

## Bob Gregory

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**From:** Bob Gregory  
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**Cc:** 'mwhellan@gdhm.com'; Gary Newton; Ryan Hobbs; Adam Gregory; Paul Gregory; Bob Gregory  
**Subject:** Agenda Items 25 & 26 - TDS Comments, Information and Items for Consideration

Dear Mayor and Council Members,

Staff is requesting your approval to negotiate and execute two contracts, under Items 25 & 26 of this week's Council Agenda, which represent a drastic shift in policy regarding future management of the City's biosolids waste, and which have the potential to significantly impact the regional market for organics processing and compost. Specifically, under Item 25, staff seeks approval to effectively end the award-winning Dillo Dirt program by transitioning to a much cheaper "agricultural composting" method, proposed by Synagro, for management of the City's biosolids waste. Very little detail has been provided that satisfies the numerous questions concerning the feasibility and costs, foreseen and unforeseen, of this proposed five to ten year plan. Also, the staff is requesting approval of Item 26 to sell up to 450,000 cubic yards of unscreened Dillo Dirt at an incredibly low rate of 86 cents per cubic yard. Such an infusion of below cost of production compost material would have serious repercussions on the local market for compost processing and organic materials, and would put existing area

composters at a distinct competitive disadvantage. I respectfully submit that the Council should delay approval of both of these items until much more detailed information is made available, including the proposed negotiated contracts for public review before a Council vote on contract execution.

Texas Disposal Systems, Inc. (TDS) would have responded to both of these solicitations; however, due to the staff's demonstrated misapplication of the City's Anti-Lobby Ordinance, and the coincidence of these contracts with other solicitations and issues before Council about which TDS must be able to freely communicate with staff and Council, TDS was forced to forgo the submittal of formal proposals to either solicitation. Furthermore, TDS' thirty year Waste Disposal and Yard Trimmings Processing Contract allows for TDS and the City to negotiate for the provision of composting services. TDS has extensive experience successfully operating biosolids composting facilities (San Antonio River Authority, City of Victoria and San Antonio Water System). Further, TDS has purchased the exact same material from the City as is the subject of Item 26 for the price of \$4.50 per cubic yard, and remains willing to do so if the Council would be willing to consider our offer or instruct staff to rebid the City's sale of its product without an Anti-Lobby Ordinance restriction. Nevertheless, the staff seeks your approval to sell this material for a bargain-basement price of 86 cents per cubic yard, and to forgo a more than \$1.6 million higher offer option for the City.

Currently the City composts approximately one third of its biosolids into Dillo Dirt due to the availability of only approximately 100,000 cubic yards of brush and yard waste needed as bulking agent. Bulking agent is basically mulch that must be mixed with biosolids sludge in order to provide structure, aeration and the carbon source for microbes whose biological process raises the temperature of a pile and creates compost over a period of time. Having sufficient volumes of bulking agent is absolutely essential to creating compost without causing serious odor issues. However, Synagro is supposedly proposing to compost 100% of the City's biosolids with only one half of the bulking agent per ton of sludge as the City currently uses, and is needed to fully and properly compost biosolids. Even if all the bulking agent material currently processed at Hornsby Bend were intended to stay there, Synagro would be far short of the amount necessary to compost 100% of the City's biosolids as they intend to. However, if the Council approves the expansion of curbside organic collection along with food waste, as the staff is requesting through the budget process, Synagro will have access to even less bulking agent material, as that will divert all curbside collected organics to one or more alternate facilities. Further, the unscreened compost that staff is requesting approval to sell contains a significant amount of "overs" or material that is still large enough to serve as bulking agent. That staff would seek to sell this "overs" material, which they need for composting and are short of, raises questions as to whether they truly considered what is necessary to maximize composting.

Further, the structure of the RFP for Item 25 calls into question the staff's stated preference for composting, as it effectively favors land application of unprocessed or barely processed sludge over conventional composting methods that are designed to produce a finished and stabilized compost product, due to the contractor payment structure insisted on by staff, which only pays the contractor after material is removed from the site. As reported to you yesterday, staff stated the process to produce a finished and stabilized compost product like Dillo Dirt, takes 6 ½ months. The RFP is fatally flawed in that respect. We believe that Synagro's proposed "agricultural composting" method should be more aptly called Class A land application, and is simply an unproven attempt to reach regulatory classification of sludge as Class A material with as little cost as possible, in an effort to relieve themselves of the strict permitting requirements and restrictions of Class B land application. We believe this method of "composting" is highly likely to fail; either due to major odor problems at Hornsby Bend, or a rejection of the product by farmers and surrounding neighbors in and around Travis County due to odors and contamination. Synagro and staff have not revealed any of the charge rates for alternative composting methods, land application of Class B sludge, or disposal of sludge, that would be effective in the likely event that their preferred and unproven method fails under a large scale production basis. However, current contract charge rates for land application of Class B biosolids are more than double the rate that staff has reported for the "agricultural compost" method. Staff and Synagro should be required to make the proposed charge rates public prior to approval of any contract. Synagro should also identify each and every facility where this same biosolids processing method has been implemented and information concerning each respective location.

TDS is proud to be a long standing partner with the City of Austin and is eager to work with the City on organic materials management and planning. Please take the time to review and consider the following important bullet points and supporting documentation regarding our request to delay approval of Items 25 and 26, and to direct staff to publish far more information regarding the City's available options and proposals, including all negotiated contracts, before seeking Council authorization to execute the contracts.

Sincerely,

Bob Gregory  
President & CEO  
Texas Disposal Systems, Inc.  
512-619-9127 (m)

**Points for Consideration with Supporting Documents Re: Items 25 & 26 on the 8/11/2016 Council Agenda:**

- Approval of Items [25](#) & [26](#) would be a major step backward for the City's organic waste diversion efforts and for the entire region's private composting market upon which a stable and growing competitive and affordable market largely depend. There are numerous unanswered [questions](#) related to these Agenda Items.
- Approval of these items would effectively amount to the death of the [Dillo Dirt program](#). This is a policy decision that should be made only after a public review of the negotiated contracts, a thorough discussion of the intended and potential unintended consequences before the affected commissions and Council committees, and with the full knowledge and consideration of the Council.
- Staff and representatives of Synagro have stated in the [7/13/2016 W&WW Commission](#) meeting that they intend to compost 100% of the City's biosolids under the proposed contract, utilizing what we believe to be an unproven half-baked composting method at a charge to the City of approximately \$15/cubic yard. However:
  - There is [not enough bulking agent currently available to the City to adequately compost 100% of the City's biosolids to the standards of Dillo Dirt](#).
  - There is [not enough bulking agent available to the City or Synagro to compost 100% of the City's biosolids to the much lower standard of "All Gro", Synagro's self-described agricultural compost product](#).
  - In our opinion, while Synagro's "All Gro" composting process may achieve regulatory classification as Class A sludge, the product will not actually meet the industry accepted definition of compost. See [definition of compost](#).
  - The City currently reports to generate 100,000 yards of bulking agent per year before being shredded. At [Synagro's reported mixing ratio of 1.5 cubic yards](#) of shredded bulking agent per cubic yard of sludge, they would need 150,000 cubic yards of shredded bulking agent for their "All Gro" Class A material and 300,000 cubic yards of shredded bulking agent would be needed for the Dillo Dirt compost processing method.
  - The City is also seeking approval through the budget process for expansion of the curbside organic collection, which will divert all bulking agent currently used at Hornsby Bend to other sites for food waste composting.
  - Without sufficient bulking agent, any composting process is very likely to cause significant odor problems and result in much more land application of Class B sludge. Significant odor problems have the potential to adversely affect [Austin Bergstrom International Airport](#) and surrounding property owners.
  - According to Synagro's representatives, the "All Gro" process does not involve any curing or screening of the compost product; but we believe is simply, and as cheaply as possible, designed to allow them to meet the requirements to designate that material as Class A sludge, which can be land applied without TCEQ permits, adherence to the [Chapter 62 Travis County Siting of Solid Waste Facilities ordinance](#), and without volume limits on land application.
  - Land applying uncured and unscreened Class A material will spread undigested bulking agent and non-organic contaminants, i.e. plastic trash, on farm land in the Austin area.
  - It is unknown what the price will be for alternative processing, land application of Class B biosolids sludge or disposal of the City's sludge in a landfill, if the proposed method of composting is unsuccessful, or has insufficient market demand due to problems associated with the product, or causes serious odor and environmental problems, as we believe is likely to occur, resulting in a staff directive to Synagro to land

apply all City Class B biosolids sludge. The cost to the City to have the Class B sludge land applied could be more than twice the cost of the contract identified within the agenda item and its RCA. See [current Synagro pricing](#).

- In 2009, the City spent approximately [\\$7 million dollars](#) received from the Clean Water State Revolving Loan Fund for expansion of the Dillo Dirt processing facility, for the stated purpose of promoting the Dillo Dirt program and limiting land application and truck traffic. Is the staff's plan of action appropriate given that significant investment, and its stated purposes?
- Synagro has reported the market for agricultural compost or "All Gro" is huge, but has yet to report a single contracted end user of the material in this market. Will odors and contaminants cause farmers to reject the material once they begin land applying "half baked" Class A material? Synagro should demonstrate process and end market acceptance of the "agricultural compost" before the Council approval of a long term contract for an untested large scale production of the product in our market. Synagro should also identify each and every facility where this same biosolids processing method has been implemented and provide information concerning each.
- Selling the City's current volumes of unscreened Dillo Dirt, under Item [26](#), at an incredibly low price of 86 cents per cubic yard (\$64,500/75,000 cubic yards of unscreened compost) would flood the market with below cost of production compost, effectively putting the areas open market composters at a distinct competitive disadvantage. [TDS has paid, and will commit to continue to pay \\$4.50 per cubic yard for this same material](#), if the Council will accept our unsolicited offer, which is \$337,500/year and \$2,025,000 for the 6 year potential term of the proposed contract. This unscreened material also contains a significant amount of bulking agent "overs", which is a large portion of the bulking agent needed for the efficient operation of a continuous composting process, further exacerbating the problem of a lack of available bulking agent. The staff [did not have to apply the Anti-Lobby](#) ordinance to this bid, yet they did so, knowing of TDS' concerns and that TDS would probably not respond to the solicitation.
- TDS was unable to respond to either of these solicitations due to the City's unreasonable interpretation of the anti-lobby ordinance, and the timing of these and other solicitations coinciding with issues before Council that TDS must be able to freely communicate with Council and staff about ([see overly broad solicitation on non-residential dumpster and rolloff services](#)). [This mis-interpretation and application of the anti-lobby ordinance](#) has caused TDS to refrain from bidding in many instances where our participation would have been to the City's benefit. However, TDS is the largest composter in the region and has managed several biosolids composting operations for over a decade. The Council could certainly direct staff to negotiate draft contracts with Synagro, Mr. Click and TDS prior to finally considering and approving any contracts for execution. TDS' existing thirty year [Waste Disposal & Yard Trimmings Processing Contract](#) explicitly allows TDS and the City to negotiate for provision of composting services. This would provide the City with more options, while also providing time for the appropriate Boards and Commissions, and Council committees to much more fully understand and evaluate these draft contracts in the context of the City's organics management needs.
- We believe that the likely failure of staff and Synagro's proposed "agricultural composting" method, due to the lack of sufficient bulking agent and curing time to properly compost 100% of the City's biosolids, will set the stage for City staff promoted flow control, and the creation of an unregulated public utility controlling commercial waste, recyclables and compostables. Staff may claim that such control is necessary to acquire the appropriate amount of yard waste, brush, construction/demolition waste and other waste usable as bulking agent.
- **Please delay approval of these items until more information is available and the impacts of these contracts can be considered in the context of all the City's organics management goals. There is no urgent reason for approving these contracts at this time, since the City's [current contract with Synagro](#) has a 120 day holdover provision and this major shift in policy and how the City's biosolids are disposed of should not be rushed through in another August "black box" / bait & switch / too good to be true / trust the staff set of agenda action items.**