

July 14, 2023

## MEMORANDUM

**To:** Transportation and Seattle Public Utilities Committee  
**From:** Brian Goodnight, Analyst  
**Subject:** CB 120612: Organic Waste Processing Contracts

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On July 18, 2023, the Transportation and Seattle Public Utilities Committee will consider [Council Bill \(CB\) 120612](#), authorizing the General Manager and Chief Executive Office of Seattle Public Utilities (SPU) to execute contracts with Cedar Grove Composting, Inc. (Cedar Grove) and Lenz Enterprises, Inc. (Lenz) for organic waste processing services.

This memorandum provides background information and a summary of the major components of the contracts.

### Background

In April 2013, the Council approved contracts with Lenz and PacifiClean Environmental of Washington, LLC (PacifiClean), via [Ordinance 124151](#), for organic waste processing services beginning in April 2014 and continuing through March 2020. The contracts also contained options for two two-year extensions which could extend the term through March 2024.

Due to agricultural regulations in the Central Washington area in which it operated, PacifiClean ceased operating in 2015 and the organic waste that PacifiClean was supposed to process, approximately 30 percent of the City's total, was diverted to an interim backup facility in east King County. PacifiClean officially notified the City in November 2016 that it would be unable to continue providing processing services. In August 2017, the Council approved [Ordinance 125389](#) authorizing SPU to enter into a contract with Cedar Grove to process the organic waste that PacifiClean was originally contracted to process. Cedar Grove began processing the City's organic waste in September 2017 and the contract continued through March 2020, with the option to extend through March 2024.

The City exercised its options to extend the organic waste processing contracts for both Lenz and Cedar Grove through March 2024. In preparation for the expiration of the contracts, in June 2022, SPU issued a [Request for Proposals \(RFP\)](#) for "processing yard debris, food scraps, food-soiled paper, compostable food packaging, and compostable bags received through the City's transfer stations and through the City's solid waste collection contracts. Processing includes composting and/or anaerobic digestion into marketable end products such as compost, mulch, biogas for energy generation or fuel, and digestate for composting and/or land application."

## **Summary of the Proposed Contracts**

SPU received four responses to the RFP and ultimately selected the two incumbent firms, Cedar Grove and Lenz, based on the evaluation criteria in the RFP. If approved, the proposed contracts for Cedar Grove ([Attachment 1 to the CB](#)) and Lenz ([Attachment 2 to the CB](#)) would be in effect from April 1, 2024, through March 31, 2030. The contracts also provide the City with the unilateral right to extend the terms for up to three successive two-year periods which, if exercised, would allow the contracts to be in effect through March 2036.

### Services

SPU expects that the contractors will process approximately 90,000 tons of organic waste annually that is collected through the City's collection contracts and transfer stations. The amount of organics collected has decreased during the past two years (from approximately 96,000 tons in 2020 to about 81,000 tons in 2022), but SPU anticipates the tonnage to increase again in the future.

The proposed contracts specify that Cedar Grove would provide processing services for a minimum of 35 percent and a maximum of 45 percent of the collected organic waste each month, but the total tons processed will not exceed 6,000 tons per month unless mutually agreed by the City and Cedar Grove. The City will be responsible for transporting and delivering the organic waste to Cedar Grove facilities, but the proposed contract also contains a provision allowing the City to request that Cedar Grove provide interim hauling services if necessary.

Lenz would be responsible for processing a minimum of 55 percent and a maximum of 65 percent of the City's collected organic waste each month, and the total tons processed may not exceed 65,000 tons per year unless mutually agreed by the City and Lenz. Consistent with the current Lenz contract, Lenz will be responsible for transporting its share of the City's organic waste to its processing facilities.

The contractors will process the organic waste into "marketable products such as soil amendments, mulch, animal feed product, or gaseous and liquid byproducts from anaerobic digestion." The contractors are responsible for transporting and marketing all end products, taking on the risk and any profit or loss stemming from the marketing of the products, and routinely testing end products to ensure that they meet regulatory standards. Additionally, the contractors are prohibited from disposing of any organic waste covered by the contracts or marketing products that the contractors know or believe will be disposed of in a landfill or incinerator.

Both contracts specify that the City will be responsible for the disposal of any contaminants that are present in organic waste loads. The contractors will segregate the contaminants and the City will transport the material back to a City transfer station or other disposal facility.

## Costs

There are two types of payments for services described in the proposed contracts: processing and transportation. Table 1 shows the proposed processing and transportation payment rates compared against the rates from the current contracts. The proposed rates included in the table reflect the rates that would be in effect from April 1, 2024, through March 31, 2025. Consistent with the existing contracts, the proposed rates would increase annually by 80 percent of the consumer price index (CPI) for the local area.

*Table 1: Existing and Proposed Payment Rates*

<b>Contract Element</b>	<b>Existing Rates</b>	<b>Proposed Rates</b>
<b>Cedar Grove</b>		
Processing Services	\$62.75 per ton	\$69.00 per ton
Back-Up Transportation Services	n/a	\$515.00 per load
<b>Lenz</b>		
Processing Services	\$39.76 per ton	\$52.00 per ton
Transportation Services	\$560.12 per load from South Transfer Station	\$615.00 per load in a contractor trailer
	\$507.24 per load from North Transfer Station	\$590.00 per load in a City trailer

Overall, the contracts are expected to cost approximately \$5.6 million in 2024, which is in line with the existing Council-adopted solid waste rate path.

## Public Benefits

The proposed contracts specify that Cedar Grove and Lenz will support outreach partnerships with the City to “increase diversion and reduce contamination, including educational site tours, event tables and staffing, product giveaway, and other outreach opportunities.” The product giveaway support for each contractor includes up to four events per year with 50 to 100 yards of donated compost per event. The contractors will also provide additional discounted product opportunities, such as for schools and community organizations.

## **Next Steps**

If the Committee recommends passage of the legislation to the Council on July 18, then the Council could take final action on CB 120612 as soon as July 25.

If the Committee does not approve the legislation or would like to have modifications made to the proposed contracts, SPU would need to reopen negotiations with the contractors. The current organic waste processing contracts expire at the end of March 2024, and without new contracts in place, the City would not have a mechanism for processing organic waste collected from customers.

cc: Esther Handy, Director  
Aly Pennucci, Deputy Director