate Cumulative Sector-wide Increase Only if Rebalancing Mechanism is Implemented more than Once

Description:

NOTE: Step 7 will only be used if an additional rebalancing procedure is initiated, carry forward Step 7, Row 3 to Step 4, Row 2 of future rebalancing procedure.

Step 7 - Calculate the future sector-wide rebalancing percentage to be applied to commercial and industrial rates.			
Row #	Line Item	Units	Notes
1	Cumulative negotiated sector-wide increase	3.58%	From Step 4, Row 4
2	Additional percentage for current rebalancing adjustment	<u>3.77%</u>	From Step 6, Row 3
3	Cumulative Sector-wide Increase (R1 + R2)	7.35%	To be implemented in Step 4, Row 2 of future rebalancing procedures.

EXHIBIT 4
CITY OF GARDEN GROVE
Documentation of the Rebalancing Adjustment Factor

Row #	Cost Category	Cost	Number of Units	Monthly Cost	Notes
1	Processing - pass through	\$ 91.00 /ton ⁽¹⁴⁾	346 tons/month ⁽¹⁴⁾	\$ 31,486	
2	Collection	\$ 105.78 /hour ⁽¹⁵⁾	300 hours/month ⁽¹⁶⁾	\$ 31,734	
3	Outreach	\$ 45,180 /year ⁽¹⁷⁾	12 months/year	\$ 3,765	
4	Containers - carts	\$ 0.50 /cart/month ⁽¹⁸⁾	0 carts ⁽¹⁹⁾	\$ -	
5	Containers - bins	\$ 8.33 /bin/month ⁽¹⁴⁾	181 bins ⁽¹⁹⁾	\$ 1,508	
6	Subtotal			\$ 68,493	Sum
7	Contractor margin at 10%			\$ 6,849	Previously Contractor proposed 10% margin on tip fee.
8	Total Organics Program Monthly Cost			\$ 75,342	Sum

(14) Cost per ton to take organics to the third party CORA facility in the City of Orange located at 2050 North Glassell Street.
 (15) Contractor's proposed cost per hour including full-time helper was \$117.33 in spreadsheets provided 5/15/2017 Anaheim collection cost was \$76.23 per hour, and Contractor states vehicle depreciation at \$18.00/hour should be added for a total of \$94.23/hour. The negotiated midpoint = \$105.78 ((\$117.33 + \$94.33) ÷ 2 = \$105.78)
 (16) Contractor estimated figure includes assumption to provide 3.5 hours of outreach to each of the 181 Tier 1 and 2 customers for a total of 634 hours annually at \$39.20 per hour totaling to \$24,833 per year, plus indirect outreach costs of \$20,347 for billing, SGA, and outreach materials.
 (17) \$60.00 depreciated over 10 years = \$0.50/cart/month.
 (18) \$500.00 depreciated over 5 years = \$8.33/bin/month. Container maintenance allowance included by shorter amortization period.
 (19) (4,148 tons/year ÷ 12 months/year) = 346 tons/month per correspondence dated 9/26/2017.
 (20) 3,595 hours/year⁽¹⁴⁾ ÷ 12 months = 300 hours/month
 (21) Per Contractor spreadsheet in response to data request titled "Detail Supporting Calculation."

Row #	Line Item	Units	Rate	Notes
1	2 yd. refuse service rate 2y/wk. as of 7/1/2017	\$ 248.08 /month	17 yds./month ⁽²¹⁾	From the current Garden Grove Rate Schedule
2	Refuse yards serviced per month			Refuse collection service
3	Rate per yard	\$ 14.34 /yd.		Calculation R1 + R2
4	Total organics yards per year	\$ 32,791 yds./year ⁽²¹⁾		
5	Annual rate revenue for organics	\$ 470,000 /year		If organics rate is equal to the trash rate. (Calculation R3 x R4)

(21) 2 yds. x 2 collections/week = 4 yds./week x 4.33 weeks/month = 17.3 yds./month
 (22) (4,148 tons/year x 2,000 lbs./ton) = 8,296,000 lbs./year ÷ 253 lbs./yard (Republic Estimation) = 32,791 yards/year

Row #	Line Item	Units	Rate	Notes
1	Monthly organics program cost	\$ 75,342 /month		From Step 1, Row 8
2	Months per year	12		
3	Annual organics program cost	\$ 904,000 /year		Calculation R1 x R2
4	Annual rate revenue for organics	\$ 470,000 /year		From Step 2, Row 5
5	Difference	\$ 434,000 /year		Calculation R3 - R4

Row #	Line Item	Units	Rate	Notes
1	Total commercial and industrial rate revenue	14,358,000 /year		From Annual revenue supplied by Contractor in spreadsheet associated with negotiations data request attached to email dated 8/14/2017
2	Negotiated % sector-wide increase for commercial and industrial rates	3.4%		From Contractor Proposal dated 9/26/2017
3	Annual negotiated costs of organics program	\$ 488,000 /year		Calculation R1 x R2
4	Difference from Table 3	\$ 434,000 /year		From Step 3, Row 5
5	Rebalancing Adjustment Factor	1.12		Calculation R3 + R4 (To be used in all future rebalancing)

APPROVAL OF AN AMENDMENT TO THE AGREEMENT WITH REPUBLIC WASTE SERVICES OF SOUTHERN CALIFORNIA LLC, DBA GARDEN GROVE DISPOSAL FOR A MANDATORY ORGANIC WASTE PROGRAM AND RATE IMPLEMENTATION (JOINT ACTION ITEM WITH THE GARDEN GROVE SANITARY DISTRICT BOARD)
(F: S-55.1)

Garden Grove City Council Action

It was moved by Mayor Jones, seconded by Council Member O'Neill that:

The amendment to the 2010 Agreement with Republic Waste Services of Southern California LLC, dba Garden Grove Disposal for organic waste handling services be approved; and

The City Manager be authorized to execute the agreement on behalf of the City, and make minor modifications as appropriate thereto.

The motion carried by a 7-0 vote as follows:

Ayes: (7) Beard, O'Neill, T. Nguyen, Bui, Klopfenstein, K.
Nguyen, Jones
Noes: (0) None

Garden Grove Sanitary District Action

It was moved by Member Jones, seconded by Member O'Neill that:

The amendment to the 2010 Agreement with Republic Waste Services of Southern California LLC, dba Garden Grove Disposal for organic waste handling services be approved; and

The General Manager be authorized to execute the agreement on behalf of the Sanitary District, and make minor modifications as appropriate thereto.

The motion carried by a 7-0 vote as follows:

Ayes: (7) Beard, Bui, Jones, Klopfenstein, K. Nguyen, T.
Nguyen, O'Neill
Noes: (0) None

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles From: William E. Murray
 Dept.: City Manager Dept.: Public Works
 Subject: Approval of an amendment to the agreement with Republic Waste Services of Southern California LLC, dba Garden Grove Disposal for a mandatory organic waste program and rate implementation. (Joint Action Item with the Garden Grove Sanitary District Board.) Date: 4/24/2018

OBJECTIVE

To obtain approval by the Garden Grove City Council and the Garden Grove Sanitary District Board of an amendment to the agreement with Republic Services Waste Services of Southern California LLC, dba Garden Grove Disposal to be in compliance with the State Mandatory Commercial Organic Program and rates implementation.

BACKGROUND

As part of the State's goal to achieve 75% waste diversion statewide by 2025, the State adopted a mandatory commercial organic recycling program for local jurisdictions to implement as part of the Governor's Assembly Bill AB 1826 Chesbro (Chapter 727, Statutes of 2014). This new law was designed to help improve air quality by reducing greenhouse gas emissions that are produced in landfills. Beginning in 2016, the law requires certain businesses in California, with limited exceptions, to recycle organic materials. Organic material is defined as food waste, green waste (landscape debris and trimmings), and non-hazardous wood waste. Organics recycling requires that your business separate your organic materials from other refuse materials. Multi-family residential dwellings are not required to have a food waste diversion program.

The implementation schedule for businesses to enact an organics recycling program is as follows:

Description	Implementation Date
Tier 1: Businesses that generate 8 cubic yards or more of organic waste per week	April 1, 2016
Tier 2: Businesses that generate 4 cubic yards or more of organic waste per week	January 1, 2017
Tier 3: Businesses that generate 4 cubic yards or more of trash per week	January 1, 2019
Tier 4: Businesses that generate 2 cubic yards or more of trash per week*	January 1, 2020

*If the State of California, by the year 2020, has not reached its goal to reduce organic disposal by 50% of the base year (2014), the mandated organic recycling requirement will be expanded to cover businesses that generate 2 cubic yards or more of trash per week.

Under this new law, businesses must apply good faith efforts by implementing one of the following:

- Subscribe to the new Food Scrap recycling service
- Self-haul your food scraps to a composting facility, and/ or
- Donate edible food to a food bank

SB 605 (Lara, Chapter 523, Statutes of 2014) directed California Air Resources Board to develop a comprehensive short-lived climate pollutants (SLCPs) strategy, in coordination with other state agencies and local air quality management and air pollution districts to reduce emissions of SLCPs. SB 1383 (Lara, Chapter 395, Statutes of 2016) directed the Board to approve and begin implementing the plan by January 1, 2018, and set statewide 2030 emission reduction targets for methane, HFCs, and anthropogenic black carbon.

As it pertains to CalRecycle, SB 1383 targets have been established to achieve a 50 percent reduction in the level of

statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025. The law grants CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets and establishes an additional target of no less than 20 percent of currently disposed edible food to be recovered for human consumption by 2025. If the statewide diversion goal is not met, local jurisdictions may be required to impose penalties and collect fees to recover costs incurred from non-recycling organic waste generators in order to in comply with the State regulations.

DISCUSSION

Republic Services, doing business as Garden Grove Disposal, has been the Garden Grove Sanitary District’s (District) solid waste collection and disposal provider since 1989. On July 1, 2010, this franchise service agreement was amended and the City was added as a party to the Agreement. In response to AB 1826, Republic Services has developed a source separated food scrap collection program. Program strategies are to have the materials collected, and processed into a renewable source of fuel and/or energy through a process known as anaerobic digestion.

To ensure the rates proposed for this new program are fair and reasonable, the District in January 2017, contracted with HF&H Consultants to perform a formal rate review process on Republic Services' proposed recycling organic rates, and to negotiate on behalf of the District with the hauler. Other Republic Services' contracted agencies such as the cities of Fullerton, Brea, Yorba Linda and Placentia also underwent a rate review facilitated by HF&H at the same time as our District. This collaborative effort made the rate negotiations consistent among all participating agencies.

HF&H has thoroughly assessed program containers, collection vehicles, collection equipment, organics processing, public education and outreach, reporting, advertising, labor, principal, and interest payments proposed by Republic Services. Based on their cost analysis, final negotiations were successfully reached with Republic Services in January 2018. This resulted in commercial rate payers receiving the most cost effective rates with a program that meets State compliance.

The proposed rate adjustment would increase commercial rates on July 1, 2018, and January 1, 2019, by increments of 1.825%, or a total increase of 3.65%. These rates are based on Republic’s estimated participation levels with a rebalancing mechanism being set to take place in 2022 (unless the organics tonnage threshold is achieved earlier), for the purpose of adjusting rates to match actual program costs. Program implementation will become effective July 2018.

FINANCIAL IMPACT

There is no impact to the General Fund.

RECOMMENDATION

It is recommended that the City Council:

- Approve the amendment to the 2010 Agreement with Republic Waste Services of Southern California LLC, dba Garden Grove Disposal for organic waste handling services;
- Authorize the City Manager to execute the agreement on behalf of the City, and make minor modifications as appropriate thereto.

It is recommended that the Sanitary District Board:

- Approve the amendment to the 2010 Agreement with Republic Waste Services of Southern California LLC, dba Garden Grove Disposal for organic waste handling services;
- Authorize the General Manager to execute the agreement on behalf of the Sanitary District, and make minor modifications as appropriate thereto.

By: A.J. Holmon III, Streets/Environmental Manager

ATTACHMENTS:

Description	Upload Date	Type	File Name
Amendment	4/2/2018	Backup Material	GGSD_AMENDMENT_3_TO_SOLID_WASTE_FRANCHISE_AGREEMENT_RE_ORGANIC_WASTE.FINAL.docx

REVIEWERS:

Department	Reviewer	Action	Comments
Public Works	Melanson, Carolyn	Approved	

City Clerk
City Attorney
Deputy City Manager
City Manager

Vasquez, Liz
Sandoval, Omar
Stipe, Maria
Stiles, Scott

Approved
Approved
Approved
Approved

APPROVAL OF AN AMENDMENT TO THE AGREEMENT WITH REPUBLIC WASTE SERVICES OF SOUTHERN CALIFORNIA LLC, DBA GARDEN GROVE DISPOSAL FOR A MANDATORY ORGANIC WASTE PROGRAM AND RATE IMPLEMENTATION (JOINT ACTION ITEM WITH THE GARDEN GROVE CITY COUNCIL) (F: S-55.1)

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