

**Date:** August 1, 2017

**To:** Seattle City Council Civil Rights, Utilities, Economic Development & Arts Committee

**From:** Ken Snipes, Deputy Director, Solid Waste Line of Business

**Re:** SPU Organics Processing Contract

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### **Background**

The Committee on August 8 will review legislation authorizing Seattle Public Utilities to enter into a new organics processing contract with Cedar Grove Composting.

SPU has two contracts for composing yard and food waste in the city:

- **Lenz Enterprise** processes approximately 70% of Seattle's recycled food scraps and yard waste.
- **PacifiClean of Washington** has been processing the other 30% of organic waste.

These contracts began in April 2014 and continue to March 2020, with optional extensions to March 2024. However, PacifiClean has not operated since 2015 due to new agricultural regulations in Central Washington. For the last two years, PacifiClean's 30 percent share of Seattle's organic waste has been diverted to an interim backup facility in east King County.

### **RFP for Replacement Processing**

PacifiClean notified SPU last November it is unable to deliver continue providing processing services due to the new agricultural regulations. The utility initiated a competitive RFP process for replacement processing services last December. SPU received a single proposal in January from Cedar Grove Composting, and negotiated a new service contract.

### **New Contract Terms**

The new contract will handle processing of 30% of Seattle's organic waste from September 2017 to March 2020, with options to extend to 2024. This term aligns with the ongoing contract with Lenz Enterprises, which will continue to process the remaining 70% of City organic waste through March 2020, or beyond if desired by the City.

Under the contract, SPU will haul the material from its transfer stations to Cedar Grove's site in Everett.

**Financial Impacts**

This new short-term processing contract has higher processing costs than both the current PacifiClean and Lenz Contracts. In addition, the extension of SPU truck hauling to support the contract imposes additional operational costs, including new truck drivers, fuel and maintenance, and new trailer purchases.

The 2018 SPU budget proposal will include approximately \$240,000 for additional processing costs and \$250,000 for new operating costs. The proposed 2018 capital budget will include \$450,000 for trailer purchases. These budget impacts are still within the financial forecasts for the proposed 2018-23 SPU Strategic Business Plan. SPU is pursuing recovery of these additional costs from PacifiClean.

**Recommendation**

SPU recommends the Council authorize this new short-term organics processing contract to ensure service continuity. The utility will also be initiating procurement efforts to pursue more cost-effective long-term service replacement.