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>> Councilmember Liccardo: Good afternoon, let's call this meeting to order. Madam clerk, could you call the roll. I keep doing that.

>> Sam Liccardo, Nora Campos, Judy Chirco, Rose Herrera. We don't have any items on consent, we are.

>> Ed Shikada: We'd like to hear the plant master plan first which is item D-6, in order to accommodate that, and provide as much time as necessary, we have a couple of items that would include D 3 which is the anti-graffiti feasibility fee report, and D 5, the regional transportation activities report. So through pleasure of the committee staff would recommend that be put under the consent calendar.

>> Councilmember Liccardo: Okay, the maker of the motion is agreeable.

>> Councilmember Herrera: I'll make that motion.

>> Councilmember Chirco: I'll second that motion and I'd like to speak to that motion. I see the anti-graffiti group back there. Seconding that motion but thank you very much for all the work you do and I know the committee looks forward to being able to catch up on an update of all your work, thank you.

>> Councilmember Liccardo: Okay, motion being made, all in favor, that passes unanimously. We'll then move on to the reports to the committee. And taking D-6 the plant master plan update first, good afternoon, John.

>> John Stuffelbean: Thank you, John Stuffelbean director of environmental services. We have a presentation for you. We are very pleased to say this is kind of the culmination of several years of work and get right into the presentation. I know a custom of other times you have seen the background information. Here is the project information. Basically showing we started back in 2009 and we have been working towards the point where we have a recommended draft plan for both the land use and the operations of the plant. Major upcoming events include we are here today of course December 6th at TPAC or T&E. We'll be on TPAC on the 9th. If necessary we'll carry forward to January 11th if there needs to be additional discussion. Public workshops January 19th to

29th. Our intention is to come back in April with the final plan. So this is just a reminder of where all the wastewater comes from. This is our sewer shed, the eight cities of the South Bay. And the goals of our master plan have been primarily to make sure that we have a plant that we can operate. Do you want to say something Sam?

>> Councilmember Liccardo: John I'm sorry to interrupt. Were there paper copies of the slides, had a question from a member of the committee.

>> John Stufflebean: No, we'll certainly get them to you if you need them. Beyond the operations of the plant we also have the sustainability bottom line where we're trying to achieve our economic goals our environmental goals and our social goals. Typically in a plant master plan you're dealing with the need for to accommodated growth and one of the things that we've discovered in our plant master plan that our plant is big enough -- feel free to face that direction if you --

>> Councilmember Liccardo: Take no offense.

>> John Stufflebean: I will not take offense at all. What this diagram shows is that our current capacity of the plant is 167, you can see the red line at that time top and we're currently down close to 100. So even over the 30 year life of this plan, we don't expect to exceed the capacity of this plan. Our plan is not being driven by the fact that we need a bigger plant. It was big enough. The canneries still in service they had a lot of load and the plant is able to accommodate that. However, you will be getting additional people, of course in the South Bay and so with water conservation the wastewater will actually change characteristics. It will become stronger. We have to work with that plan. The envision 2040, we have to be in concert with that. The plant is getting older. You can see that three quarters of the plant is more than 21 years old, and a lot of it is 30 to 40 years old and even closer to 50 years old. And it was designed with the useful life of about that so it's time to replace a lot of the facilities at the plant. Other drivers for the plant are potentially new regulatory requirements. There's -- there could be additional regulations on contaminants of concern, things like pharmaceuticals and other organic chemicals, there could be additional requirements on nitrogen that we remove, ammonia and nitrogen, and we could be looking at

potentially taking storm water some storm water into the plant. So these are some new regulatory requirements that may be on the horizon that we need to be sure we can accommodate those in our plan. Another driver for our plan is a continued desire to increase efficiency. One of the things we've been doing over the past few years is to convert some of our coarse bubble diffusers to fine bubble diffusers which is a more efficient way of getting air into driver that we have and beyond that, when the plant was designed it was seen as a facility to handle waste. And we see it as a facility to generate a resource and that resource can be energy, can be biofuels, water itself. So we're kind of putting upside down saying this is a plant that generates a resource, and of course the other driver which is not necessarily regulatory but making sure we're a good neighbor and the plan is throughout the plan there are methods, there are ways that we will reduce the odor that's generated from the plant. The wastewater plant certainly never say at the time be odor free but this plant as it is has a lot of open basins and do generate odor and we'll be looking at closing those up and make it much less of an odor issue. Reducing noise and dealing with aesthetics to a degree. This is a somewhat of a technical slide, you don't need rebuild the plant. The bottom track is the land use plan which is what we do with the land around the plant and there is kind of an interaction between the two and now they are coming together and we are at the star at the end of this and we have worked down to all the alternatives that you could imagine down to the conceptual alternatives and the viable alternative and now our recommended alternative. This is the plant area. And so the yellow is kind of the plant itself. Where the purpose of the plant is to separate liquids from solids. As the solids are separated they go into the brown area, the kind of the center of the plant is the digesters and they go out to the drying beds which is the big area to the East there. That is overall view of the plant. An overall view of the requirements of the plan. It is about a 30 year plan. The total cost of these operational improvements of the plant is about \$2 billion and so as you can see it is a very, very large project. And it may have a road map for how we take it through and renovate it. It includes all areas to the odor control for all the impacted processes. It would be -- I think it is also important to note that there are other odors in the area of the plant that we seem to be cognizant of that fact. We also relocate and re drying beds to a much smaller footprint. Is another thing I kind of want to note is we can only use the sewer fees for sewer purposes. So when we're talking about things beyond the plant itself they would not be able to use the sewer funds for that so it would not include how would we fix up the bunch lands and pond 18 and so forth. So now just a head works, this is a typical template for some of these slides that I've got coming up showing first the current initiatives that are underway for example in the head works. We are enhancing the head works number

one the old head works. In the near term 2015 to 2026, we are looking at expanding head works number 2. We only built half of it. As you can recall that is the biggest Public Works project in the past 20 years, we are including odor control in the head works project and increasing equalization which is just our fancy word for storage. So the plant will have more storage. Total cost will be \$25 million to \$135 million. Left here you see what the head works looks like on the right is the head works that will be enclosed. Enclose the head works. The head works so that's definitely a process that you would want to cover. This shows where head works 2 is, be expanding it to the yellow area and head works 1 will be taken out of service. Our big conclusion is rather than take out head works 1 it makes sense to take out head works 2. The primary, physical separation of the tanks on the left there, the current projects that are underway is adding iron salts, putting in facilities to concrete and we're replacing all of these steel to stainless steel. At the time much better in terms of the corrosive environment of the plant. In the near term odor control, this is one of our major odor control issues. You'll notice that the total cost of the primaries is about 80 to \$100 million, about half of that is odor control. You'll and that would be what they might look like if they were covered. So again can you see covering a large area of tanks obviously would be quite expensive. The other major conclusion was we have two sets of primaries at the plant. The West ones are the old ones that were built in 1956. One of the outcomes of the plant is just decommission the West end of the primaries because they are really not worth fixing up. This is the major part of the plant. The red areas are where we have the aeration and the blue areas are where we have the clarifiers, where again we settle it out. And can you kind of see there is two different plants. There is a plant to the north and a plant to the south and one of our major conclusions is that we should connect the two. They were originally toured independently connecting the aeration from the first plant to the clarifying of the second plant because of the volumes of the tanks. So that's kind of a big conclusion where we can really have -- see some significant operational efficiency. We are also again as I mentioned going to fine bubble diffusers for the empire plants and which is a foam so we're dealing with that so the secondary is mostly about rehabilitating the tanks and the clarifiers and ultimately we might have to go to additional processing to remove additional nitrogen, talked about that as maybe a regulatory driver so that could be a long time issue. So again you can see the big cost here, 310 to 350 million to renovate the secondary tanks and clarifiers. And I would note that there is no odor control in this process. Because by the time the sewage has gotten to this point it really doesn't generate a lot of odor. These are tanks you would not need to cover. And the next process in the plant is the filters and the disinfection. Where we treat the extra level because we discharge into the sensitive

South Bay. And you can see this where the red box is. In terms of our plan nor the filters, currently we are just working to improve the existing filters but one thing we have concluded in the plant master plan is we really need to replace the filters, with entirely new filters because of some design issues and also we will be looking in terms of disinfection of going possibly from chlorine to ultimate violet or ozone and here is just a picture of what the future filters might look like in the center, they are disk filters kinds of an improved design over what's at the plant now, the plant currently has over the period of the plant might be \$250 million to \$300 million. You see the numbers are starting to add up here. Okay so that basically takes us through the liquid stream and you can see we didn't make a lot of major changes, just a tweaking of the liquid stream. The plant separates liquids from solids. Our major treatment at the plant for the solids is the digesters but before we put the solids into the digesters we thicken them. I know this is really pleasant to talk about but we thicken them. We currently have some thickeners, and we can make some improvement to the thickeners to basically make it so we don't need as many digesters. The sludge will be in a better form so when it goes into the digesters we won't need to repair as many digesters and it is expensive. 50 to 60 million, we are already underway on that and there is odor control on the thickening process. It would be -- this is a process that is currently open to the air and as you can imagine it is pretty smelly and we would be looking to covering this process. Fine screening solids is digestion and we have 16 digesters, right now five of them are out of service because they are in such bad shape so we are certainly looking at repairing certainly all of the digesters over the period of the master plan, except for about three which we don't think we're going to need anymore because of the thick things. As can you see tall way through we have digester rehabilitation approximately where we receive grease and keeps it out of the sewer system and also generates additional energy. So that's the story on the digesters. We're also as we rebuild the digesters we can see some great opportunities to make some improvements to improve the mixing to improve the configuration, we'll go from floating covers to fixed covers so we'll have great opportunity to improve as we fix the digesters. Now the big question, what when the lagoons and drying beds. They've served us well for many years. Currently the solids go into the lagoons for about three years and the drying beds for about six months and we dispose of them with the Newby landfill, very, very inexpensive way to takes up a lot of land so we're certainly looking at how can we as quickly as possible and kind of a rational way move to another operation. As we move towards the future we're looking towards going to covered lagoons, fact that our only option right now is a landfill and things that happen, we like to have up more than one option for solids. As you also see in the upper right that

the land decreases, instead of needing 800 acres we need much smaller area for this because we'll be doing the drying inside instead of using the sun. This is an example here, a picture is the centrifuge which is the most likely most typical type of equipment we use to replace the lagoons to handle the solids. Obviously, they are totally enclosed but they do require a lot of energy. The operating cost is significantly higher once we go away from the drying beds to any kinds mechanical dewatering operation. One thing we're considering is greenhouses for drying. We'd like this idea a lot but something we definitely want to pilot-test before we go into it full scale. So currently we're proposing to just build a few of these greenhouses and see how they work here. They've been used, there's no place in the United States where they're being used. They're used in a plant in Germany, it's about significantly smaller than our plant. So that's an option we've got. Currently in the dewatering and drying we're rehabilitating the inactive lagoons. There were drying beds out there that were used in the 60s and 70s, and this is where we are proposing to put the new operations dewatering lagoons and greenhouse pilots and then ultimately replacing the whole operation with a new type ever waive dewatering and drying our biosolids. As you can see this is another big ticket item, 250 to \$300 million and transitioning from the drying beds to mechanical biosolids handling. First we have to complete the CEQA process. We have to mitigate the legacy of biosolids lagoons which is where the new processes will go. Ideally we would want to complete the rehabilitation of the thickening and digesters so you can see exactly what the quality of new sludge would be after the improvements have been made and you'd want to pilot test various technologies using the actual solids you're getting in the new facility and then you would start the design and construction of the new dewatering facilities. So you can see it's not until 2025 that we are totally out of the lagoons and drying bed. We've been asked to say can't you speed that up a little bit can't you make it happen a little faster and we think we can but only for maybe three or four years sooner because there is a lot to be done to get out of the drying beds. It is a major operation, hundreds of millions of dollars, we don't want to spend a lot of money and find out it isn't working very well. The soon we get out of it the more it cost. As soon as we make the transition from the existing operation to drying beds we would need a 7% rate increase, one time just for that because of additional cost of the energy for the drying operation. This just shows some advantages to impacts, it would take ten years instead of 15 years to get this done. You can see the advantage of the acceleration, get out of the additional cost, additional risk, and then there's issues with getting the legacy biosolid lagoons finished up. One of the major themes that we've learned in the master planning process, is we need to do piloting. These are some of the things we want to pilot, definitely want to run pilots on

before we spent you know hundreds of millions of dollars to put in full scale facilities. The final kind of part of the plan is electrical generation. We've been working a lot on electrical liability and as you may remember a few weeks ago we put in a fuel cell but we are also looking at solar power and turbines at the plant to help generate more possibility 260 to \$2 nigh million, of course no energy picture at the plant and this is a little bit complicated. The red line is how much energy we're expecting to use kinds of as we go into the future and you can see how it increases largely because of more mechanical dewatering and drying and the solid lines at the bottom are how much energy we can expect to get from digester gas and landfill gas and digester improvements generate some additional power but you can see there's a gap and we're proposing to make up that gap by processing grease which has a very high energy value into the digesters also food and obviously solar and fuel cells will help us make up which we think we can make up that entire differential. Here is what we're spending the money for, in 30 years. Most of it is for escalation of the plant, some is for regulatory band a quarter of it is for the biosolids improvements. The good news is our CIP our capital improvement program is already in a pretty good shape. We're at about \$50 million a year, this shows the bars in five year increments, so you can see the first bar we are currently at about \$250 million for our CIP, currently already budgeted already covered by our rates, as you can see we need to increase it, we need to increase it by about 20%. So in other words if you did about a 4 or 5% rate increase for five years that would gives the additional capital money we would need to carry out the master plan. It is really important to note though that that's just that one component of the rate. There's also going to be rate increases for may be needed for operational fees and to cover inflation. As you can see it is a large body of work that we need to do. So now I want to talk a little bit about the external land use which is probably maybe of more use to you. Here is the existing land use, we have the operations area biosolids and pond 18. This is what we're proposing for the future use, basically reduces the biosolids area and allows that to be used, includes the waste energy facility so on. So I'm going to talk about the alternative that we're coming up with and I wanted to mention that we had a very robust process to develop this land use alternative including our citizens advisor group which is 20 people who have been giving us great help in developing this and we've worked with you know any stakeholder, every stakeholder we can think of. May recall we came to you last year with earlier this year with our three proposed plans to kinds of get input on and this is the final plan so this is what we're proposing and one of the main objectives for the meeting today is to find out if there's anything about this plan that you're uncomfortable with or that you'd like to see us modify a bit because this is the plan that we're now planning to

take out to the public in January and get input on and ultimately we would be bringing the plan back to the council in April for discussion. It's kind of complicated. I'll run through it piece by piece and it will help you see how it all fits together. Starting out with the natural systems this is how the natural systems fit in the plan. The main thing to see on this drawing is the red line is kind of where the water needs land. So that is where the levee is basically that would protect the plant. Everything south of the red line is land everything on the other side of the levee is water, marshes, tide flats, can you see tidal marshes. Lots of trees and stuff. And then this shows the different areas kind of environmental interest. And you can see on here weaver got pond 18 we're proposing to transition that into what we call a terraced levee. So it would be terraces, at various elevations, to tidal marshes and then you'd hit the levee itself. They are also proposing to expand the riparian corridor on the East side of Coyote creek. We would propose to widen that and add some additional riparian corridors. We're proposing a marsh benefits from this plant. From this plan. I guess you'll notice on this that we have a -- this is where we're proposing to discharge our water. Currently we discharge all of our water the very Northwest corner of the plant and it goes into Alviso slough. right now since we're going to pump it we could pump it to other places. So we're proposing to pump it further upstream, sort of recreate Alviso creek see lots of advantages to having multiple discharge points four effluent rather than one discharge point. This shows social uses of the plant land, recreational we're proposing for 40 acres of regional parks which willing be soccer fields ball fields, clean water institute, the plant itself has become very popular, Donofrio Edwards nature center, and the yellow lines are the trails, the last section of the bay trail that needs to be completed. We'd connect the bay trail from Fremont over to Santa Clara. And this is just a couple of pictures of what it might look like. Here is what it might look like along pond 18, terraced wetlands, Coyote creek, Coyote creek when it's raining and kind of the park area and the trails. So it just kind of gives you some pictures what it might look like and here is the magical picture of the transition. This is what it is now, what it can turn into. All the development and all the green areas, final piece is the development framework. First of all we say we need this area for the plant itself. And then one of the types of development we're proposing would be research and development over the years keep in mind this is the 30 year plan so this would be -- provide significant space for this type of facility with our economic development folks we've been working on very closely to say it is needed here and it provides a lot of jobs. The clean water institute was something that whereas really compelling to a lot of folks, the notion to have a campus like facility where you could have different folks here doing research and work together, the institute front door of the plant retail is to

spend I think pretty controversial issue about whether we should have retail at the plant, we think it 237 and Zanker could certainly support the jobs around the plant but also the North San José intensification housing areas. The final piece is renewable energy, I'm proposing energy fields, north of the plant where we could have, for example, solar fields and then immediately south of the plant and then we would be looking at solar panels on all the roofs and our waste energy nine par site so this shows a lot of potential to generate energy at the plant. Plus another 60 for if energy field. Kind of just having some fun little drawings here. This shows kinds of the potential transportation plan that we would have where we would connect the entrance of the plant, connect it onto the West, Nortek area, to the Northeast to Dixon landing road, and this shows the connection to the bay trails, where the trails might be on the plant land. And then we would have kind of a grant entrance with the treatment at the entrance and potentially water features and landscaping. And one thing we're kind of looking at is the potential of sharing parking. This type of development would definitely require multilevel garages for parking and you could use those for example at nighttime on the recreation area. And been, there is the final plan. We've done a lot of work on how much this is all worth to the plant and to the city. Kind of the most important numbers here are the ground lease proceeds about two-thirds of the area down. Ultimate build-out, we're talking about 30 years from now when it's all built out, we could generate proposing to lease it. And about a million dollars with taxes for San José. Some of our stakeholders have said we think we're a little low on some of these numbers, that we could generate additional, more money than this. That would be great but this is the number that our economic consultants came up with. But the big number is the jobs in construction and of course it's all about jobs right now. And this is just a slide that demonstrates the potential economic impact. \$16 billion with this plan. So this is where the real value is to the city of providing a place where people to work but do notice that most of it comes in phase 3 which is 15 years from now that we'd even start. And it's mostly from the development of the real estate. So I guess again we can go into these numbers if you like but generally, the general gist of it is it's a great value beyond just the \$10 million of lease the economic comment is the value of this plan. So here's a summary. You know we think we've achieved our goals of having a plant that is reliable for the next 30 years, and achieves the total bottom line of economic environmental and social benefits. And here's the schedule for the future. So with that I will leave this up here and that concludes the presentation and we'd be glad to answer any questions you have. But this is kind of the key element for today is this is what we're planning to propose to take out to the public and if there's any concerns now is the time to share it with us.

>> Councilmember Liccardo: Thank you John, thanks for all the great work, you and your team. Any questions or comments?

>> Councilmember Herrera: I would (inaudible).

>> Councilmember Liccardo: Okay, okay We can do that in just a moment. Before we go to --

>> Councilmember Chirco: I would really like to see that presentation at a slower pace so if you could get copies to us that would be fabulous.

>> Councilmember Liccardo: Maybe you could just repeat that.

>> John Stufflebean: Repeat the whole thing?

>> Councilmember Liccardo: Let's take some comment from the public then. David Wall. Welcome David.

>> David Wall: It's always a pleasure to be in the presence of Your Honors. I'll keep it at a real slow pace. This plan, developed by very good natured and good hearted people, is probably one of the dumbest things the City of San José has ever done, on a variety of levels that time does not permit me to go into. One important value here is that you needs to direct the auditor with an unfettered work plan to go through this entire plan as the auditor sees fit without any encumbrances from the council. The plant does need to be rebuilt, that is not an issue. But one issue is this plant master plan in relationship to prop 218 funding, a lot of this ancillary, what I call Disneyland effect is being paid for through this plant master plan and I do not particularly care for that, because I see my sewer plant use fees increased to pay for this folderol, when it's not treating sewage or rebuilding the plant. It's for outside economic means. The \$1.1 million pay back for this is enough in my opinion to literally change the entire city management structure. That means a vote of no confidence for the City Manager herself and complete changeout of the senior administration for environmental services department. This is an atrocity, ladies and

gentlemen, fraught with competitive interests that do not serve the entire purpose of this plant, which is to treat sewage in an environmental way. Furthermore, the bigger issue of, it's a collection system, we do not hear any talk about the collection system. Another thing that should be coming to this committee is, the problems with this Nicardia and does it have a relationship with the toxicity hits on the final effluent. And also why aren't the toxicity hits to final effluent brought to you every time they occur in a public session? Thank you.

>> Councilmember Liccardo: Thank you, David. Joy McCarthy. Followed by Stephanie Moore.

>> Good afternoon, councilmembers and staff. My name is Joey McCarthy I'm with McCarthy ranch. Our family has owned property just on the east side of Coyote creek and the sewage treatment plant since the beginning of the 1800s. Originally the property was farm and the Silicon Valley as it grew and developed we sold our farm lands and develop it. We currently own about 60 acres of undeveloped land on Milpitas, if other side of Coyote creek probably 400 feet to the closest property. The city of Milpitas has had a reputation for being a smelly city which is not exactly a flattering reputation. There are multiple odor sources and the treatment plant is one of the major sources in the area. The McCarthy ranch and the surrounding community are kind of fed up with this reputation and the negative impact it's had on the property and would like to see the odors eliminated. We've reached out to the surrounding community and received numerous letters of support, saying the odors from the plant impact the community in its daily life and the odors are desired to be eliminated. Milpitas unified school district, the Irvine company they are owners about 1 million square feet of R&D buildings in close proximity to the plant, Bresford meadows HOA and Dixon Landing HOA, two large homeowners associations were impacted by the odors. Hilton Garden Inn, Crown Plaza and many others. These letters illustrate that the impact of the odors emitted from the plant are not just an issue for the few properties owners surrounding it you about for the entire community. We have closely been following the plant master plan since its inception a two years ago addressing our concerns as we know this is a major capital improvement project and is very complicated. However we are still concerned that the plant master plan does not address the fact that the plant is emitting odors past his property line and doing so against the Bay Area air quality management district's guidelines and regulations. When odors have been discussed by San José staff during the plant master plan process what they have been stating is there's only been four complaints, confirmed in the last five years. This information is not an

accurate measurement to use in evaluating odors emitted from the plant and the base to prefer the alternative upon. What has not been analyzed is the number of plants that have been made which are not confirmed which is over 30 in March of 2010. It is very obviously that odors are emitted from the plant.

>> Councilmember Liccardo: Mr. McCarthy I'm sorry to interrupt but we allow two minutes for members of the public.

>> I'd just like to finish with saying that we think 15 years with the preferred alternative to address the issues is way too long for the community and we'd like it pushed up.

>> Councilmember Liccardo: Thank you. Stephanie Miller.

>> Good afternoon, thank you for letting me speak here today. So as Joey had mentioned I represent the Irvine company and we are a large commercial real estate landlord and developer in the area. We currently have about a million square feet of 19 buildings, 62-acre park which is directly in the direct line of the odors, when the wind blows that way so to speak. So we have approximately 20 tenants there at the property. And we are really concerned and urge you to really address the odor issues that have plagued that area for as long as can be. We have -- our marketing efforts over the past course of the last couple of years or so we have lost one large tenant at our property and our facility. We currently are about 70% leased. This one tenant would have really pushed us over the edge and really given us a greater occupancy. Just a couple of days ago, I had our largest tenant is J.D.S. Uniphase, which is about 20% of the property they recently complained to me and said our lease is up in a couple of years we are weighing our options right now and that would be a huge loss for us to lose 27% of our occupancy there and we cabinet even lease the building because we have numerous tenants who come through and all they hear from brokers and other industry professionals is it smells in that area. They are persuaded and dissuaded from leasing in that area there. I urge you to consider and work hard at addressing the odor issues and really not putting that on the way side. It is a pretty important issue in that surrounding community as Joey had mentioned and as a large landlord and developer in the area we're developing the old Sony site right now of apartment complexes apartment buildings right now that is one of our current developments we have Santa Clara

gateway which is right off the 237 that we own some land there and we have a plan for a million square feet there too. We want to contribute to the surrounding area and develop in that area but we have to have support and help from our city council and our community leaders to help us address our issue at our current building that we are currently trying to lease up. Again I appreciate you allowing me to speak and we want you to properly address the odor issue that we have in that area, thank you.

>> Councilmember Liccardo: Thank you, Stephanie. We've now returned to discussion of the committee. Councilmember Herrera.

>> Councilmember Herrera: Thank you. I appreciate the report, and like the Vice Mayor I'd like to get a copy of it. It went by pretty quickly. I especially like the before and after slide, that was very impressive, what it would look like. Those visionary slides are always great. I guess I wanted to understand a little better some of the issues that have been brought up regarding odors and why -- why we need to wait. It seems like there's a big process that has to happen. We're looking at mitigating odors 15 or 20 years out aim understanding that right? I guess can you help me understand when you anticipate doing that and is there any other remedial type of things we can do sooner that can help remediate some of the odor issue?

>> John Stuffbean: Sure. 15 years would be the maximum. So that would be the longest. But as I mentioned as I went through the presentation, the plan includes dealing with odors at essentially all the process where there's odors being generated as they are being rebuilt. As cover them then of course you have to treat the air that is from there and so there's a cost of that of additional odor control methods as well. So that certainly will be happening as we progress through the plan. We can reduce odor by adding chemicals. There are certain chemicals that you can add that will reduce the odor. Some we are already adding. The iron salts help reduce the odor to some degree. And the big issue has become really is the drying beds and the lagoons. Because they are open air seven to 800 acres of open air so certainly there are some odors generated from that operation. And we are really looking at how quickly could we reasonably move into a different kinds of solid operation. And we move, we wish we could do it in two years or three years. Which is almost physically impossible to do that. There is just so much work that has to be done to prepare the new operation to handle the solids from a very large treatment

plant in terms of the predesign work, the testing, the design, ultimately the construction, prior to that you have to do the CEQA work that takes a while as well. So there's a lot of work that needs to be done. I don't think it would be fair to characterize it as to deal with the odors out there. And as we look at what we do in the lands around the plant we are also look at connecting that into as uses around the plant as well. So I guess as a generalizer, we did come up with one notion of contract dewatering which was how we could quickly get out of the drying beds and it was very, very expensive. So it would have caused a major increase in rates which we didn't think was -- would be really responsible to recommend. So it is certainly our intention to reduce the odors as much as possible as quickly as we can again within a reasonable cost because rates are important as well. The other things to mention is there are other sources of odor out there, certainly the collection system has odor, the sewage hasn't been dealt with there. Obviously there's the landfill and the composting operation across that evidence would indicate is really more, it's the source of some of the complaints, than the plant. And we understand they're working to reduce their odors as well so ideally at some point in time we'll have all reduced our odors. But we certainly wouldn't want to spend hundreds of millions of dollars and then find out there were other sources of odor really to begin with. Ultimately we do want to deal with it but we think that's the appropriate time.

>> Councilmember Herrera: Let me back up a little bit. How do you apportion or how do you measure the odors and where they're coming from? Are we using, do we have any ability in terms of state-of-the-art --

>> John Stufflebean: We use our noses. That actually is what happens. There are certain chemical tests that you can run to measure constituents in the atmosphere, particularly for hydrogen sulfide like the rotten egg smell. But other odors are caused by complex organic compounds very, very competitive to measure those. It is really people going out at various places and smelling and reporting the odors they have observed and we have initiated that. We are looking at coming back to council with kind of our results of where the odors come from, where they -- what are the most significant sources of odor, and of course, the wind plays a very -- and really to thoroughly do that type of a study is about a year process. It's fun job, huh? Fun process, it's about a year process because during the year the wind changes direction, there's the moisture condition can have a big impact on odor. We've initiated that and certainly the evidence that we have now would tell us that you know certainly

there are some odors, obviously there are odors generated at the plant, no question but there are other odors out there that are probably even more significant that also need to be dealt with.

>> Councilmember Herrera: So the drying beds it's fair to say they're big enough and large enough that's certainly contributing to the odor issue, the drying beds right?

>> John Stufflebean: The lagoons of course, most of that is lagoons which are covered by water. The drying beds themselves is solid material which has been degraded, which in this case is a good thing, the odor has been reduced. When you turn it over you generate some odor. We have significantly reduce the odor. We're getting fewer complaints, very few complaints really, but you know it is kind of you filch it upside down, the plant really is about reducing odor. I mean what accommodation in the plant smells pretty bad and what goes out smells a lot better. So the plant really is a place that reduces odor. In fact to go back to the original history of the plant the reason it was built in 1956 is because there was a terrible stench in where the sewage discharged in the bay, they said you could smell it in Campbell. That is where the plant was originally built. But when the plant was built it was a lot of open air tanks. So to really close it up is going to take for a \$2 billion plant is going to take a while.

>> Councilmember Herrera: I want to commend you on this plan and making sure we get the infrastructure handled and the odor issue had come up and I guess I want to understand not only in the context of people who are coming forward today but how much that would impact our economic opportunity those potential 17,800 jobs. That's something most of us would like to see happen sooner rather than later. So to the extent we can move this thing forward more quickly, I mean and preserve what we know we need to do, do the project correctly I'm very interested in that. So you know I had another question along that -- along the line of the odors I think I'm asking about odors. You talked about thickening needing to thicken first and then you said something about screening. What did you mean by screening, covering over is that sort of the greenhouse thing or --

>> John Stufflebean: The screening is not related to odor. The screening is -- so the solids come off of the primary and secondary processes and they go into the digesters and you actually it is like a screen that would you pass the waste water through that would screen out any items. The real advantage of screening, couple of

advantages. One it makes it easier to treat in the digesters and then you have in there a product that cause the biosolids have a negative value. If you are for example trying to markets it as compost, you would want to make sure it just looked like dirt. So --

>> Councilmember Herrera: Okay. So I noticed too, you know you talked about having pilot projects. Is -- how necessary and how extensive is the pilot project?

>> John Stufflebean: We think they're extremely important. Our consultant thinks they're extremely important. One of the -- one of the things about our business is that every plant is different. And so a processing that may work quite well at one plant may not work well at another plant, or certainly the design would be different at another plant. There are many it didn't work there and they had you know they ended up wasting tens -- hundreds of millions of dollars. So it really is kind of an insurance policy, to make sure before you do it on a very large scale you test it on your site with your operators on a smaller scale to make sure it works before you spend the hundreds of million of dollars so we especially that I mentioned on that one slide.

>> Councilmember Herrera: You're talking about a four to 5% rate increase, just for those improvements. You said for four to 5% increase too.

>> A now to 5% increase for four to five years would build up the operation to where it needed to be.

>> Councilmember Liccardo: This is a separate increase you're talking about just to handle the new kinds of technology you're talking about.

>> John Stufflebean: When we transition out of the lagoons and drying beds to a dewatering like a centrifuge, would you have to kick the handle that additional operating cost.

>> Councilmember Herrera: When we look at finding alternatives for that energy, that gap you're talked about, does that mitigate that then, or is that regardless of how we address it with alternative energy, solar et cetera, you had a list of them.

>> John Stufflebean: The alternative energy still cost money to -- it doesn't really -- no.

>> Councilmember Herrera: That's all my questions for now.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: I want to thank you for your presentation. Older comes from every facet that you do. There was one element that I remember that had no odor control. And so while odor is a problem, it's a problem at every phase. And I think we need to be very thoughtful on how we proceed on updating the treatment plant, because this is a health and safety issue. And our whole community depends on the proper handling of the materials that -- I'll behave myself -- come to you. So I really, I like the plan that I saw. I respect the issues that are out in the community. But the communities will also pay the price if this work is not done in a thoughtful way that we have proven to ourselves and to the community that are sustainable. While I would hope to see it shortened from 15 to 11. But if the various steps as I look at it aren't done in the proper manner, it will make the whole system dysfunctional. Because every part depends on the other parts in the complete processing. So it always goes back to when I was a kid, that haste makes waste. And while those are simplistic statements, they are simplistic for a reason. I would like to see this so I could go through it in a slower manner. But the smell has been a problem. And I think we need to be thoughtful as we move forward. But I would suggest our community to go to a small town and check out their wastewater treatment plant if they want a real smell-experience where they have the open water. So I support this plan. I think it is a process you've spent a long time coming to a master plan. I don't think San José or the surrounding communities addressed the economic demands that this aging facility was going to place on our community. And they weren't anticipating the cost. And so now, we're looking at what you've talked about, was it -- what was the percentage, just for the buildup per year, 5% a year?

>> John Stufflebean: Well, in terms of the rate increase we need?

>> Councilmember Chirco: The rate increase.

>> John Stufflebean: We need a 5% increase each year for five years.

>> Councilmember Chirco: Just for the master plan. And that only gets worse if we don't do it properly. So I think this is a plan that needs to go out to the community but I would suggest talking about how each piece is integrated into every other element. You can't just take this element and do it first or this element and you know, place it last. But there is a logic in the process that has been laid out. Thank you.

>> Councilmember Liccardo: Thank you. I have a couple areas of questioning, John. One was around protecting the facility from sea level rise. The figure that we see, the \$1.6 billion to \$2.2 billion in additional capital cost. Does any of that include whatever we have to do to build levees or protect this facility?

>> John Stufflebean: That doesn't include building levees. That doesn't include building levees. The levees do need to be rebuilt, that is a project we'll be working with the corps of engineers and Water District on. One of the reasons we are redoing the plan is to figure out where we want the levees to be built. The red line on the map is kind of an important one, we are saying where the levees need to be when they are rebuilt. That does need to be done but is not part of the \$2 billion.

>> Councilmember Liccardo: I'm sure that's several hundred million more. Going to this issue of the odor, and mechanical dewatering, I know in the consultant report that I think the McCarthy folks provided there was a suggestion of adding a co-composting facility with green waste. Is that a viable alternative in any way?

>> John Stufflebean: Sure, it is something we can look at. We have looked at that time McCarthy's consultant report. We do have some concerns, some thoughts that it is not complete in terms of the some of the cost and some of the scheduling issues that they brought up. But some of the costs ultimately with dealing with solids. As I

mentioned now, all the eggs are in one basket and all goes to the landfill. We see that regardless of how we dry it, we would like to have more than one alternatives for the drying, I envision we would have a composting plant as part of this in the future and mixing Green waste for that, does that make sense?

>> Councilmember Liccardo: I assume that would be brought online much more quickly than the mechanical dewatering facility?

>> John Stufflebean: I'm not sure I would agree with that. Getting a compost permit and all the design for that then you want to make sure you have the markets for it. Making compost is one thing. But then there's the process you go through to make sure you have somebody to buy it. That is hard to accomplish as well.

>> Councilmember Liccardo: On page 7 I understand you've laid out the sequence and the viable alternatives in terms of how we get to a world in which we have mechanical dewatering, I understand that contract dewatering isn't viable given the extraordinary expense there. But looking for a moment of trying to assess whether or not whatever technology you get will work with the digesters, that digester technology is already on, right? I assume that other facilities throughout the country are using the kind of digesters that we'll ultimately be implementing in our facility, is that fair?

>> John Stufflebean: We'll be using the same digesters but by thickening it and operating them differently and better mixing it changes the quality of the biosolids. I know this seems strange to say but everybody's biosolids are unique.

>> Councilmember Liccardo: Typical for a greeting card.

>> John Stufflebean: The biological processes that take place, it is a very robust system, a lot of action going on in there. The actual quality of the size and the way they interact with each other, all the biosolids work differently. Yes we could start, let's say we could pick a technology and proceed with it as quickly as we can. That's something we push. I say can't we do that? And we could, again, we could shave off a few years by

starting the design of centrifuges and getting them built quickly. There is a risk however that by changing the quality of our biosolids as we improve the upstream processes what is going to be going into the sludge of a different quality than we have now so it may be that they would be designed optimally for performance with a new type material and we could try to account for that but again there is some risk that we would miss because -- and it's a very -- there's a lot of variables that go into what the solids ultimately physical and biological processes of the -- qualities of those solids are.

>> Councilmember Liccardo: Okay.

>> John Stufflebean: Again the safest way is to start upstream and go downstream and that's why says the drying beds are at the very end that tends to happen later. We could push it up to some degree but we don't think pushing it up ten to 11 years is wise.

>> Councilmember Liccardo: That is one constraint and the other constraint is cost, the additional energy that is required to run the centrifuge or some other mechanical device. Sort of building on a discussion we had off line, I know there are a lot of certainly heard from the representative from Irvine about the impact it's having on them. The question I have is, to what extent have we talked to some of the partners in the area, about what the capital costs are of really significantly mitigating the odor and whether or not we could engage in for instance creating a project area that would cross the Milpitas-San José border and incorporate all the surrounding lands and use tax increment financing to help pay for some of these capital costs, displacing some of the cost? Otherwise we would be using rates. The reason I suggest that is we all agree there would be a significant economic improvement in the valuation of those properties if we were to somehow figure out a way to solve this odor issue. I understand we don't want housing next to the facility but certainly we already have employment facilities and other economic uses. Has that conversation happened at all?

>> John Stufflebean: No. And we certainly have talked to the makes about, do you want to help us with fixing up the plant? It certainly benefits you. This is not the time to talk about it because it is kind of in bad shape but we'd be glad to engage in those conversations.

>> Councilmember Liccardo: It would certainly make a lot of fence, alternatively if nobody is willing to volunteer, then maybe deal with the county in which we essentially pull off a project area like we do with the redevelopment agency and take the increment that results from the improvement of the property growth, anyway sorry, that's just a suggestion. Anyway, thank you very much. Unless there are additional questions, can I entertain a motion?

>> Councilmember Chirco: I would move to accept the report.

>> Councilmember Herrera: Second.

>> Councilmember Liccardo: Okay, all in favor?

>> John Stufflebean: Oh and we do want this cross referenced to council. We do want to make a short presentation to council, we'll make it shorter.

>> Councilmember Liccardo: Okay, is that part of the motion?

>> Councilmember Chirco: Yes.

>> Councilmember Liccardo: All in favor? Okay that passes unanimously.

>> Councilmember Herrera: Are we looking at alternatives in terms of working with other entities in the area such as you suggested to come up with solutions?

>> John Stufflebean: We will certainly, we will do that.

>> Councilmember Liccardo: So that's noted for the record that staff is going to explore those alternatives. Thank you John. Great. We'll then move back to the beginning of the calendar. And we'll start with the verbal report on energy efficiency and renewable energy activities. Carey Romanoff is here.

>> Good afternoon, Kerrie Romanow, I think we can we'll dive right in with Michelle Young to talk about the harvest power gasification.

>> Michelle Young, city of San José. We are very excited we are getting into our harvest power feasibility and demonstration project. We got the final award from the state of \$1.9 million to leverage mostly in kind contribution from the city and large cash contribution from harvest power. So we will be coordinating agreements with harvest power on the state which will come back to council probably in February. So the memo that will go on the 14th has business terms, which gives an outline of what we'll be negotiating with these two partners over the next month or so. If these agreements at the time that these agreements are completed we will hope to begin a 9 to 12 month feasibility study, very robust study to see if gasification could be one of the technologies that might meet objectives of the plant master plan, the regional biomass collaborative and the city and one of the options would be to look at alternative management practices for biosolids. So it's an interesting opportunity to look at a technology that could help mitigate some of those problems. We will be working with URS, RDR, Corollo, U.C. Davis so we really have some excellent thinking power behind our project and the feasibility analysis will also provide for a key stakeholders to provide input into the criteria and the design of that feasibility study. At the end of that period we will two year demonstration project Very small demonstration unit in a pilot area of the plant lands that would use primarily clean wood that's currently getting shipped out, up to 200 miles for co-generation. It's already getting burned. That comes from our yard waste program and then we will also be doing some test you runs with biosolids. So we can see if that's a feasible method to deal with that. And so we'll hope to run that test for approximately two years. What we're really looking forward to in this pilot is to be able to reduce the footprint that we currently have for co-generation of our wood waste. And we'd get the energy locally which is an advantage we don't have now. Again, finding alternatives for biosolids management to free up the 800 acres that can you see there, and to provide a methane source, an alternative source for plant operations or compressed natural gas for fleet vehicles such as garbage trucks taxis, et cetera. So it is a really exciting

project. We will be coming back with the final agreements in February so you'll get to see that as well but we wanted to keep you updated with the project as we move forward with the state.

>> Councilmember Liccardo: Thanks, Michelle.

>> If you turn your page over, the central service yard ribbon cutting we've been moved from December to January, and in February we'll do an update on the strategic energy plan and we'll guff you a more strategic update on where our energy plans have been going since you've gotten a little each month. The unveiling is on Wednesday and we will have that fully populated by Earth Day, probably a little bit sooner. But there are some kind of exciting technologies if you've had a chance to walk across the street. And then in February we're going to be holding a workshop for the group solar purchase. Recall we led an effort through the credit union with DOE funding, that's 20 solar installations in progress, that's kind of exciting, we're going to pull together our large employers, our credit unions and interest in several cities around the state to come and learn how we've done that. We'll pull them all together, share best practices in a better manner than respond to every call we get. apology how they can offer that to their residents since they're putting solar on their facilities. We have our list of public liquidates. That's our update for the month.

>> Councilmember Liccardo: Thank you, Kerrie. Thank you both. Oh we do have one member of the public who would like to speak. David Wall.

>> David Wall: This originally showed up at the Community and Economic Development some time ago. I'd be very concerned about this company. As a matter of fact, what we see here is a progression for what's called grant farming. In other words, people go look for grants. They assume, they get a grant, they come one what I classify is a hair-brained scheme, seems good but in all reality, there are a lot of questions you should have asked. One is, how much fuel will be brought in just by bringing this fuel to this plant. What about odors? This thing is an odor-creating machine especially if you don't have a stable feed source such as fats, oils and grease versus a mixed load. The co-generation issues are kinds of illusory in the sense of how much energy is going to be taken to refine these products to be able to be used. Also, this company itself, this is such a viable company. How come it has a

three-page web page, right? Has some nice colored pictures on it. Only thing I could find to click on was basically a contact number was an e-mail or a phone number. Now if it's a high powered concern that the city wants to go into business with, I think the auditor once again needs to look at this, because only the auditor is going to give you outside of myself a different viewpoint and I'm taking this from the treatment plant advisory committee. This is the agenda for Thursday. Now the stuff I've said is not on there. Some of it is nested with it on other opinions. But just to put things in perspective to you on this agenda. We have the Milpitas member vacant. That's Bob Livengood, the longest member on the TPAC, you're looking at one of them, I'd be very concerned about this. I paid attention to TPAC for many, many, many years. And these little side arm projects to the plant aren't going to do you any good in the long term.

>> Councilmember Liccardo: Thank you, Mr. Wall. Okay I assume we don't need a motion on that so we'll move on to D-2, environmentally preferable procurement policy. Good afternoon Linda and Mark, welcome.

>> Okay, we'll try not to go quite so fast. But not too slowly. So this is a report on what the City's done to implement the environmentally preferable procurement policy during fiscal year 9-10, I'm Linda Sham from environmental services, I co-chair the EPPP, we are joined by colleagues from Public Works, the airport, general services and so we figure out how to implement this.

>> Councilmember Liccardo: Linda, could I ask you to pull the microphone a little closer to your mouth?

>> Sure. How is that?

>> Councilmember Liccardo: Little better. You have a very soft voice.

>> I get it both ways. I get told to quiet down and I get told to speak up so I'm never sure where the balance is. So to remind us of this policy's background quickly it was passed in 1990 to create markets for the materials that were being recycled through the municipality graded waste management programs that were mandated under AB 939 and beyond that the purposes of to reduce the environmental impacts of city service delivery and operations

to support the Green Vision and the urban environmental accords to improve the health and safety of people who work for the city and visitors to city facilities. To expand markets for environmentally preferable goods and when you consider that 46% -- how do I move this forward? Oh -- sorry, I forgot to move you forward as I went forward. There we go. Expand markets for environmentally preferable goods and when you figure that friction% of the U.S. GDP the government can offer a lot of motivation to the business community. Which is one of the strategies within the City's zero waste plan and that's something that basically tries to make it so that the business community is more responsible for end of life management of products than -- and take the burden off of us. And then to also provide leadership both to other agencies around us and to the public. So in fiscal year 9-10 procurement, green procurement made up 41% of total purchases by the finance department in terms of dollar volume which was almost double the percentage of green purchasing in the previous year. And this was made possible in part by several large ticket purchases for things like CNG buses, fire trucks that are designed to run on biodiesel, a surveillance system that is energy star compliant as well as AV equipment and electric hybrid dump truck that Randy will be telling you about. And so this was pretty exciting, that we almost doubled this in one year, this was also made possible in part by an overall decrease in purchasing so we don't know that we'll match this the next year but we thought that was pretty noteworthy for one year. There's several calculators available that can help agencies quantify the environmental benefits of green procurement and typically we use ones that help us determine the environmental benefits of the EP computers that we buy, biodiesel and most consumer waste paper. And this slide shows you some of the environmental benefits that are common to these three purchases so you can see that these three purchases just for the year, fiscal year 9-10 reduce greenhouse gas emissions by almost 2.5 million pounds. That's equivalent to the annual emissions of 215 passenger cars, waste reduction was by 178,000 pounds and apparently that's the annual waste generation of 109 typical Americans. The energy savings was 917,000 kilowatt hours which would power 2300 47 inch LCD televisions if they were used for a year, is enough to buy 1.6 Nissan leaf electric vehicles. Our primary focus during fiscal year 9-10 was on outreach to the city departments. So to that end we had an EP 3 workshop in April that was represented by 10 departments and we used them to educate them on the policy and identify any barriers we could see to its implementation and see what solicitations might be coming up that we could apply the policy to. We also put out two green buyer fliers in 9-10. That's actually not a picture of one but I have some pictures to give to you from the one we did last week, those are periodic fliers that are designed to educate staff about recent EP 3 that

they might be able to adapt to their departments furniture that was designed to help people specify green furniture that would qualify them for LEED certification. We began to work with other agencies in the South Bay to implement EP 3 through a sustainability group that was convened through the EPA. local agencies could collaborate on EP 3 and 35 agencies are now registered from I guess Oakland down to San Diego. And so we're excited about that, and hoping that we might be able to come up with some joint solicitations and standardize on various environmental standards for different product categories.

>> So good afternoon. I'm Randy turner deputy director of general services. How are you? The green fleet policy, as you might all remember, was developed in 2007. And the purpose of that policy quite frankly was to document the process for purchasing and managing the city's diverse vehicle fleet and ensuring that procurements were done in a fashion that minimized greenhouse gases and considered the like cycle economics of those procurements. Last time when we reported we had moved the fleet to 40% of alternate fuel. Today we're happy to report that we've moved that number, inched it forward to 42%. That represents about 1081 vehicles of our inventory of about nearly 2600 pieces. That's an important element, an important metric in this particular policy bit probably even a more important metric quite frankly is the reduction in mitigations. Embedded in the policy is a goal to reduce overall tail pipe emissions by 25% by 2012-2013. We have surpassed that reduction method by currently earlier this year we surpassed 22 % and based on some early classics I was doing Friday afternoon wear quickly approaching close to 28%. We are doing really well in that particular metric. The picture that's up on the PowerPoint is Linda had mentioned it's one of our first piece of heavy fleet that's a hybrid. Most of the industry has been focused on light equipment, Prius and Ford escapes and things on that scale. This 5 ten dump truck is a diesel electric. It is the only one we have in our fleet. We were able to procure it with some grants and is work quite well for the Department of Transportation. To advance the policy even further we reported previously to the committee here that we've done quite a bit of work in the area of electric vehicles. We've secured a number much grants that were in the process of implementing. Most recently, the electric charging stations was one that we did bring to committee. We're currently in the process of working with Coulomb is it will support more green fleet alternatives. Second is an electric vehicle grant that we secured through MTC that will bring three Nissan Leafs to the city. Along with a charging infrastructure there. Those, the element there will introduce pure electric road worthy vehicles into the city fleet and importantly will displace gasoline engine vehicles from our fleet. Biodiesel,

B-20 is one of our primary fuels that helps us achieve our 42% alt-fuel goal. It is running both in fire front line apparatus as well as most of our heavy fleet and last but not least we have the rest of our grant activity which has been mostly around electric vehicle infrastructure, but when we relaxed that committee we talked about a very unique project and that was a battery swap program that we are currently working on to site a location for that very innovative technology.

>> Okay so just to quickly go through some of the EP 3 innovations in other city departments. Public Works has been pretty proactive in terms of transitioning to things like porous concrete which has been used at the environmental innovation center and I believe happy hollow park and zoo, fly ash and slag which means there's less cement in it which happens to be a pretty heavy -- generate a heavy dose of greenhouse gases and they're also using rubberized asphalt which contains old tires. LEED certification was achieved last year at Starbird, Mayfield and happy hollow park and zoo and in market by using environmental products that they got credits for they used green janitorial products porous concrete and other products. recharge the batteries 500 to 1,000 times so this is going to give them a huge cost savings and it's going to do away with the hazardous waste generated because there is a corporation that will take rechargeable batteries back and City Hall may soon follow suit with their bathrooms. The convention center and the senior meal program continue to use organic foods and it's up 15% over the previous fiscal year and it's a nice selling point for them for potential customers. If you want more there's more in the successes matrix. One nice thing that happened this last year that was pretty gratifying for us was that in June we received an Actera business environmental award for the EP3 program. As you probably know, Actera is a 40-year-old environmental group in Palo Alto, and they have been giving these awards for 20 years and they awarded us in the pollution prevention resource conservation category saying we're a great model for other businesses we've got staying power and we continue to evolve with no change times within the environmental arena. So that was exciting. That's our third environmental award for EP 3. So what's ahead? We want to continue to refine the public environmentally preferable procurement program that I talked about earlier and get more agencies to use it. Randy alluded to some of the things that we're planning for the green fleet policy. We want to continue to outreach to city departments to make sure that we're capturing some of the solicitations that don't go through the finance department and continue to identify green products substitutions that

we can utilize. And continue to use EP 3 to get LEED certification. It's a pretty cheap way to get credits. So that's our presentation.

>> Councilmember Liccardo: Thank you, Linda.

>> Any questions you have happy to answer.

>> Councilmember Liccardo: Any questions?

>> Councilmember Chirco: I just want to ask when you do these lengthy PowerPoints to have copies for us to refer to.

>> Okay.

>> Councilmember Herrera: Motion to approve.

>> Councilmember Chirco: Second.

>> Councilmember Liccardo: I had one quick question, is there any progress getting that battery swap operation at the airport? You made reference to it and I know we've been look for a location and I hope we can get it there.

>> We are narrowing and we are having a meeting later this week to consider three locations One of them by the airport, we are working with the airport director's office in trying to make that happen.

>> Councilmember Liccardo: All right, all in favor, that is proved unanimously. Moving on to item D-4. Thank you Randy, thank you Linda. Neighborhood cleanup services. Hello Mike.

>> Mike Hannon: Good afternoon. What a pleasure to be here. Thank you for having us. It's always nice to be at a committee meeting where I can talk about something that is really viewed by our community as something extremely popular and something that they are certainly are desirous of seeing more of. And joining me today is Donna Perala, Donna is the manager for residential recycle program for the city of San José's environmental services department. I'm Mike Hannon with code enforcement. We've put together a short PowerPoint presentation and we'd like to go through this in we may. I need to give a little historical perspective. The neighborhood cleanup program began back in 1996, 1997. And interestingly when we started the program back in '96-97 we provided two neighborhood cleanups in each one of the council districts. That was the extent of the program. Each council district had two cleanups. They had the opportunity to choose the neighborhoods that they wanted to provide the cleanups and council code enforcement's responsibility was to make sure that those events were successful and safe. And in 2001 and 2002, we increased the number of cleanups per council district to 5 so we incrementally went up from 2 to 3 to 4 to 5. And in 2009, we actually began a citywide program, because prior to the adoption of the citywide program not all neighborhoods received a neighborhood cleanup. Because these were really earmarked by the council districts themselves where they certainly solicited feed backs from their residents and their neighborhood associations and determined where they thought that these events should be held. In 2009 we actually began a three year cycle where every neighborhood in the City of San José will get a neighborhood cleanup event and we're just about completed through year 2 of the three-year program. And it's been a phenomenal success. There were three-year cycle currently averages 96,000 homes that will be served on an annual basis and this is about 4,000 homes per event. We're currently diverting just under 2,000 tons of materials from our landfill each and every year and we currently use about 80 staff to provide these events. And that's a significant change in how we've operated the neighborhood cleanups. Back in 96-97 we really used code enforcement inspectors and subsequently used park leaders from the Department of Parks, Recreation, and Neighborhood Services but we recognized, we weren't going to be able to continue that model without significant cost to either the ratepayers or to the solid waste industry. So when we began the three year cycle we created a new class of employees, regional park aides and we currently use regional park aides at these events. We also standardize the notification. You may recall those of you who have been around on the 18th floor used to have folding fliers that were mailed out or handed out to residents where cleanup events have occurred where we have gone to a post card model where we will mail a postcard to each of the residents where the event is going to

occur. So we didn't have a situation where residents all of a sudden on Saturday morning when dumpsters were being dropped at 5:30, 6:00 in the morning, saying what is going on? recognize that there were a lot of opportunities for us to improve how we provided these neighborhood cleanup events. One of the things we did is we reached out to our nonprofits. We recognize that a lot of things that people want to dispose of are things that can be reused, whether it be furniture, bikes, clothing nonprofits of San José, Salvation Army, goodwill and many of these organizations and provided them with our event schedule and invited them to join us at the events with a truck where people can drop off reusable items and that has been extremely successful. Just since we've noted been donated. We also started waste hire program. A lot of the dumpsters were being used for disposable waste-hires so we contracted with Borgata recycling program really has increased the amount of items that have been disposed of and the number of residents that have been serviced. If you look at '06-07 for example as it compares to '09, '09 being the first year we did the three year program you can see that the number of households served has increased by 67%. The number of tires that we've recycled now using a contractor is up 984% in terms of the tires recycled. Sage with refrigerators and mattresses, significant number of these items are being recycled to the benefit of our landfills and the benefit of our community.

>> I'm Donna Perala with environmental services. I wanted to talk about some of the near term enhancements that we can --

>> Councilmember Chirco: Can you bring the microphone closer to your mouth?

>> That we can, we have and can implement in the current budget cycle. And one of the -- one of the enhancements to our new recycle plus! agreements is our two service providing haulers have agreed to reach a 75% diversion rate. In fact one of the haulers, we have a target of 90%, because they are extremely good at recycling and we think they can get even higher than 75%. But we do have a minimum requirement of 75% that we are currently reaching. We are also pursuing a Web based GIS customer interface and we feel we can do that within our current budget. It will enhance the outreach we can provide to people because they will be able to go to the Internet, type in their address, and get service information. All their recycle plus! service recycle plus! when their neighborhood cleanup is to be scheduled that has the benefit of cutting down on phone calls but also giving

better customer service 24-7, people can easily find out when their next cleanup will be. Battery collection, we did pilot it last year, and it proved very successful, however we need to -- a little extra money to staff the person who's doing that collection and we feel we can reinstitute that in the current budget cycle. As part of our recycle plus! benefits we negotiated with our haulers to give us 60 bins without cost and that's for -- those are for individual houses usually that need blight cleanup. A lot of these individuals have no means to come into code compliance, so this -- this helps that segment of the community with no-cost bins and disposal. We -- I just wanted to say one other thing. We have some one-time contract savings that we can implement, that's why we can implement those enhancements right away. If we -- if you give us that direction.

>> Mike Hannon: Just want to take a moment to speak about the additional bins. Being the chief code enforcement officer for the city oftentimes my job can be relatively easy by simply telling a property owner whether they be elderly or be a hoarder or be someone that has some mental illness to simply clean up their property. But we're good public servants. Oftentimes bringing the strong arm of the law to address a neighborhood blight situation is not the best approach. We do on occasion provide dump terse to folks who have a hoarding situation an opportunity to heavy handed. So we have some discretion and want to thank ESD for providing us with that ability. The pharmaceutical collection that is something we're looking to implement as well. We the city participated as many other cities did recently in an opportunity for seniors and others to turn in prescription drugs and things of that nature. And we really believe that that would be of benefit to our cleanup program. We've heard from our seniors that they would like to be able to dispose of old pills and prescriptions in a safe manner rather than simply throwing them in the garbage can which certainly creates a significant environmental impact. So one of the constraints we have is any time the city looks to implement a program of that nature, the federal government currently requires that Public Safety officer be available to oversee the collection of these items, and so if we were to move in that direction, we would be looking at a nominal cost to implement that program. But we're hoping that the federal regulations will be relaxed in the future where it doesn't have to be a police officer but maybe it can be a code officer that oversees the collection of those items. I know there's great interest of my community and my residents two year cycle or even on a one year cycles. Our challenge is not only the cost to provide more neighborhood cleanups but just the staffings that would be necessary for events every two year or one year. Right now we have a pool of 75 regional park aides that we can work the Saturday

events if we can go to a two year model or a one-year model. We would be looking at a significant need to look at staffing to make sure these events are run smoothly with a minimum of incidents. There is a significant amount of staff that need to be involved just in traffic control, you know folks lining up to dispose of items. I marvel at the fact that our citizens are wait patiently in line as they edge their way up to the dumpsters. But if we look to a two-year cycle or a one-year cycle just logistically in terms of the additional staffing and the cost to the city organization would be fairly significant. On a two year we would be looking to increase the number of events from 4,000 households to 6,000 households and in we went to a one-year rotation we estimate that we would need 93 that households serve on an event basis. And then here is a breakdown in the terms of the cost if we were to go to a two-year and/or a one-year program. The two-year rotation would be \$1.3 million. We think that that would necessitate at minimum a one year solid waste fees, the solid waste fees pays for the staffing and the recycle plus! rate actually pay for bins that are being used at the events. And of course then if you can see if we were to go to a one-year the cost would be quite, quite sizable. So Donna and I are certainly available for questions but at this point we'd simply ask the committee to accept our report and continue to ask staff to evaluate the costs for going to a two-year and or one-year program and when it looks like we are in a good economic situation we would come back to the city with a two-year proposal.

>> Councilmember Liccardo: Okay, thank you. Questions.

>> Councilmember Chirco: It's really a no. In this type time if we can maintain that is a win. To increase services at this time is really something that is not in the economic picture. so it's a great program. I do remember all the fliers and I do remember trying to rotate it around so it's a much more effective program resigned anonymous. So I think it's been a great program, and my hope would be that we can continue to keep the three-year cycle as we look forward to ongoing economic challenges. So I would move to accept the report.

>> Councilmember Herrera: Second.

>> Councilmember Liccardo: Councilmember Herrera.

>> Councilmember Herrera: Yes thank you for the report, Mike and I think this program more than any other pleases our residents. I mean they just, you know, they constantly let us know how much they really appreciate this program. And I think -- I wasn't here for the previous iterations but this three-year cycle seems to be working out okay. And so you are roughly doing at least two in each council district per year?

>> It depends on quite large so in answers it averages about two cleanups per council district per year.

>> Councilmember Herrera: Right so I just say continue to make sure it's balanced out and I guess all the 75 areas, you are covering the council districts in an equitable basis point I always hear good things. I'm always interested in these cleanups is how to leverage the activity I know I was at a Water District meeting we talked about the creek cleanups and any time and I do go out to the cleanups, I make -- our staff goes out there and people are lined up at those things at like 7:00 in the morning. It's amazing. If it opens at 7:00 there is a lineup at 7:00. We a lot of them are interested in cleaning up creeks and doing other kinds of incidental cleanups so I suggest to the Water District that they get hold of you guys and since we already do these and they are community and also have other kinds of trash cleanups where the community is out there they are already thinking about cleanup anyway. Why not organize some of the loam cleanups whether it be on the same day.

>> Mike Hannon I absolutely agree. so we have if residents have a cleanup event in a creek let us know, and we will certainly make sure that bin space is available for them to use.

>> Councilmember Herrera: I think Water District ahead of time they can work with you. I strongly support this pharmaceutical pickup. This is really important. We've done it at a few events in District 8 or actually our health fair we did it and we had to make sure we had the appropriate people there to follow regulations in terms of picking them up but I think it's important. Is there any legislation, you code enforcement instead of Public Safety. Is there a way for this committee to submit a opinion on this is it legislation, on what type of process for that to happen in order for that to change?

>> Staff has advised me there is some federal legislation that is being developed that will loosen up these rules and regulations. I will certainly weigh in on this issue.

>> Councilmember Herrera: I don't know if it's appropriate to add it to the motion but I'd certainly like us to weigh in on this because I think it's very important for us to be able to offer that opportunity for disposable pharmaceuticals. And it does increase the cost a lot if you have to have a Public Safety person there so I'd really like to see that happen. And that's it, thank you.

>> Councilmember Liccardo: Thank you. Question about the solid waste enforcement fee increase. In the report on page 8, besides a 37% figure to go to a two-year, I saw a larger percentage there up on the board, we have 48%. Which is the correct number? About the third line down on page 8. Looks like they're based on different aggregate increases.

>> Councilmember, I'll look back at the discrepancies and get back to you.

>> Councilmember Liccardo: Could you give us an average of what the solid waste fee is for a typical household or a range of a typical fee?

>> Mike Hannon: The solid waste fee is not actually paid by each household. The solid waste fee is actually paid for when folks actually access the landfills to dispose. It's charged at a rate of \$1.27 per ton. So as items go into our landfills the hauler is paying \$1.27 per ton and that's the solid waste fee.

>> Councilmember Liccardo: The correct?

>> It's one of those fee that is passed through.

>> Councilmember Liccardo: Right it would be passed on through recycle plus! rate wouldn't it?

>> Not the solid waste enforcement fees.

>> Councilmember Liccardo: So how cost that get passed on to the consumer or the resident?

>> Well --

>> Councilmember Liccardo: I see Jo jumping to her feet.

>> Can you layer me?

>> Councilmember Liccardo: Yes.

>> Jo Zientek deputy director, environmental services. So we pay a dollar per ton for every ton of residential waste we dispose of at Newby island, that represents about \$7 million a year that is incorporated into a our recycle plus! rates. But the difference between the solid waste enforcement fee is it's paid on every ton that goes to landfills in San José. Are it's not just our ratepayers, it is the West valley cities, Sunnyvale, private haulers. The basis is very, very large compared to our residential rates.

>> Councilmember Liccardo: So let's just imagine the folks out there in the city. How do they see that bill, does it show up --

>> In the city they just get their bimonthly recycle plus! bill and we've incorporated the \$7 million to pay the landfill that has as part of that \$1.30 a ton.

>> Councilmember Liccardo: So is it explicitly incorporated within the recycle plus! fund?

>> Not explicitly.

>> Councilmember Liccardo: It is a separate item but you'll see it on the recycle plus! bill?

>> The only person -- we see it on our bill to the Newby island landfill and we recoup enough money from the residents to pay our Newby island landfill bill.

>> Councilmember Liccardo: I guess what I'm getting at, I'll tell you where the bottom is. A 1% recycle plus rate nobody is going to flinch at when they realize they're getting all these additional services I think we'd all probably agree nobody is -- the question is is it worth it to pay a significantly larger solid waste enforcement fee, whether that's 38% or 40% whatever the rate may be. And it would be really helpful for us to know what a typical family is actually paying out of pocket. If that's ordinarily \$5 fee and they're paying a buck more I'm venturing to guess people would be willing to pay the price if they knew that they had access to this incredibly valuable service that we all agree is valuable. I just don't know how people are seeing that and what the magnitude of that cost is. And it would be really helpful if we had that information to decide whether or not we wanted to go forward.

>> We can get that for you. The resident pays less if they pay a dollar through solid waste enforcement fee through the neighborhood cleanup program than they would pay through the recycle plus! rate because so many jurisdictions pay the solid waste enforcement fee. So it's cheaper for a resident to pay \$1 of solid waste enforcement fee than \$1 of recycle plus!.

>> Councilmember Liccardo: Mollie.

>> Mollie Dent: If it's a \$589,000 increase associated with the solid waste enforcement fee, that's less than 1% for the -- so you can just see that it's less than a 2% increase overall.

>> Councilmember Liccardo: We've got over 300,000 households in this city, right? I can't remember how many exactly. This is spread over not only the city but over the other agencies as well but we're talking about a dollar or two annually. Okay. I think that's an important perspective for us to have in deciding whether or not this service is

worth it because I'm venturing to guess you know when you go out there and talk to people who are using this service, 96,000 households everywhere year whether or not they would be willing to pay a dollar to have this service more I think we're likely to have a pretty affirmative response. I don't know Mike.

>> No doubt in my mind. No doubt in my mind.

>> Councilmember Liccardo: That's helpful. I guess the next question really is around the CEQA clearance that's required. I understand there's an additional environmental clearance. Is that something we can actually start to get working on in advance or --

>> Mike Hannon: I think we could get working on that in advance. My understanding from my staff the size of the event and the traffic impacts that hosting such an event might cause I think that's what's going to trigger the CEQA work that has to be done. Our planning staff is -- a lot of items on their plate. But I would imagine this is something we could be working on in the interim.

>> Councilmember Liccardo: Great, thanks a lot Mike, appreciate it. Okay, I have one card from the public and Joe thanks for your help. David Wall.

>> David Wall: This is probably the best program ever devised 50 environmental services department in my opinion. The actual moneys is insignificant compared to job creation, depending on the you want to hire high school kids to help out instead of these regional parks people, one way of hiring youth. Another way to have the pharmaceutical aspect, there's a lot of police officers that are on light duty. It's no greater light duty than to sit around, watching pharmaceuticals come in, in my opinion. So that solves that problem. There is interesting issues concerning about the funding structure. You have a lot of these high density living projects which I abhor. But nevertheless, they contribute to the garbage pickups as well as apartment complexes and whatnot. However, we see just for one example on page 3 where the post card fee is basically being paid for by single family homeowners. So I would think a more intellectual look at it would be a funding structure stabilize these funds as far as look, you create garbage, the single family homeowners are paying for these cleanups but a lot of people

piggyback onto this and this is rudimentary unfair. It should be looked at, at how you fund for this. This also goes into the sewer service and use charge in reference to pharmaceuticals. The pharmaceutical thing is a big issue with wastewater treatment but this affects global or regional perspective, for San José to try to take down all the pharmaceuticals is a good idea. But in all aspects of treating wastewater, it is a drop in the bucket so to speak when you think of all the discharging of all these pharmaceuticals down toilets which is a behavioral thing passed on by decades of generations basically to get reiterate of your pharmaceuticals that way. So I would think a more prudent long term planning since there was no discussion to deal with the collection system, at least try to look at what's going into collection system that you can control, and try to eliminate the pollutants that can you. This is an outstanding program. It also should be structured to be given code enforcement some form of special funding insofar as not having General Funded but actually a structural component to create a restricted use fund so to speak to fund for code enforcement operations in perpetuity in relation to this.

>> Councilmember Liccardo: Thank you, Mr. Wall.

>> Councilmember Liccardo, I was looking through my notes and I trying to determine the number of staff that would be necessary, we had underestimated the actual number of staff.

>> Councilmember Liccardo: So TTYs higher number.

>> Mike Hannon: So the higher number is the 48% and that is based on the recalculation of the staff we would need.

>> Councilmember Liccardo: Thanks, Michael. We can entertain a motion now.

>> Councilmember Chirco: You have one.

>> Councilmember Herrera: You already have one.

>> Councilmember Liccardo: The motion is just to receive the report. Okay was there a second?

>> Councilmember Herrera: I seconded yes.

>> Councilmember Liccardo: I'd ask the maker of the motion if they'd entertain first whether this could be cross referenced to go to council with explicit direction to staff to return with figures relating to average household cost. What the difference might be for different services.

>> Councilmember Chirco: I would include that. But I would like, in some ways I have concern because we just had the ESD and what's going to be happening to their fees over the next you know foreseeable future. Bring it back with what's happening in relation to all our costs.

>> Councilmember Liccardo: We have fewer and fewer resources in SNI neighborhoods for picking up all the couches and everything else that gets left in the neighborhoods. I know because I've been out there on couch pickup day and it's pretty brutal. We have fewer and fewer code enforcement officers we are really strapped and this is a way in which we can actually leverage the willingness of residents to get out their own trash, get it out of their homes get it out of their streets and really reduce the blight in their neighborhoods. And this is a way of confronting the challenges and resource restrictions.

>> Councilmember Herrera: I accept the --

>> Councilmember Liccardo: Thank you, councilmember.

>> Just one clarification. Would you be comfortable us bringing that forward as part of our budget process? Make sure we have it in context?

>> Councilmember Liccardo: That's certainly fine with me if --

>> Councilmember Chirco: I think it really fits in the budget context. I think to take one item out of that context doesn't present the whole picture so I think it would be best brought back in the budget context.

>> Councilmember Herrera: I'd accept that. When would that be brought back?

>> Councilmember Liccardo: Is that through the June process? Yeah, okay, the June.

>> Councilmember Herrera: Okay.

>> Councilmember Liccardo: So we have time because this will expire at the ends of 2011.

>> Mike Hannon yes.

>> Mollie Dent: Is the motion to cross reference this to council?

>> Councilmember Liccardo: Simply to bring it back in the June budget process.

>> Councilmember Herrera: I just want to say I support looking at this more frequent processing. If it's a minor tweak we would get a lot of support from the community. The Vice Mayor's comments are very important to look at the total costs that are going to be incurred.

>> Councilmember Liccardo: Okay, great, all in favor, any opposed that passes unanimously. Okay thank you for the presentation. We're now on to the last item. See folks in the back have been waiting patiently, thank you Steve, thank you Emily. We are on to item D 7, which regards Evergreen contracts and recycling in I recall. Jo.

>> Jo Zientek, environmental service. We have a short six-slide presentation as appropriate for the holidays. Just a quick recap for how this issue got before you today. In March 2010 council directed staff to negotiate significant enhancements and cost reductions and as part of those negotiations, our recycle plus! haulers proposed that the

city incorporate Evergreen provisions, during that negotiation process. And we were directed by council in both March and I think reinforced in June to bring forth a discussion about Evergreen service provisions to this committee. So this presentation reviews the concept of Evergreen agreements and highlights some issues with this approach. So what is an Evergreen agreement? I wanted to first of all reiterate the recycle plus! contracts that the largest privatized solid waste system in the United States. Very big system. Cities larger than San José tend to do part or all of their collection in-house so these are very large contracts and they tend to attract a lot of attention whenever we go out to bid or change our service. There is a lot of interest of how San José's evolving its solid waste. Evergreen contracts they do not have a fixed termination date. They allow the haulers the opportunity to amortize contract exam made any time during the agreement. They allow the haulers without having to be concerned about or fund procurement processes, or rebidding of the contract. And they can't -- they're in the concept that was brought forward by our haulers, the eight-year renewal concept, is that at any time the city could decide to terminate without cause but they have to give an eight-year notice which allows the hauler and its lenders to work out to ensure all the equipment's amortized. The city could continue to terminate for cause, just at it can now under its current agreements. It is very challenging to terminate for cause. I have been in the solid waste industry on the city.'s side for 20 years. We've never done it and I've only heard of one or two tiny cities at least in the Bay Area who have done it. It's very uncommon to terminate for cause. But without cause the city could terminate in this -- the proposed model with the eight-year notice. Some of the policy concerns that we have with this approach is that it's not a -- it's contrary to our normal procurement practices. Today we have an end date for the contract which allows us to evaluate the service we're getting, the cost, in some cases we might extend the contract. In the current significantly longer eight year term and we're enjoying some benefits and costs of saving of service enhancements for that. But it puts in a regular check-in process for evaluating the services we're getting the cost we're getting and whether we want to do any significant evolutions to the service. And that's the benefit of fixed term contracts. It does not mean necessarily that service will end at the end of the term but it does mean we need to evaluate whether we want to move forward with the service as-is or not. It is not a normal procurement practice. Evergreen contracts are not considered a normal procurement process. We did a survey of the cities in Northern California and we only found about 38 cities that had this provision they tend to be smaller cities and tend to be in Southern California. San Francisco has long been brought up as a model of an Evergreen service provision in the Bay Area. The San Francisco model is very unique in the United States. In the early '30s

San Francisco decided to codify 97 collection districts in its city charter. And over time, those mini districts have been purchased to one company which is Norcal now recology. We know of no other city that has put the put your hauler in the city charter approach it is not an Evergreen provision. If San Francisco wants to adopt a different model or go out to bid for solid waste collection services, it would need to have a general election to change the city charter. So the other issue that we have with recycle plus! services is in some of the districts we have garbage and recycling provided by two separate haulers, district A and C. As we evolve into our zero waste approach and the way we handle garbage is becoming more like the way we handle recycling and a great example of that is apartment waste, we now recycle all that waste offsite, there really is becoming a merging of those worlds. And one of the concerns we have is that in 2021, as we approach finalizing our zero waste goal we don't want to be limited to collection systems that require these two trucks going down the street, collecting garbage costs about three times as much as disposing of it. Our agreement with Garden City costs about \$18 million a year. The disposal costs for those five districts are only about \$5.5 million. We don't want disposal trucks going down every street in the city which is one of the challenges we think is a systemic challenge codifying the current system for the foreseeable future. The other issue is, as I mentioned before, it surrenders the city's prerogative and obligation to reevaluate the service. It deprives us of a significant negotiation advantage. We negotiate millions of dollars of savings in new services with the current new agreements that go to 2021. Our main leverage point was extending that term. Without the ability to extend the term we lose a big leverage we have in those negotiations. And I also wanted to find out, Evergreen provisions do not guarantee that you will have the same hauler for -- in perpetuity term of the agreement. Our hauling agreement in the Bay Area is very dynamic. We have a lot of private companies, they are being bought and sold and merged. We've experienced having the one company sold twice during the term of one of our agreements for the similar service districts, say Garden City has now. And as soon as we give them an Evergreen term it greatly enhances the value their contract, which makes them even a more likely target for mergers and acquisitions. So it does not department the relationship with the term . We also wanted to highlight one of the suggestions brought up through the hauler discussions was using the savings of the Evergreen -- that the Evergreen provision would provide the city or the rebates for the haulers would provide the city for the General Fund. We don't think these funds can be used to provide subsidy to the general funds. They were generated as part of a prop 218 ratepayer program. And we think these savings would need to go back into the contracts. Either as is in the form of increased service or lower

rates. In our current system like I said it's a -- we are -- about to embark on new fixed year contracts with 11 year term. Our contract relationship with the haulers is very dynamic. We do not get contracts unless for eight years or 11 years and don't change them for the time. About every two to three years historically and that's continued with these new set of contracts we come back to council to revise the contracts to reflect situations, improvements that we've negotiated with the haulers. So we do not take a snapshot and then that's the service we get for the full term of the contract. It has never been that way. We've always sought to improve the contracts and work with the haulers to do that. One big example of that is in 2008 when we took our multifamily contract and revised our recycling program to increase the recycling rate from 30 to 80%. We did that at a very low rate increase to the departments and we did that mid contract. We did not need let a new contractor go through a procurement process to do that. Our relationship with the haulers has been very much if we need to amend the contract to fix to experiment with the technology we're going to do it and we've consistently done that through our history with the privatized residential system. And we also are able to make investments within that environment by simply changing the term and we've done that with this new set of contracts. We do consider that the way we -- the fixed term option a way to let us really test the market, test the service, periodically even if we choose to continue staying with the current service providers. And it has worked well for us. So with that we'd like to open it up to questions or take any convection you want to give.

>> Councilmember Liccardo: Vice mayor.

>> Councilmember Chirco: I'd like to hear the public comment first.

>> Councilmember Liccardo: Okay. Great. So I have comments from -- comment cards from Steve Jones with Garden City and David Wall. An one more.

>> I'm Steve Jones with Garden City sanitation and two minutes can be pretty hard to deal with this. I sent a letter to everybody asking that we -- that this committee convene a group that is a little larger than just ESD and the haulers that can include maybe people from the City Manager's office as well as people from your own staffs. And the reason is, there's a couple of reasons. I really enjoy working in San José. I think I have a good relationship

with the staff. When this process came around, part of our original contract was that we had to get an extension in a certain time frame. We asked it to be longer. We thought there was benefit. We wanted to give money back to the city. They came back to us and said eight years. The eight years was because two of the haulers needed eight years to pay off their equipment. I said if you are going to do an eight year contract do an Evergreen contract and then determine how many pieces of equipment every year each hauler needs to buy, so that we don't hit the citizens with 130 pieces of equipment at the beginning of eight-year contracts. So that the cost of service goes up an estimated 25%. That's just a fact of life. They talk about that the people that would be interested in coming forward and doing this, you saw the last procurement for recycle plus!, it included three companies, Norcal, Garden City and CWS, there is a procurement for commercial that has a blackout and we can't talk about it. There was 20 haulers in the commercial marketplace. As I understand it, five bid on this contract. One national, one regional and three locals. So I think the people that like doing business in San José like doing business in San José and I think we give good service. I don't think we would have gotten a 10-0 vote for an eight year extension and then to look at an Evergreen without providing good service. And I'm the one that brought up the idea of putting money back in the General Fund. And the reason I want to have a bigger work group is, there is a -- it's become an emotional issue when you're dealing with funding for departments. Clearly, we don't see the money that we're offering up as a savings. This is money we've earned. This is our money. So we are looking to help the city in turn to get a long term contract. That's not -- we're not going to raise the rates. It's not an impact on 218. This is our money. This is not a savings. So it needs a broader discussion. But I need to stay friends with City of San José. Because I want to be here forever. And that's why I think it makes sense for everybody. We're in a tough economic time. We provide good service. We offered money back to the General Fund to help the city meet its obligations. You have a \$118 million shortfall. We think we can add value to the city. I think we've added value in the way that we collect garbage. One other thing. We get paid to drive down the street. If a garbage can has a pound of garbage in it or 100 pounds of garbage in it our costs are the same. They don't change. We don't pay the dump fee. The city gets the savings on the dump fee. By state law we have to pick up the garbage every seven days. That's the law. I think we can work the things out, we can get smaller trucks.

>> Councilmember Liccardo: Steve I have to cut off.

>> I know. Hopefully we can get a new agreement.

>> Councilmember Liccardo: David.

>> David Wall: Evergreen. Previous speaker wears a green shirt. Evergreen could be a lot of money, always coming in. I'm very concerned about the conditions set forth in these contracts. The garbage haulers, the garbage program basically is a very good program, another good program with the city. I think we all should be very happy about it. But I don't like these long term contracts and paying off a company's infrastructure to do business for profit margin. Just one thing. The instability of it over eight years nobody can predict some of the people off to my left are going to be on the City's payroll in eight years, okay? You can't predict that so it's illusory. A lot of illusory business. Also the prop 218 issue was raised and we've seen city employees take an enormous pay cut. Some of them are on restricted use funds and some of them can be hired to do. The banter the savings from their cost is going to be offset for a program cost in the future, is contradicted in prop 218 how the budgets are presented and voted on in the first place. Then we ask the question what about all these contractors and their employees? Anybody have a contract with the City of San José are they to take contractual cut in pay that could go to offsetting and stabilizing the rate structures for garbage collection with reference to funding say neighborhood cleanups a potential funding source. So Evergreen contracts I'm very very skeptical of them but we have a good garbage program. Thank you.

>> Councilmember Liccardo: Thank you David. Emily Hanson.

>> Good afternoon, Emily Hanson with Green waste recovery. Little shorter than the gentleman. So I'm here just to bring up a couple of points, I want to echo everything that Steve Jones said on behalf of Garden City sanitation but I also want to speak to a few points that Jo made in her presentation. I guess from a Green waste perspective one of the things that we see is an Evergreen contract is really a fixed contract that starts every day. So if it began tomorrow it's an eight year fixed term contract, it's just the next day it's also an eight year fixed term contract. So it's rotating and allows for again the amortization of equipment and also facilities over a longer period of time. One

of the things that is -- what we would really hope to see is, the staff to be able to work as Steve said with a larger group not just the FC and the hauler and also be able to give C and E and also the council a comparison of the two. A lot of the points that have been made in the presentation today are accurate statements in regard to Evergreen contracts but they are also accurate statements in regard to fixed term contracts but being able to take the two and actually make a comparison of them side by side what a fixed term contract can or cannot do aside an Evergreen contract a good example of that is in a fixed term contract you can't restrict the ability of a company to sell their company nor can you in an Evergreen contract so really being able to see the distinction of those two things side by side. Also wanted to speak to what Jo said about the termination of contracts which is very unusual. Whether it's for cause, what an evergreen contract allows is termination with or without cause so you can build in openers in the contract, and allow for certain very stringent performance measures, more stringent performance measures actually than you see in a lot of fixed term credits that actually gives the city a little bit more leverage to keep I mean I hate to say it because I work for a hauler but keep us under your thumb and really be able to on a daily basis provide leverage to get the services get the flexibility that the city needs and that the residents need as well. And with regard to the leverage by the city we really see it as a very collaborative effort that we've had throughout the years the haulers and the city and we rather than every eight or 11 years, negotiating new contract terms we'd like to see an Evergreen contract where it's alive in some regards so we have openers when there's a new pilot program if there's a reduction keep that together and if the haulers are not behaving the city can essentially say if the two of you won't work together to come up with a new rate structure we can terminate your contract and in eight years we're going to go out for bid to it. It is constantly keeping an incentive to not only participate with the city but also participate with the new residents in the program.

>> Councilmember Liccardo: Okay, question.

>> Councilmember Chirco: I have a question Some this discussion reminds me of previous discussions when we've talked about medallions for taxis or permits of taxis. I get as a representative and as a citizen I get a little uncomfortable when the vendors are writing the contracts. And I've heard the vendors speak to what the city could do. But I'm just not comfortable when we're dealing with the public's trust and the public's money, and the open government that we have come to expect in San José, I think going out for an RFP in a reasonable or

extending a contract for good service, or for some mutually agreed benefit does not bother me as a representative or as a citizen. But to have a closed contract does bother me. And how does that stifle access to contracts that are meaningful to businesses? I think that's a value that we, as public agencies, need to respect. I think the extension of the contract that we did do was totally appropriate. But I also think it was done in the appropriate manner. So I don't know that I would say I'm against you know a larger group but I'm not sure I got to any different place with a different group. So that right is my initial reaction to this. And having gone through the whole taxi business, I would have to say that I'm not real comfortable with an Evergreen contract. I am comfortable with what we did and frankly I don't remember the date where we did the extension of the contract. But the Evergreen is not something I would be comfortable going to.

>> Councilmember Liccardo: Okay, thank you. Councilmember Herrera.

>> Councilmember Herrera: Yes, thank you. And appreciate staff's support and appreciate representatives from the two companies, their comments as well. I remember when we were talking about this earlier, I was intrigued by the idea that in looking for any -- in different solutions to solving a \$118 million deficit, ears were perked open in any legal ways of doing that. I remember this proposal being brought forward. This year is \$70 million, we are not looking to \$118 million yet, it's up to \$90 million. I keep talking it will be up to \$118, not there yet. It is pretty clear at least clear to me what I hear from staff at this point being able to use additional funding, however well meaning and I appreciate, I really appreciate the company offering it in the spirit that you're saying you were offering it. To help the city. Doesn't seem like that's really workable. In terms of helping General Fund. And I'm very concerned about making sure that we have competition. And even though I understand here there's only a few companies actually come forward, I think it's important that we keep this process open and competitive and in terms of an Evergreen contract even though the point was made that it starts anew every day, it's sort of a fixed contract in some ways, starting new every day but is renewing it which is a perpetual kind of a question. So the idea of being locked in that way it does give me concern and I, like the Vice Mayor, was satisfied with what we did in terms of the extension. And I think staff conveyed it very well the way that you're able to have openings to look at changes in the environment where you have to go back to our vendors and work new iterations of the deal which I think is really important it speaks to your ability our staff's ability as well as the flexibility of our partners

outs there. So I'm not sold on this i don't think we're voting on this right now but we're behaving accepting the report but yeah I'm not -- it's not compelling to me that we need to do this to move to this direction.

>> Councilmember Liccardo: I appreciate the memo from Steve Jones as well as the seven-page legal analysis that was submitted, that was several months ago, that that was originally submitted. I still have a lot of questions, honestly. I recognize and frankly, I share the unease that my colleagues have about the competitiveness issue. Whether this ultimately becomes anticompetitive and the extent to which the city loses control but it seems to me the degree of control depends largely on the length of lease that we afford in an Evergreen contract. I can imagine a scenario for instance termination without cause if you had a no-cause requirement. And you had some term say six years or eight years and thereafter the Evergreen term was something very short say three years four years something like that which frankly we'd need three or four years to get I guess two or three years to get an RFP out and everything to make that kind of transition anyway. So I think nobody would want a particularly short transition. I could see a scenario where an Evergreen actually could make some sense. And so that's why I still have those questions. And one question in particular I have is whether or not this has ever been litigated under prop 218. Because I know we found 38 or 39 jurisdictions where it happened. Have we seen situations where we've seen the recycler pay a fee to the city's General Fund, essentially in exchange for the contract, and see litigation from ratepayers as a result?

>> No, I don't think. I think what you have to do is you sort of have to decouple the Evergreen concept from the concept of being able to have a solid waste fee support some of these General Fund type services. So and look at the Evergreen concept for what it is, and whether or not it's something that is advantageous. Because to the extent that you could have a prop 218 fee, support some of these other types of functions, you wouldn't necessarily from a legal standpoint need an Evergreen contract to do that. So I think we would look at it if we were looking at it, it's not a matter of whether the -- I'm not -- I don't think that we're aware that either of these issues have been litigated but there are certainly Evergreen arrangements are done in other jurisdictions. It's the question of whether or not an Evergreen arrangement truly does allow you to do the other or you need an Evergreen arrangement to do the other and I think that's why you have to kind of decouple them.

>> Councilmember Liccardo: Right, okay I appreciate that and to be crass about it I think what you're saying is the city wants to pay off could get the payoff whether there's an Evergreen or a standard contract. Assuming that's legal under 218.

>> Mollie Dent: What I'm saying is I think you first have to look at whether or not an Evergreen contract is something that you're interested in.

>> Councilmember Liccardo: Understood, I get that. Recyclers are saying we're willing to make a contribution to the General Fund if there's annual Evergreen. I don't suspect we'll get that offer otherwise.

>> Mollie Dent: The question is whether or not you can have rates that would then not take into account that revenue stream. That's the issue. And you asked whether it has been litigated in other jurisdictions and the answer is, I don't think it has. But and I think if it had been the attorney probably would have cited the cases in his letter. Prop 218 limits what the city can charge as rates and how the city can use revenue that it receives from providing the service. So I mean we can take more time, to run through that analysis, but I think again, we would see it as an analysis that is separate from whether or not you would have an Evergreen contract or not.

>> Councilmember Liccardo: I know that at least the attorney disputes whether or not it's the case, it's one thing if the city is setting a rate for its own services, it's another if it were setting a rate for a private vendor to be engaged in services. My understanding, this attorney at least Mr.-- just for the record I'm referring to seven page letter from Andrew rose, this attorney is suggest that when there's a private enterprise even though the services may be ostensibly public services that 218 is not complicated by implicated by the rate-setting.

>> Mollie Dent: Well, I think that the way -- that depends on the manner in which you collect the rates and the manner in which we collect the rates we concluded is a prop 218 rate. So I don't know whether all of the other jurisdictions collect their garbage fees the same way we collect the garbage fee. We can run back through that analysis for council but again, we would run through that analysis in terms of whether or not our rates are prop

218 restricted and whether or not our use of revenue is plop 218 restricted. Independent of the Evergreen contract, it --

>> Councilmember Liccardo: Right, no I understand, it's just not coming up in that world (inaudible) independent of an Evergreen contract so that's why we're asking. I mean the point is we can address 218 concerns presumably (inaudible) they're willing to assume it for any costs imposed as a result of any litigation.

>> Mollie Dent: It is not just the costs imposed as a result of the litigation. It is whether or not weather you can collect the revenue needed to pay the hauler.

>> I have a question.

>> Councilmember Liccardo: Okay. So then if we go back to the question of just the competitiveness issue, have we seen context in which the Evergreen term has been fashioned to essentially shorten the lease to an extent where you can get out there, you know, terminate without cause, get out there with an RFP within two or three years and get a new service provider some if you feel like you're not getting the right service?

>> Our research, with the cities that do have Evergreen clauses that are predominantly small cities in smaller more rural communities are -- tend to have difficulty finding haulers to do the work. They may go year to year, maybe after a fixed term, or they do what we could do is it when the contract is up they always renew it, renegotiate a renewal which is kind of a hybrid and kind of what we just did in June with these contracts is we can renew them if people decide we got a good enough deal or we get an even better deal. But the eight year daily renewal model we have not found another model for.

>> Councilmember Liccardo: Okay.

>> But I do think there's other ways to get at that, just like we just did.

>> Councilmember Liccardo: Right, I'm not suggesting we go to an eight year renewal, I'm just explore here. Vice Mayor.

>> Councilmember Chirco: I have a question about the offer. I would be concerned about money coming back into the general fund in exchange for the Evergreen. To me that sounds like the very thing we laugh at Chicago about, where somebody pays someone to have a contract with the city. Is that any part of this conversation?

>> Mollie Dent: Well, I think that it would be part of the analysis of whether or not that would be a restricted form of revenue, that then would have to be used to subsidize this particular service. I think that's part of the analysis that we would have to look at.

>> Councilmember Chirco: That just increases my discomfort. And then another thing, the ones you did find that had the Evergreen, was it because they were small communities? I know Willits, for example, they went out for an RFP and they got one contractor. So is it because the pool is so small, and they don't get people to bid on these contracts, and so they're difficult markets, and --

>> That's our understanding, is one of the bases of a significant amount of those.

>> Councilmember Chirco: Go ahead.

>> What we favor about the current process is, you know there's that saying nothing motivates like a deadline. You have a deadline coming up. You have reached some negotiation where there is mutual benefit, and then you move forward to kind of the next deadline. In that that process we have had with our haulers and I think the most current agreement does have benefits that are reciprocal.

>> Councilmember Liccardo: A question about the Chicago model. We have franchise fees in the city, right?

>> The residential system -- there is no residential franchise fees, only on the commercial side.

>> Councilmember Liccardo: Right, but we have franchise fees for a variety of services.

>> Yes, cable TV --

>> Councilmember Liccardo: Companies pay the fee in exchange for the contract. Okay, just want to clarify. Rose.

>> Councilmember Herrera: As I recall it was a fee we were trying to create some kind of fee that they would pay up front when we were discussing this whole idea of evergreen, it was some kind of up front there was kind of a --

>> There are two different contract models, and the commercial model, and we have talked about this before, we are a regulator. In this model we are actually procuring services directly, we require things like prevailing wage in the residential model we don't require in the commercial model because we are actually participating in purchasing services. So it's a different type of contractual relationship than the commercial side. And the other thing too, that does color some of these more recent discussions, is that the state of California voters did pass proposition 26, and there's been a lot of analysis going back and forth about some of these fees. Some these very fees that we've been talking about to see if those revenues could go to General Funded activities. So that changed the landscape somewhat that we had back in March or June when we were initially talking about these issues.

>> Councilmember Herrera: I was thinking about 26 as we were talking, thinking the sentiment's kind of going in the other direction for some of the flexibility to do this. I had another question and that was about one of the motivations I felt that I heard from Garden City in talking about this was the idea of being able to capitalize the equipment, so that some of the purchases they need to make and not having to raise rates significantly but being able to sort of smooth that through the period of their contract. So I thought that was one of the motivations of this Evergreen idea. So how can we get at solving that, given these fixed contracts that we're looking at, do you think

that that's -- that there's flexibility because one of the things that did happen is that maybe as a result of discussing the Evergreen idea, the contract that we did come up with we were able to address some of the issues. How can we address this need to purchase equipment and that sort of thing?

>> We really do need to look at the term in the commercial system which is currently being evaluated. We did a 10 to 15-year term and we got five very viable bids which was significantly more than we did with the previous residential contract. But that term, making sure we get that term right, to allow them to purchase equipment and then purchase refresher equipment as time goes on, is really important and we learned an important lesson I think in 2006 about that which we corrected in the commercial system.

>> Councilmember Herrera: Yes because I think that's a valid issue they're bringing up in termination of that.

>> And as the collection system changes, the equipment needs may change. So it's kind of hard to project out indefinitely. Our hope is that there's a time when they're not picking up garbage at the volume they are today.

>> Councilmember Herrera: And then the other things you guys brought up in terms of the current model of having trucks, it might change, and we'd be sort of supporting in perpetuity a model that maybe is not where we want to get to. I think that's very important too, in terms of -- having that flexibility to make sure we're sending the contract in a proper direction. I'm always interested in new information. I'm really happy that we have you know willing partners out there and that we're all working well together and the system seems to be working. But I'm not hearing you know the input today that makes this very compelling to push towards this Evergreen contract at this point. In fact, if anything the 218 and prop 26 makes me think it's less likely we'd be able to do that. I'm always open but also I'm worried that it costs a lot of money to be sending attorneys down you know a direction where it might not prove fruitful. So I'm also always weighing that sort of thing too in terms of where we want to invest with our staff. But you know that's kind of where I'm at.

>> Councilmember Liccardo: Okay, just had one last question. You have seen contexts in which these contracts, these Evergreen contracts allow staff to terminate without cause or a city? Is that fair?

>> What we've seen more is contracts that are older where the equipment's been advertised and they've managed to incorporate, they go on a kind of year to year basis. The eight year daily renewal, we haven't seen exactly.

>> Councilmember Liccardo: No, no, the question was about whether or not it was with or without cause. That is, for no reason council could say we're terminating this contract.

>> Yes, we've seen contracts where they can just opt to renew it.

>> Councilmember Liccardo: I see Steve Jones nodding his head as well, I think that's what he is suggesting. What I'm getting at is, we're concerned about losing control, and I'm trying to understand that in a context in which what's being suggested is we could have an Evergreen contract in which there is the ability to suspend or terminate the contract without cause. So I'm trying to understand where we lose the control.

>> Well, in this case, in that, your case it's that you have to make a decision eight years in advance of actually doing it.

>> Councilmember Liccardo: Right that brings into considering how long we want the contract to be, three years  
--

>> I think eight years is kind of a sweet spot for the amortization of trucks and cutting shorter time I would presume and I would assume Steve could correct me, significantly cuts the savings because you can't amortize equipment. It becomes more costly to amortize equipment over a period less than eight years.

>> Councilmember Liccardo: I understand this discussion is reaching its end. If in the future you were to see some idea in which they were to shorten that period considerably would that give you more comfort about raising the possibility with this committee, whether or not that might be something worth looking into?

>> Well and I guess part of the lingering question to that though is then what becomes the difference with an Evergreen contract with a shorter termination period, how does that differ from what we have today, where we can negotiate extensions? And so what's the material difference and maybe there's some financial material to the value to the haulers but it doesn't seem to be vastly different.

>> Councilmember Liccardo: Okay, great, thank you. All right.

>> Councilmember Herrera: Motion to approve acceptance of the report, I guess.

>> Councilmember Chirco: Second.

>> Councilmember Liccardo: Motion made, all in favor? Any opposed? None opposed, that passes. I believe we have time now for public comment. David Wall.

>> David Wall: This is light hearted but truthful. Show and tell. This is a bag of dried apricots. I produced these. More than I'd like to during harvest season. CED's been told about how to help the environment, help the economy. Local food production is one of them. Lot of people don't have money for a lot of things anymore. Pay attention to how foods is escalating in cost. Look at the available lands left for agriculture. Then, this is the hard part for me, because I don't want to hurt anybody's feelings, really, I don't. But when it comes to issues of water pollution control, use of that land, very nature of the process, there's no one at TPAC from the city and there's no one else on the council that has the ability to understand this whole process. Now, this does not diminish, cause any problems with Your Honors but you just can't make decisions about a process you know nothing about. Foods production is just one aspect of how you could make money out there. But you don't understand what's coming into that plant. You don't understand anything about the collection system, except rudimentary ideas. But you certainly can't trust an administration with a 1.6 to \$2.2 billion project you can't trust it. That you cannot do. Because it's rife for catastrophic failure. This had CED listen to me two years ago. It can be producing, I don't know how much of this and other food out there. Employing high school kids and what have you. What do

you have to show for it? Colored slides? And nice little presentation booklets? No, no, it's a fundamental disconnect for councilmembers that have been here for years. That don't understand city departments their integration and how to deal with these major issues that are facing, and this issue about these toxicity hits on the chronic on the final effluent just bypass you, you don't understand how that affects the advance water filtration, the sludge going in back to the plant, you have to start integrating this and asking this question of these high paid people who are here.

>> Councilmember Liccardo: Thank you, Mr. Wall. With that, the meeting is adjourned.

>> David Wall: These are going to district 3 by the way.