PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Date: November 18, 2025

Subject

Adopt a maximum rate schedule for Rate Period Six (RP 6) for Recology to provide recycling, organics, and solid waste collection, recycling and organics processing services, and transport for disposal as calculated using the allowed and approved methodology in the Franchise Agreement (Attachment A).

Recommended Action

Adopt Resolution No. 25-XXX (Attachment B) to adopt a maximum rate schedule with an increase of 4.39% ($2.03 per month for average resident) for RP 6 for Recology to provide recycling, organics, and solid waste collection, recycling and organics processing services, and transport for disposal pursuant to the Franchise Agreement (Attachment A (FA Exhibit E1)).

Executive Summary

The City of Cupertino has a Franchise Agreement (FA) with Recology for the collection of all streams of waste and for the post-collection management of recyclables and organics. The FA as executed includes detailed methodologies for calculating rate adjustments each year based on multiple economic indices. For the upcoming RP 6 covering February 1, 2026 – January 30, 2027, Recology conducted and submitted their calculations in accordance with the FA. Those calculations were reviewed for accuracy, and the result was an inflation-based increase of 4.39%. For the average single-family home with a 32-gallon garbage cart, the rate will change from $44.30 to $46.33 per month, an increase of $2.03 per month. Detailed explanation is provided in the *Rate Adjustment* section below.

The rates shown in Exhibit A to the resolution include the increased landfill disposal and construction and demolition processing per ton costs as approved by City Council on June 17, 2025. This rate adjustment does not include processing of garbage, which was likewise approved by City Council in June. The cost adjustment for processing of garbage will go into effect in a later rate period (anticipated to be RP 7 in February 2027).

This report provides information on the Recology FA, the regulation of maximum rates, review of the RP 6 application, rate adjustment and smoothing, and rate comparison with neighboring cities. Additionally, this report describes the need for new master service agreements to provide expert review and data quality assurance related to solid waste services.

Background

On December 15, 2020, the Cupertino City Council approved a 10-year Franchise Agreement (Attachment A)[1] with Recology South Bay d/b/a Recology Cupertino ("Recology") to provide recycling, organics, and solid waste collection, recycling and organics processing services, and transport for disposal. The FA as adopted included rates for the first three years along with detailed methodologies to calculate rates for each year through the remainder of the agreement term.

The methodology to determine the maximum rates for the upcoming RP 6, which begins February 1, 2026, is a multi-index-based adjustment detailed in Exhibit E.1 to the FA. City staff and Recology staff calculated the index-based adjustment as specified, and the resulting rates are hereby presented for approval by the City Council (Exhibit A to the Resolution). Under Exhibit E to the FA, "City Council shall make a good faith effort to approve Rates by January 1 of each year, and such Rates shall be effective on each subsequent February 1."

Reasons for Recommendation and Available Options

Effective waste disposal programs that are convenient, well utilized and properly funded are essential to diverting recyclable and compostable materials from the landfill in accordance with Assembly Bill (AB) 939 and the City of Cupertino's Zero Waste Policy, and the programs must comply with Senate Bill (SB) 1383. The City and Recology partner on many of the diversion and waste reduction activities described in Cupertino's Climate Action Plan 2.0 section "Getting to Zero Waste."

Regulation of Maximum Rates
The City does not set the rates for Recology's provision of solid waste services but rather approves the maximum rates Recology may charge its customers.

Review of the Rate Period Six Application
On August 1, in accordance with Section 8.2.C of the FA, Recology submitted its RP 6 application. To assess the appropriateness of Recology's proposed rates, the City conducted a detailed review of the application and engaged a consultant, HF&H, to provide 3rd party review of the information. The review conducted by HF&H included determining completeness, compliance with the adjustment methodology, mathematical accuracy, and logical consistency of the assumptions supporting the projected revenues and expenses. The review found the calculations were done correctly per the methodology established in the FA.

Rate Adjustment and Rate Smoothing
Per Recology's RP 6 application and subsequent review, the overall increase to Recology's Total Cost of Operations as described in Exhibit E methodology is 2.36%, which is below the allowed 5% cap on increases to Total Cost of Operations in multi-index adjustment years. The maximum rates approved by Council for the current Rate Period 5 (RP 5) included the use of restricted-use

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[1] For ease of use and reduced file size, the attached copy of the Franchise Agreement has section bookmarks and Recology's original pre-negotiation proposal is not included. The full executed version can be accessed via Cupertino.org/records and a search for agreement 21-232 or via this link.

enterprise funds to smooth and mitigate the increase needed at that time. As a result of that use, the difference between RP 5 smoothed rates and RP 6 unsmoothed rates will manifest to residential and commercial customers as a 4.39% increase in rates. Because that increase is below the allowed cap and keeps rates below average for the region (see Table 2), staff does not recommend the use of restricted-use enterprise funds to smooth and mitigate the increase for RP 6, but will evaluate that use in the future, such as when higher costs due to processing of garbage come into effect.

Table 1: Application of Rate Adjustment

	Monthly Rate			
Service Type	**Current**	**Rate Period Five (eff. 2/1/2025)**	**% change**	**$ per month change**
Residential: 32-gallon garbage cart (bundled with recycling and organics carts)	$44.30	$46.33	4.39%	$2.03
Commercial/MFD: 1-3yd/1x/week, MSW	$332.89	$347.50	4.39%	$14.61
1.5yd/1x/week, Recycling	$99.88	$104.26	4.39%	$4.38
1.5yd/1x/week, Organics	$208.05	$217.18	4.39%	$9.13

Rate Comparisons with Neighboring Cities

Cupertino rates remain below average in comparison with those of neighboring cities even with the proposed rate increases, when comparing rates for 32- or 35- gallon carts. The following tables 2 and 3 show Cupertino's current rates and proposed maximum rates for RP 6 in comparison to neighboring cities.

Table 2: Residential Monthly Rate Comparisons

2025 Single-Family Residence Garbage Rates (monthly cost)		
City	**20 or 24-gallon cart**	**32 or 35-gallon cart**
Milpitas	$34.07	$40.08
Cupertino now	$41.65	$44.30
Cupertino +4.39%	$43.48	$46.33
Sunnyvale	$41.98	$48.39
Mountain View	$37.55	$50.05
Palo Alto	$27.81	$50.07
Campbell	$42.55	$52.68
Santa Clara	$45.66	$53.68

Los Altos	$49.89	$53.74
San Jose	N/A	$54.51
Los Gatos	$45.94	$57.22

Note: Comparative rates shown are as of October 2025.

Table 3: Commercial Rate Comparisons

City	3CY bin 1x/week
San Jose	$281.63
Cupertino	$332.89
Milpitas	$342.37
Cupertino +4.39%	$347.50
Mountain View	$433.35
Palo Alto	$437.20
Campbell	$473.96
Sunnyvale	$508.75
Los Gatos	$594.92
Los Altos	$632.54
Saratoga	$692.72
Santa Clara	$766.96

Note: Comparative rates shown are as of October 2025.

RFQ for Solid Waste Consulting Services

The process of managing the multiple large agreements that provide for the various services related to collection, transport, and handling of garbage, recyclables, and organics requires periodic intensive data collection and review, guidance on requests, detailed review of rate adjustments, service and process evaluations, performance reviews, and similar activities that require expertise in solid waste management. The City has a current master service agreement with HF&H Consulting, LLC. for such services currently scheduled to end August 31, 2026. The City intends to issue an RFQ to establish one or more new master service agreements to assist with these services during the remaining years of the FA. Negotiated master agreements will be brought to City Council later this fiscal year for approval per the purchasing policy.

Sustainability Impact

This item aligns with Cupertino's Climate Action Plan 2.0 section "Getting to Zero Waste." Effective waste disposal programs align with AB 939, the California Integrated Waste Management Act that requires at least 50% diversion from landfill after 1/1/2020, the City of Cupertino's Zero Waste Policy adopted December 19, 2017, and complies with SB 1383 Short-Lived Climate Pollutants: Organic Waste Methane Emissions Reductions.

Fiscal Impact

Recology collects funds from the ratepayers and uses those for their cost of operations, payment of landfill and recycling and compost processing fees, payment of franchise fees to the City, and payment of the Solid Waste Fund Operations Fee, which covers the City's staffing and management of the waste hauling agreement and compliance with State and local waste reduction and recycling regulations. Per the Franchise Agreement (section 7.1) the Franchise Fee will remain the same for the term of the agreement at 12% of Recology's gross receipts less the Solid Waste Fund Operations Fee. The Solid Waste Fund Operations Fee was increased by 2.2% per CPI.

Table 4 shows the fiscal impact to the City since the agreement began. Because the current Rate Period (RP 5) is not yet complete and RP 6 is projected, some numbers are not known yet and are shown in italics. Any budget adjustments needed will be brought to Council.

Table 4

Fiscal Summary	**Feb 2021 – Jan 2022 (RP 1)**	**Feb 2022 – Jan 2023 (RP 2)**	**Feb 2023 – Jan 2024 (RP 3)**	**Feb 2024 – Jan 2025 (RP 4)**	**Feb 2025- Jan 2026 (RP 5)**	**Feb 2026- Jan 2027 (RP 6)**
Franchise Fees (for use by Gen. Fund)	$1,513,007	$1,771,937	$2,146,182	$2,057,052	*$2,117,495 (projected)*	*$2,283,042 (projected)*
Solid Waste Fund Operations Fees (Fund 520 – restricted use)	$1,396,128	$1,438,008	$1,354,124	$1,720,697	$1,684,767	$1,721,832
Total Received	**$2,909,135**	**$3,209,945**	**$3,500,306**	**$3,777,749**	***$3,802,262***	***$4,004,874***
Use of Fund 520 for rate smoothing	($ 686,072)	($ 957,082)	($ 840,405)	($547,800)	($394,465)	($0)
Net to City	**$2,223,063**	**$2,252,863**	**$2,659,901**	**$3,229,949**	***$3,407,797***	***$4,004,874***

City Work Program (CWP) Item/Description:

None

Council Goal:

Environmental Sustainability, Quality of Life,

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Ursula Syrova, Environmental Programs and Sustainability Manager
Reviewed by: Chad Mosley, Director of Public Works
Floy Andrews, Interim City Attorney
Approved for Submission by: Tina Kapoor, Interim City Manager
Attachments:
A – Recology Franchise Agreement
B – Draft Resolution