



Folsom City Council Staff Report



MEETING DATE:	10/14/2025
AGENDA SECTION:	New Business
SUBJECT:	Resolution No. 11471 – A Resolution Authorizing the City Manager to Execute an Agreement with California Wood Recycling, Inc., DBA Agromin, for an Estimated \$45 Million for up to 15 years from the Solid Waste Operating Fund (Fund 540) for Long-Term Organic Waste Diversion Services
FROM:	Public Works Department

RECOMMENDATION / CITY COUNCIL ACTION

The Public Works Department recommends that the City Council pass and adopt Resolution No. 11471 - A Resolution Authorizing the City Manager to Execute an Agreement with California Wood Recycling, Inc., DBA Agromin, for an Estimated \$45 Million for up to 15 years from the Solid Waste Operating Fund (Fund 540) for Long-Term Organic Waste Diversion Services.

BACKGROUND / ISSUE

California’s Senate Bill 1383 (SB 1383) aims to fight climate change by diverting organic waste from landfills and thereby reducing short-lived climate pollutants such as methane, which are released when organic matter breaks down in landfills. The regulations require all residents and businesses in California to sort organic material from their other waste and divert it from being landfilled. To comply with SB1383, which became effective in 2022, the City of Folsom Waste and Recycling Division (Division) provides weekly collection of organic waste for Folsom residents. Organic waste includes loose yard trimmings, bagged food scraps, and food-soiled paper.

To prepare for the SB 1383 requirements, in January 2019, the County of Sacramento, the City of Sacramento, and the City of Folsom (the jurisdictions) jointly released a Request for Proposals (RFP) for Organic Material Diversion Services for their residential curbside organics collection operations. Pooling tonnages allowed the jurisdictions to leverage a lower cost, which, as the smallest participating jurisdiction, is especially beneficial to Folsom. The RFP requested both

near-term and long-term submittals. Nine submittals were received, all of which were deemed responsive.

In October 2019, the jurisdictions completed their evaluation to identify the preferred scenario, which included three proposers: Recology, California Wood Recycling, Inc. (Agromin), and Yolo County Central Landfill (YCCL). In early 2021, the jurisdictions independently executed contracts for organics diversion services with one or more of the three selected vendors. Based on Folsom's tonnage and proximity to the facilities, the City of Folsom contracted exclusively with Agromin. The near-term contracts secured capacity through June 2027.

After securing near-term contracts, the jurisdictions continued the procurement process to seek long-term organics diversion services from the original nine proposers. A Request for Revised Proposals was issued in January 2022, and six submittals were received in May 2022.

Beginning in the fall of 2022, after reviewing the revised proposals, the evaluation committee conducted interviews and site visits with each proposer. Follow-up questionnaires were issued, and proposers were given the opportunity to provide clarifications and revisions to their proposals. All proposers responded to questionnaires and provided best-and-final term and tonnage commitment pricing. The jurisdictions completed the analysis of the final proposals and selected a scenario that again includes awards to Recology, Agromin, and YCCL, with all of Folsom's material being processed by Agromin.

Last month, the City of Sacramento City Council and the County of Sacramento Board of Supervisors both voted unanimously to approve long-term organics processing agreements that would allow each of their jurisdictions to use all three of the selected vendors. Despite this approval, all Agromin contracts are dependent on tonnage commitments by all participating jurisdictions; therefore, approval by the Folsom City Council would allow all three jurisdictions to proceed.

POLICY / RULE

In accordance with Chapter 2.36 of the Folsom Municipal Code, agreements costing \$75,049 or greater shall be approved by the City Council.

ANALYSIS

In 2019, the jurisdictions formed an Evaluation Committee comprised of three County representatives, two City of Sacramento representatives, and one Folsom representative. The jurisdictions also procured services of a third-party engineering firm, which provided technical assistance and a cost modeling tool to project jurisdictional costs associated with each proposer and scenario. Proposals were reviewed in three phases: technical analysis, cost analysis, and compatibility analysis.

In 2022, the Evaluation Committee followed the same three phase approach to review the revised proposals. The committee contracted with HDR Engineering, Inc. (HDR) for technical assistance, including updating the cost model developed during the earlier evaluation of near-term proposals.

The Technical Analysis included seven criteria:

1. The proven, reliable nature of the proposer's technology and product marketability (2,400 points)
2. The proven and predictable nature of the regulatory framework for the proposer's technology (2,400 points)
3. The overall feasibility of the proposal (2,700 points)
4. Company financial capabilities (1,200 points)
5. Facility capacity (1,200 points)
6. Facility readiness according to the jurisdictions' timeframes (1,200 points)
7. Greenhouse Gas Emissions Impact (900 points)

Out of 12,000 possible points, the six proposals received the following ranking on the Technical Analysis:

1. 11,000 Yolo County Central Landfill
2. 10,199 Zanker Road Resource Management
3. 9,795 Agromin
4. 9,780 Recology
5. 8,546 Hitachi-Zosen Inova (HZI)
6. 6,888 True North Renewable Energy (TRNE)

The lower performing scores were largely a result of the facilities offering sites that were not entitled (or only partially entitled) and/or utilizing newer technologies with less demonstrated performance records.

For the cost analysis, the Evaluation Committee drafted scenarios that maximize tonnage delivery to each proposer, meet the minimum tonnage requirements of each proposal, and balance delivery of any remaining tonnage at other proposers' geographically logical facilities. From that exercise emerged 10 Core Scenarios. The Evaluation Committee unanimously favors contracting with more than one vendor for the region for numerous reasons, including, but not limited to (1) reduction in risk of having no vendor available and (2) minimizing cross-region transport to ensure efficient operations, lower vehicle-miles-traveled, and resultant fuel consumption and greenhouse gas generation. Diversification of technologies as a method of mitigating risk is also valued, but not as impactfully as diversification of service providers, because all technologies demonstrated a basic technological competence.

The cost for each scenario was evaluated using a third-party consultant developed cost modeling tool. Inputs to calculate total cost included proposed per ton tipping fees of each proposal, including consumer price index (CPI) escalation; off-route costs for hauling from each jurisdiction's waste centroid, and any applicable cost to transfer from an intermediate facility to the processing facility.

The net present value (NPV), including all costs, not just the contract amounts, was evaluated for all scenarios. All six proposers were willing to enter into 20-year agreements; however, only four were willing to provide shorter contracts. Two scenarios were limited to just those offering shorter terms and were evaluated separately. The NPV shown is for all three jurisdictions combined since the pricing is based on tonnage commitments that require a consensus from all participants. Due to the collaborative nature of this procurement and the overall cost savings achieved by any

scenario relative to a standalone procurement, the overall cost rankings are not necessarily consistent with the ranking for individual jurisdictions. For example, scenarios including TNRE are lower cost for Folsom because the proposed facility would have been just outside city limits, but this was not a cost-effective option for the other jurisdictions.

Ranking of Total NPV of Scenarios for 20-Year Terms

1. \$ 874,497,000 Minimum to HZI w/ YCCL and Agromin
2. \$ 880,408,000 Status Quo (Min to Agromin, YCCL, Recology)
3. \$ 883,124,000 Minimum to HZI w/ Agromin
4. \$ 957,172,000 TNRE & Agromin (no transfer station)
5. \$ 990,217,000 Minimum to Zanker w/ YCCL and Agromin
6. \$ 991,352,000 Maximum to Zanker w/ Recology
7. \$1,008,710,000 Minimum to HZI w/ Zanker
8. \$1,018,243,000 Maximum to Zanker w/ YCCL
9. \$1,020,055,000 Maximize Zanker w/ Agromin and YCCL
10. \$1,034,100,000 Minimum to HZI w/ TNRE (with transfer station)

Ranking of Total NPV (10 Years) Scenarios offering Shorter Terms

1. \$ 344,965,000 Status Quo (Minimum to Agromin, YCCL, Recology)
2. \$ 398,745,000 TNRE & Agromin (no transfer station)

The compatibility analysis is a quantitative analysis of technical scores and costs generated by the cost model, all in the context of qualitative analysis where risks are balanced, savings are shared, and infeasibilities are avoided. The compatibility analysis was developed in a series of meetings of the Evaluation Committee, wherein two scenarios emerged as the consensus highest ranked. The first includes a new anaerobic digester facility proposed by HZI, along with Agromin and YCCL, and was the top ranked cost scenario. The other, ranked number two in the cost scenario, includes the current near-term vendors - Agromin, YCCL, and Recology and uses composting and anaerobic digestion technologies. Both scenarios result in Agromin receiving all of Folsom’s material since the other proposed facilities are too far from the city to be operationally feasible. For the County and City of Sacramento, the proposal, including HZI, would redirect tonnage in the north collection areas from transfer for composting to a 20-year tonnage commitment to HZI for a new anaerobic digester facility. To determine the preferred scenario, the Evaluation Committee further considered major factors, including proposers' proven end-use technology, end-product market viability, SB 1383 recovered organic waste procurement requirements, permits required for facility development, greenhouse gas evaluation, and contract term length.

Examination of the major compatibility factors resulted in a consensus decision to recommend continued use of the current vendors to process organic material for the next 15 years. Most material will be composted, which is a long-standing, proven technology resulting in a highly marketable product that helps the jurisdictions meet the procurement requirements of SB 1383. HZI did not provide evidence of an established market for their end-product, biochar made from the proposed pyrolysis of residential organic material. The facilities required to continue with the current vendors are already operational, whereas the facility proposed by HZI relies on permits, including a Solid Waste Facility Permit, Conditional Use Permit, and Sacramento Metropolitan Air Quality Management District Permit. The committee preferred the lower risk of delays

associated with selecting established facilities. The greenhouse gas analysis did not favor one scenario over the other. Finally, the committee had to weigh the value of a 20-year contract compared with shorter terms. The HZI proposal only included a 20-year option, and the proposers in the other scenario offered flexible terms ranging from 10 to 20 years. While the goal of this procurement is to secure long-term capacity for organics processing and SB 1383 compliance, the committee also sees value in leaving some flexibility to adjust to changes in the market or the regulations. Considering the preference for composting technologies and established facilities, the committee is recommending the current vendors with a shorter contract of 10 years with an optional five-year extension.

FINANCIAL IMPACT

In Fiscal Year 2024-25, Folsom residents diverted over 12,300 tons of organic waste, including organics from the green bin collection and yard trimmings from the bulky waste collection program, at a cost of \$1.3 million. When the new contract becomes effective in Fiscal Year 2027-28, it is anticipated that Folsom residents will be diverting approximately 14,000 tons of organic material, and by the end of the contract term, Folsom will generate 17,000 tons annually. The proposed pricing of \$102.00 per ton for organics and \$78.00 per ton of yard trimmings is in Fiscal Year 2021-22 dollars, which increases annually based on an agreed CPI, not to exceed 5%. Based on CPI increases since the original bid, the pricing for Fiscal Year 2025-26 would be \$111.68 per ton for organics and \$85.40 per ton for yard trimmings. Assuming the maximum CPI for Fiscal Years 2025-26 and 2026-27, pricing during the first year of the agreement would be \$123.12 per ton for organics and \$94.15 per ton for yard trimmings only, with a total contract cost of approximately \$1.8 million. Assuming the maximum CPI for the remaining years of the contract, the annual cost would gradually increase to an estimated \$3.3 million by the final year of the contract in Fiscal Year 2037-38, and \$4.2 million by the end of the optional five-year extension in Fiscal Year 2041-42. The agreement will be funded by residential waste collection rates in Solid Waste Fund 540 and costs will be included in future annual City budgets.

ENVIRONMENTAL REVIEW

The Project is exempt from the California Environmental Quality Act (CEQA) under Section 15061(b)(3) (Review for Exemption) of the CEQA Guidelines.

ATTACHMENT

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Submitted,



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