



Agenda Report

TO: CCCSWA BOARD OF DIRECTORS
FROM: PAUL MORSEN, EXECUTIVE DIRECTOR
DATE: DECEMBER 1, 2009
SUBJECT: RATE YEAR 6 MATTERS FOR DECISION

SUMMARY

As the CCCSWA proceeds through the rate setting process for RY 6, three matters need decisions from the Authority Board in order for rate setting to proceed and result in final decisions at the January CCCSWA Board meeting which will implement new rates effective March 1, 2009.

RECOMMENDED ACTION

1. Receive presentation from HF&H Consultants regarding draft rate decisions for RY6; provide input, changes and discussion as appropriate (note: member agencies have until January 12, 2010 to make final changes to the draft decisions previously determined in individual meetings with member agency representatives),
2. Authorize implementation of residential food scrap program in the city of Walnut Creek beginning in autumn 2010,
3. Authorize beginning the full roll-out of the commercial food waste program effective September 1, 2010 and include expenses for this commercial diversion effort within RY6 rates individually as determined by CCCSWA member agencies,
4. Authorize the continuation of the commercial food waste pilot program in the interim period from March 1, 2010 until September 1, 2010, and
 - a. Direct collected commercial food wastes collected during this period of time to the EBMUD facility for digestion at a cost of \$245,947 to be paid from the Diversion Incentive Fund (DIF), or
 - b. Direct collected commercial food wastes collected during this period of time to the Newby Island facility for composting at a cost of \$219,456 to be paid from the DIF.

DISCUSSION

Draft Decisions for Rate Setting in RY6. In August of each year the analysis of costs and expenses for solid waste services begin with the collection of information from our collectors by our rate setting consultants. In October, the first rough draft of rate information is presented to the Authority's Finance and Administration Committee which is followed by a presentation to the full Board at the October Board meeting. In November, individual meetings are held with member agency directors and their appropriate city/town staff to develop rate setting scenarios taking into account, revenue requirements, amounts of reserves available and any special programs that need to be included in rates. Mr. Rick Simonson of

HF&H Consultants will provide a review of the draft rate setting numbers that have been set forth by our member agencies. Comments, discussion and direction are welcome and invited.

Residential Food Scrap Program in Walnut Creek. For over two years the Authority has implemented a home food scrap program in Lamorinda which has been successful and favorably received by the residential community in these towns/cities. This diversion effort allows single family households to add home food scraps to their green waste cart which, after collection, is transported to Newby Island (in the South Bay) and composted. The composted food waste/green waste is therefore not added to the municipal solid waste and land-filled but rather is both diverted from the Keller Canyon Land-fill and produces a usable product (compost). Over the past two years residents have requested this program be expanded into Walnut Creek by contacting the Authority's staff, making requests at our Board Meetings and via a survey at the local farmer's market. In response, Staff has found capacity for this additional tonnage at the Newby Island facility and recommends expansion of the program into Walnut Creek beginning in September 2010. There will be no extra costs for this additional diversion because home food scraps will be placed in and collected from the residence's existing green waste carts and will continue to be transported and composted at Allied's Newby Island facility, within the requirements under the current franchise agreement with Allied. Staff recommends the addition of this community to our Home Food Scrap program.

Roll-out of Commercial Food Waste Program throughout the CCCSWA Service Area. Beginning in September 2007, staff, with the guidance of the Board, has planned and undertaken a pilot program to separately collect commercial food wastes which restaurants and other food waste processors produce in a manner that deletes unwanted contaminants (non-food) from this waste stream. After grinding to a two inch particle size, this material is transported to EBMUD's facility for digestion. This effort has proved successful. Over the past several months' improvements have been implemented to streamline the program and with the important points of a contract with EBMUD now resolved through negotiations, it is time to implement the program throughout the service area. Steps have been taken to keep costs as low as possible. For example, by having the food waste producers keep this waste stream free of contaminants we are kept from having to take on the costs of a processing facility which would clean the material to the required level as well as require transport to distant processing destinations then back to the digestion facility in Oakland. Too, with the help of AWS we developed truck loading hardware that can service large producers (bin service) and small producers (64 gal. cart service) which reduces the expenses for equipment needed to provide collection service. Notwithstanding these efforts there are additional costs when a fraction of the waste stream is separated for special handling. These costs have been estimated to be \$223,000 for the six month period from September 2010 through February 2011. Each member agency has opted to spread the costs of this diversion program into their rates and the presentation by HF&H will include this allocation.

Questions have been posed in past Board meetings as to the benefits that accrue by implementing this program and its additional expense. If cost is the only criteria of selecting a destination for collected commercial wastes, land-filling is the best bargain because mixed municipal solid waste (MSW) requires only collection, transfer and interment at the landfill—processing costs are minimized. However, collected recyclables from single family residences cost less than land-filled wastes even considering the added costs of sorting, bailing and transport to distant destinations for remanufacturing; sale of the sorted materials offsets these expenses.

The chart below compares the average costs of some of the constituents in the waste stream:

Program Cost Per Ton (approx.)	Solid Waste Collection	Residential Recycling	Residential Greenwaste	Commercial Food Waste @ EBMUD	Curbside Reuse
Total	\$151	\$147	\$188	\$200	\$475

Each of our member agencies, in determining their draft rates for RY6, have folded the program costs into their commercial rate structure or into their residential and commercial rate structure thereby not placing the entire costs onto the participating food waste producers. This approach will keep these customers' rates the same except for the RY6 across-the-board rate increases to be experienced by all. In this manner, food waste producers will have the opportunity—like all commercial customers—to reduce their solid waste costs by increasing the amount of material recycled thus minimizing their generation of solid waste and reducing the size (and cost) of their garbage containers.

The commercial food waste program is more expensive than our current practice with commercial food wastes which (prior to the pilot commercial food waste program) are a part of the mixed commercial waste stream and are interred at Keller Canyon Landfill. By spending more for the separate collection, grinding prior to transfer, transport to EBMUD and preparation for and ultimate digestion of the food waste, we avail ourselves of advantages over the land-filling that has been our past practice.

Our biggest advantage is the diversion, from land-filling, of a large part of the 19% that represent commercial food's portion of the overall waste-stream. We are mandated to divert at least 50% of our wastes by state law. The Authority's overall diversion rate is currently 52%, but single family residential (at 58%) has made a greater contribution to our overall diversion rate as compared to commercial which is diverting just 21% in calendar year 2008.

In addition to diversion, by beginning this program now we can anticipate Assembly Bill 32 which requires commercial recycling. The State is currently developing the regulations for this mandate which is anticipated to be implemented in 2012. By having most of the commercial food portion of our waste stream included in our diversion efforts prior to this; we will be in a position to be able to incrementally improve an existing program rather than beginning a new one. This is the approach the CCCSWA took prior to the 50% diversion requirement mandated by AB 939. Initial programs implemented in or before 1990 allowed us to make improvements that brought us to the mandated diversion level by 1995 when diversion reporting was required.

As the 2012 date approaches, capacity for diverted food wastes will almost certainly be limited as many franchisors will need space for this material and composting capacity is already nearing or at capacity at any near destinations. Too, EBMUD is marketing their digestion process to other solid waste franchisors and their food wastes will fill this capacity over the coming months. We will be advantaged by securing capacity now and avoid the likely possibility of having to find distant destinations in the future which may well be far away and require increased costs of transport.

Concern about greenhouse gases is driving the AB 32 commercial waste regulations. Among wastes, food waste is a large generator of methane which is counted among the most deleterious of the greenhouse gases. An advantage over composting is that all the methane produced in the digestion process is captured by EBMUD and is burned to produce electricity to operate their plant. When sufficient food waste tonnage is delivered, the excess power not required for plant operation will be put

into the grid for use by communities. This is in addition to the digestion process producing a usable soil amendment, much like compost produces. Therefore, a big advantage of this program is, it's the "greenest" option when compared to the other which is composting.

Finally, EBMUD is the closest destination for our diverted food waste and therefore keeps transport costs to a minimum as compared to Newby Island (the closest composting site) or other potentially available composting sites located near Livermore or in the central valley.

Staff believes that the numerous benefits of the Commercial Food Waste program are beneficial. Of course, the downside is the cost. Because we have implemented measures to contain costs and because of the Authority's need to address greater diversion of commercial wastes, the staff strongly recommends the Board authorize the full roll-out of this program effective September 1, 2010.

Commercial Food Waste Pilot Program, Interim Period. The Commercial Food Waste Pilot Program has been funded to date through the DIF and the Board has authorized this funding until March 2009 when full implementation was anticipated. In September, as staff was assessing costs for rate setting, EBMUD required further testing of the previously approved grinder. This additional testing occasioned staff to recommend delaying the full roll-out until September 2010. The additional testing period of four weeks was completed and the Moorbark grinder performed to the satisfaction of EBMUD. The delay of start-up leaves the period of March through September without approved funding. It would be difficult to simply cancel the program for six months as we would have to begin anew in September and would therefore lose the momentum gained so far. It is anticipated to have approximately 90 food waste producers participating by March 2010; we would like to continue providing this waste diversion service until the full roll-out in September. Financing this interim period to continue providing service to the 90 pilot participants is estimated to cost \$245,947 if the wastes continue to be delivered to EBMUD for digestion. As an alternative, AWS has agreed to take our food wastes collected from the interim period to Newby Island for digestion at a cost of \$219,456. The difference in cost is due to composting not requiring grinding as does the EBMUD-bound material. Staff recommends continuing the pilot during the interim period and is providing the Board with a lower cost option which will minimize outgo from the DIF as much as possible while still continuing the service to participants with commercial diversion.