



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: June 17, 2025

Subject

Approve agreements for post-collection services and destination facilities for garbage and construction and demolition (C&D) debris with attendant rate increases.

Recommended Actions

1. Adopt Resolution No. 25-___ approving the following agreements for post-collection services, and authorizing the City Manager to execute the agreements in substantially the same form as presented:
 - a. An agreement with Zanker Road Resource Management, LLC for solid waste construction and demolition (C&D) material processing services to begin November 21, 2025, with a ten-year term.
 - b. An agreement with International Disposal Corporation of California, Inc., for disposal of garbage at Newby Island Sanitary Landfill Facility with a ten-year term.
 - c. A Merchant agreement with the City of Sunnyvale for garbage processing at the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station®) and residue disposal for a term of 20 years.
2. Adopt Resolution No. 25-XXX approving Budget Modification #2526-395 increasing appropriations in the Resource Recovery (Fund 520) budget by \$35,000 through the use of fund balance to cover differences in disposal and C&D processing cost during the period between November 21, 2025 and January 31, 2026, allowing customer rates to remain unchanged until the beginning of Recology's Rate Period Six, which begins February 1, 2026.

Executive Summary

For the last thirty-six years, Cupertino's garbage (all materials placed in gray carts or bins) has been collected by Recology's garbage trucks and taken directly to Newby Island Sanitary Landfill Facility (Newby Island) for disposal, currently operated by International Disposal Corporation of California, Inc. (IDC). Construction and

demolition (C&D) debris is also collected by Recology and taken to Newby Island for processing to recover recyclable materials. The agreement covering both those services will expire on November 20, 2025, and new agreements need to be executed.

Following a Request for Proposals (RFP) process directed by City Council in 2023 and parallel negotiations with the City of Sunnyvale, staff is recommending approval of three new agreements as noted in the recommended actions. One directs C&D material to a new facility to increase diversion, one allows garbage to continue being taken to Newby Island, and the third would send garbage to be processed (after a planned facility upgrade is complete in 2027), reducing the tons going to landfill by half.

The Recology franchise hauling agreement is not part of today's action but will need to be amended at a future date with Council's approval to make conforming changes to reflect updated approved destination facilities.

Changes to the customer rates pursuant to these new agreements would begin at the normal rate adjustment period effective February 1, 2026. For construction debris boxes, rates will increase 7% - 10% (an estimated \$46 - \$115 extra) for mixed materials. For landfill service, rates will increase \$0.06/month for the average resident. These changes would be in addition to the annual index-based adjustment for Recology's operations.

These agreements do not affect the City of Cupertino's General Fund because garbage rate payers (residents, businesses, and construction projects) pay for the services through their garbage rates.

If the City chooses to pursue an agreement for garbage processing, it could cost the average residential customer an estimated additional \$6.25 per month (about 14%) starting in 2027. With that increase, Cupertino's per-month garbage rates would continue to be commensurate with rates charged in surrounding cities (see Figure 1).

Figure 1

2025 Single-Family Residence Garbage Rates	
Estimated Rate Impact of Processing Garbage Compared to Other Cities	
City	32 or 35-gallon cart
Cupertino now	\$44.30
Cupertino with new landfill agreement	\$44.36
Milpitas	\$45.43
Sunnyvale	\$46.43
Mountain View	\$46.55
Palo Alto	\$50.07
Campbell	\$50.21
Cupertino with garbage processing (20 yr Partner)	\$50.36
Cupertino with garbage processing (20 yr Merchant)	\$50.61
Los Altos	\$51.25
Santa Clara	\$51.51
Los Gatos	\$53.22
San Jose	\$53.45
Saratoga	\$55.81
AVERAGE	\$49.54

Background

The City has an agreement for waste *collection* with Recology for all streams of waste (garbage, recyclables, compostables, and C&D debris). Recology subcontracts for processing of recyclables (blue cart items) and compostables (green cart items). The Recology agreement has a term ending in 2031 and is not part of this discussion.

Disposal costs account for a small portion of the Recology rates charged to residents and businesses through the Recology rate structure as “pass-through” costs. Recology does not have control over those costs since they are established through an agreement between the City and the disposal or destination facility. Changes to Recology’s rates as a result of the agreements discussed here would be incorporated into the customer garbage rates at either the regular rate adjustment interval effective February 1 each year, or at a different interval under a special rate adjustment process. City Council does not set Recology’s rates, but it does approve rate schedules before they can be applied.

The City currently has one agreement that covers both garbage (disposal of material placed into gray carts) and C&D debris (handling of material placed into debris boxes at construction sites). That agreement is with IDC, which operates Newby Island Landfill. The agreement ends November 20, 2025, and new agreements need to be established to secure destination facilities for garbage and C&D debris.

These agreements do not affect the City of Cupertino's General Fund because garbage rate payers (residents, businesses, and construction projects) pay for the services

through their garbage rates. The City's role is to set standards, establish agreements for the service, and monitor performance.

City Council last considered this topic on May 2, 2023, and directed staff to conduct a Request for Proposals (RFP) for garbage and C&D debris disposition services, including consideration of options to process garbage for recovery of organic and other recyclable materials. At that meeting staff presented an estimated rate increase between \$5 - \$8/month for processing, and Council had expressed interest in this service if the negotiated rates met the estimate.

Reasons for Recommendation and Available Options

RFP Process

Following direction from City Council to conduct an RFP, Staff worked with the City Attorney's Office, the Purchasing Manager, and HF&H Consultants, Inc., to design a robust RFP process. Initially the intent was to include garbage processing in the RFP. However, at the time of the RFP only one garbage processing facility, within a reasonable geographic distance, had permitted capacity to accept additional tons. That facility is the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station®), owned by the City of Sunnyvale. As Sunnyvale and Cupertino are both public agencies, staff began sole discussions with Sunnyvale, as permitted by Cupertino Municipal Code (CMC) section 3.22.070 B.1, and removed garbage processing from the RFP process. For transparency, the RFP included information about the City's intent to have that parallel discussion and the plan to bring all options to City Council for consideration.

The RFP covered the two remaining services: landfill disposal and C&D debris processing and disposal. Proposers had the option to submit a proposal just for landfill services, just for C&D debris processing services, or both. The RFP was posted on July 31, 2024, and two proposals were received by the closing date of September 12, 2024. The two proposers each responded to both services. Staff worked with the Purchasing Manager to conduct thorough evaluations of the proposals, including site visits and interviews. The outcome of that process was Zanker Road Resource Management, LLC as the winning proposer for C&D debris processing at their Zanker Road facility, and International Disposal Company, Inc. as the winning proposer for landfill disposal at Newby Island.

Construction and Demolition (C&D) Debris

Per CalGreen, construction projects are required to divert 65% of their debris from landfill. Source separation at project sites can help, but for mixed materials more sophisticated sorting processes increase diversion rates significantly. Zanker Road Resource Management, LLC's proposal was superior due to higher diversion rates and third-party certification of diversion operations, increasing likelihood of compliance with required diversion rates. The Zanker Road facility off of highway 237 between Milpitas and Alviso, has multiple processing lines for C&D materials that are all third-

party certified as achieving the stated diversion rates, as well as a certification for the facility as a whole. As part of the building permit review process, staff tracks C&D debris for all projects with a project value greater than \$100,000. Currently, projects may choose whether to use Recology debris boxes under the franchise, which must be taken to Newby, or they can choose to self-haul materials to a third-party certified facility. Over the past twelve months, 120 projects were routed to the Zanker facility with 84% of the materials getting diverted. Twenty-five projects sent material to Newby, with 47% of the materials diverted. The rate impact to debris box customers is expected to be around \$46 - \$115 extra per debris box of mixed C&D materials, depending on the types and weights of materials. For example, a 16 cubic yard debris box that costs \$701 would increase to \$747, or a 30 cubic yard box from \$1269 to \$1384, a 7% - 9% increase. Tons of C&D debris generated by projects can vary widely depending on construction activity. Over the past year Cupertino generated over 4,000 tons of material that went to Newby Island or were self-hauled to other facilities. Starting November 21, 2025, upon execution of the agreement presented with this staff report, C&D materials would be routed from Newby to Zanker for processing.

Landfill Disposal

International Disposal Company, Inc. (IDC) won the RFP process for landfilling material at Newby Island Landfill, which is in the Milpitas area. The other proposal was far more expensive and involved transferring garbage to a landfill out of the county. Newby Island Landfill is where Recology currently hauls all of Cupertino's garbage. While the landfill is nearing permitted capacity, IDC guarantees ten years of capacity for Cupertino's estimated 15,000 tons of garbage per year. The agreement that staff negotiated includes language to allow Cupertino to exit the agreement early should Council direct staff to divert garbage to be processed, either to the SMaRT Station® upon completion of the planned upgrade, or at a later date. The per-ton cost of disposal is built into the residential rates and accounts for roughly 5% of the total rate. Cupertino has approximately 13,787 residential garbage accounts that generated 6,372 tons of garbage in 2024. Distributed equally, that's about 0.46 tons per single-family residential account (924 lbs. per year). For residential customers with a 32-gallon cart (the most common size) the difference attributable to the new per-ton cost for Newby Island Landfill would be approximately \$0.06/month, effective beginning Rate Period Six (February 1, 2026).

Discussions with Sunnyvale for Use of the SMaRT Station® for Processing Garbage

Due to only one facility in the area having capacity to provide garbage processing services, staff began negotiations with the City of Sunnyvale for these services at the SMaRT Station®. Cupertino has considered use of the SMaRT Station® since 2016:

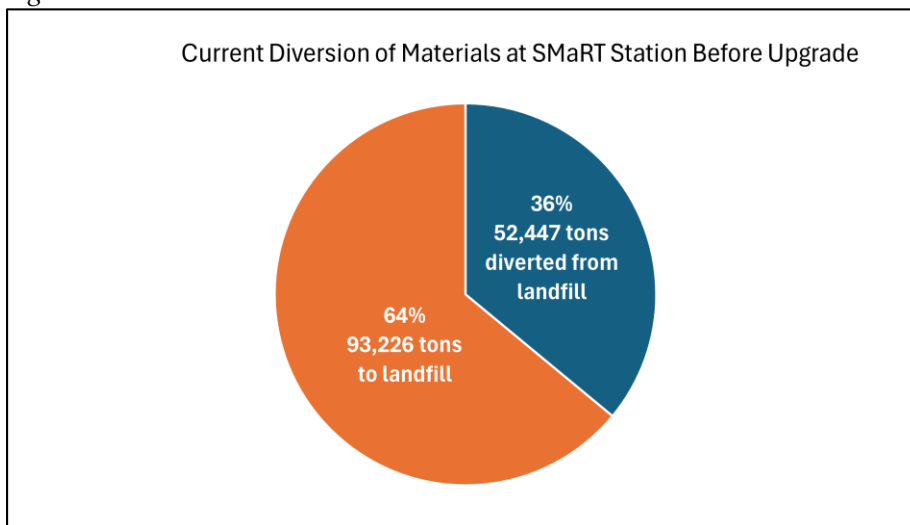
- The possibility was discussed at a Council study session on October 18, 2016.
- On February 14, 2018, Cupertino received a formal letter from Sunnyvale regarding "Invitation to Explore Future Use of the SMaRT Station®."

- On October 25, 2018, the topic was presented as an Item of Interest, after then-Interim City Manager Amy Chan received a letter from Sunnyvale’s City Manager providing a status update on discussions.
- On August 6, 2019, Council adopted Resolution 19-104 “A Resolution of the Cupertino City Council Declaring Interest for the Participation by the City of Cupertino in the Initial Planning for Potential Future Use of the Sunnyvale SMaRT Station®.”
- On June 27, 2023, Sunnyvale staff received direction from their City Council to provide a proposal to Cupertino for use of the SMaRT Station®.

Processing vs Landfilling

For broader context, there are two options for garbage disposition in the Bay Area – send it directly to a landfill or send it to be processed first. Processing garbage involves sending it to a facility that uses machinery and human sorters to pull recyclable and compostable materials out of the garbage, reducing the amount that has to go to landfill. The SMaRT Station® currently pulls out approximately one third of arriving garbage tons as recyclable or compostable material (Figure 2). This process essentially “rescues” those materials that were erroneously thrown away so that they can be diverted for recycling or composting, reducing the tons that go to landfill. The SMaRT Station® will undergo a major equipment upgrade in 2026 which is expected to raise that “rescue” rate to at least one half of arriving tons. Processing garbage supports compliance with SB1383 and would complete action item W1.2 in the City’s adopted Climate Action Plan (CAP) 2.0.

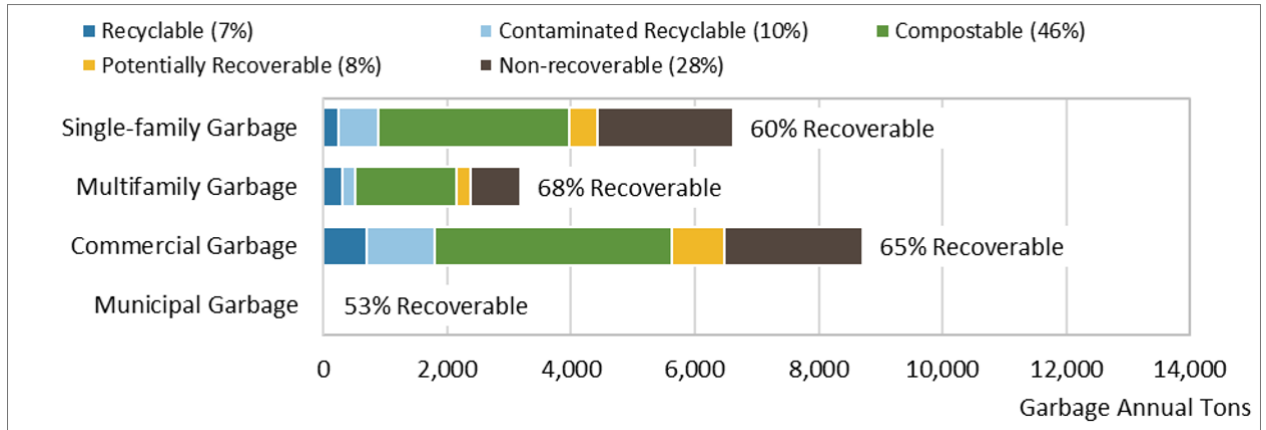
Figure 2



What Is Currently Thrown Away in the Garbage in Cupertino?

Per the results of Cupertino’s most recent waste characterization study conducted in summer 2024, over sixty percent of what is getting thrown away as garbage is recoverable, meaning it should have been placed in either the green or blue containers for recycling and composting. (Error! Reference source not found.3).

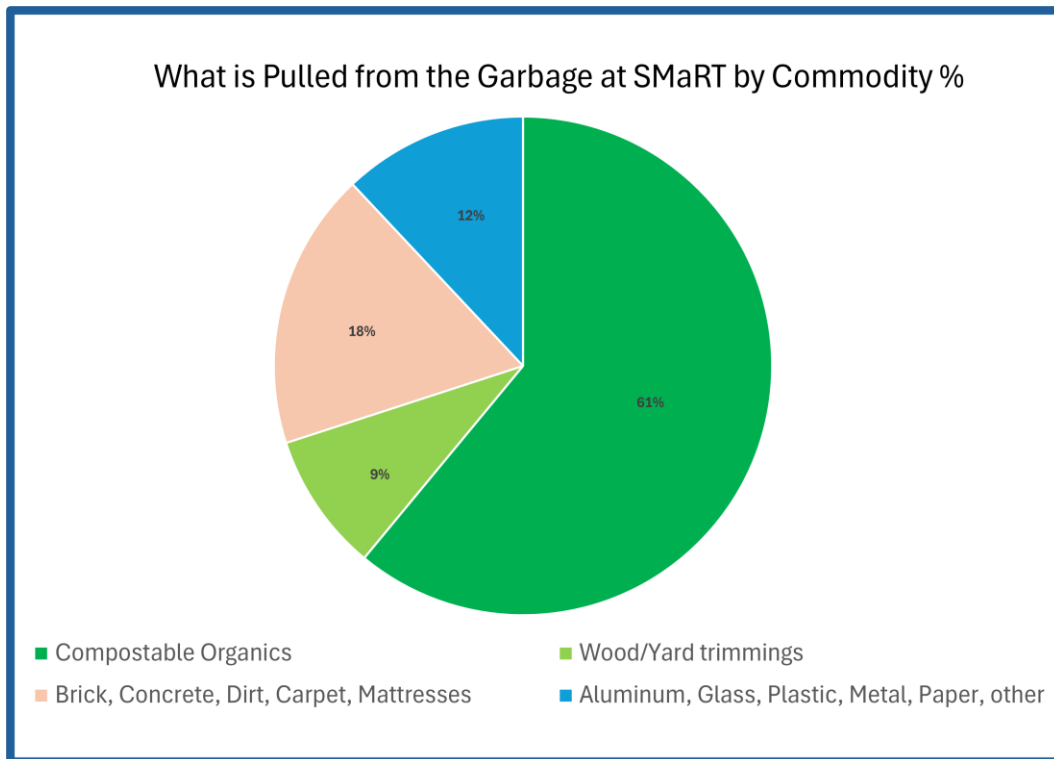
Figure 3



That finding is notable given that staff has been providing service, outreach, and education for many years, including more intensely as required after the implementation of SB1383, California’s Short-Lived Climate Pollutant Reduction Strategy.

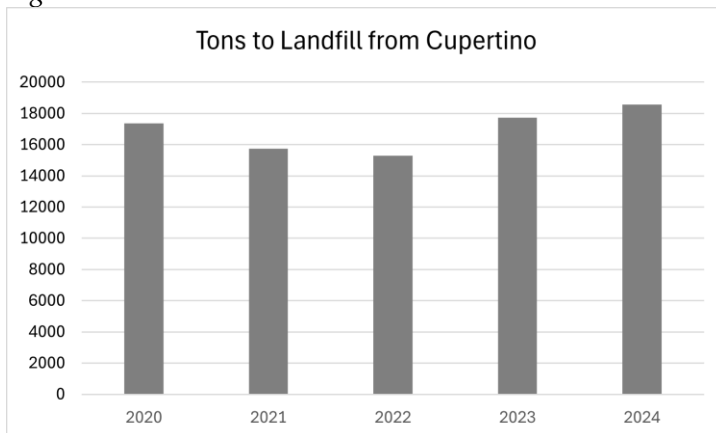
Cupertino is not alone in finding it challenging to encourage residents and visitors to sort properly. Per data provided by the City of Sunnyvale, garbage arriving from Sunnyvale and Mountain View also includes a high volume of recoverable items, and the composition of the diverted materials shows a majority is compostable organics, similar to what was found in Cupertino’s waste characterization (Figure 4).

Figure 4



Meanwhile, the number of tons of material placed into gray bins in Cupertino has continued to increase, and those tons are currently taken directly to Newby Island with no processing. (Figure 5).

Figure 5



Per results in the most recent community survey, 55% of respondents said they put food waste in their green bin. Routing garbage for processing would enhance compliance with SB1383 considerably – essentially providing a fail-safe for when education and enforcement falls short in changing behavior.

SMaRT Station® Agreement Options

Sunnyvale has two options for jurisdictions seeking to use the SMaRT Station®: Partner or Merchant agreements. If Council decides to pursue one of these options, staff recommends waiting to send garbage there until after the SMaRT Station® completes its extensive upgrade project. The upgrade is scheduled to begin shortly after Cupertino's current agreements expire and will require a significant period of downtime (at least six months) during which no processing of garbage will happen. For that reason, exploration of the use of the SMaRT Station® has focused on use of their services after the upgrade, which is anticipated to be complete by the end of 2026. For either of the two options, material remaining after processing is sent to Kirby Canyon Landfill under an agreement that Sunnyvale maintains with Waste Management.

Partner Option

The Partner option means that Cupertino could join Mountain View and Sunnyvale as partners in the use and operation of the SMaRT Station®. Partnership offers a lower per-ton rate for arriving material compared to the Merchant option, while also carrying the added risk of sharing in the cost of operations. Partnership also allows access to ancillary services at the SMaRT Station®, which includes drop-off area for e-waste, paint, recyclables, motor oil, etc. and other services such as document shredding events and extra dump days as noted below.

The per-ton "tip fee" to be paid on every arriving ton of garbage from Cupertino includes anticipation of equipment repair and replacement and any other regularly expected costs. However, the number of tons arriving at the station fluctuates year to year from each partner, meaning the revenue from tip fees also fluctuates while certain costs remain fixed. There could also be costs outside of what is anticipated, although Sunnyvale staff consider that an unlikely risk and Sunnyvale, as the managing partner, maintains a fund as a buffer.

On the revenue side, marketable materials pulled from the garbage result in revenues credited to each partner. All cost and revenue is tallied quarterly and reconciled annually. During the annual reconciliation, the cost of unforeseen expenses, if any, are divided amongst the partners in proportion to the tons each partner delivers to the SMaRT Station®. Revenues from marketable recovered materials are similarly credited, and any difference is either invoiced or credited to the partners. Cupertino would be expected to bring approximately seven percent (7%) of the overall material arriving to the station, and would participate financially based on roughly that percentage which could fluctuate over time. Arriving tons are analyzed quarterly and participation percentage is recalculated regularly in order to fairly share costs and revenues.

Partnership presents additional possible benefits. For instance, if Sunnyvale adds more partners, the expenses are further distributed, reducing each partner's cost. Sunnyvale is actively working to add partners and has capacity to accept additional material. Likewise, if Sunnyvale receives grant funding, as they did recently for a portion of their NextGen equipment upgrade, those savings are passed along to the partners.

Partnership cost and reward is based on actual tonnages received from each partner and percent of utilization overall. As a public agency, the City of Sunnyvale operates the SMaRT Station® with transparent finances and without profit as a goal.

The City of Sunnyvale, as the managing partner, is funding the NextGen upgrade project through bonds. Debt service on those bonds is included in the tip fees, but is also addressed in the partnership Assumption Agreement, calling out the obligation. Sunnyvale and Mountain View both have budget stabilization funds dedicated to handling the revenue or expense that results from the annual reconciliation process.

The Partner option includes:

- Sharing in costs and revenues proportionally between the partners. Costs may go beyond what is collected in the per-ton tip fees.
- Participation in facility oversight and planning discussions.
- Lower per-ton rate (compared to the Merchant option).
- Credit for marketed materials rescued from the garbage (potentially \$8,000 - \$10,000/year).
- Access for residents to ancillary services available 7 days per week at no additional cost:
 - Drop-off of electronic waste, used paint, antifreeze, motor oil, cooking oil batteries, medical “sharps”
 - Drop-off of flattened cardboard, scrap metal, and other recyclable materials
 - Drop-off of mattresses
 - Access to the “Reuse Trailer” where usable furniture or other types of items are available to take
 - Pickup of compost and mulch (currently available under short term agreement)
- Other services available periodically at no additional cost:
 - Confidential document shredding events three times per year.
 - Free dump days for disposing of extra unwanted material.
- A option which is situated closer for disposal of extra self-hauled garbage.

Merchant Option

The Merchant option would be simpler, but more expensive (approximately \$0.25 per month), and will not provide access to ancillary services at the SMaRT Station® drop-off area. The per-ton tip fee for material arriving at the SMaRT Station® from Cupertino is \$5/ton more than the Partner option tip fee, but it would be a set fee per ton and would increase only by CPI with periodic cost-based adjustments similar to Cupertino’s agreement with Recology. There would be no collaboration or involvement in the operation or decision-making at the SMaRT Station®. While there would be no opportunity to share in increased revenue or reduced costs, and Cupertino would receive no credit for marketed materials pulled from the garbage, all expenses would be captured in the per-ton rate and there would be no risk of any unbudgeted additional

financial obligations. Residents would not have access to the SMaRT Station®'s ancillary services (e-waste and other material drop-off, Reuse trailer access, etc. as listed above). While there is convenience to having access to those ancillary services available seven days a week, most of the services offered are available currently to residents through the Recology agreement (Environmental Days with document shredding and e-waste drop-off, extra on-call collections of material, pick-up of batteries and oils) or other third-party no-cost services that will accept paint, medicines, and medical sharps.

Cost Difference Between Partner and Merchant Options

The Partner per-ton price difference is estimated to save Cupertino ratepayers over \$2.6M during a 20-year term compared to the Merchant option, assuming there are no unanticipated expenses that might be passed along to partners. The following table (Figure 6) shows the expected additional monthly cost for processing based on the type of agreement and the term.

Figure 6

Per Month Estimated Rate Impact	10-year term		15-year term		20-year term	
	\$ increase	% increase	\$ increase	% increase	\$ increase	% increase
32 Gal - Partner	\$6.50	14.7%	\$6.20	14.0%	\$6.00	13.5%
32 Gal - Merchant	\$6.75	15.2%	\$6.50	14.7%	\$6.25	14.1%

Merchant Agreement Recommendation

The Partner agreement option presents a slightly lower rate impact to residents, additional services, the potential to realize gain from the sale of recyclables, and participation in the operation of the SMaRT Station®. However, it also brings the possibility of expenses that go beyond what is captured in the per-ton tip fees and creates complications through the need to establish a “Buffer Fund” to address these costs. Further, the partnership agreement would result in Cupertino having obligations as part of the debt service on the bonds that Sunnyvale will use to fund the upgrade to the station. Staff is unable at this time to fully outline the scope of those financial risks and obligations, as Sunnyvale has not yet completed those transactions. For that reason, and due to the consistency of the Merchant agreement rates as well as the small percentage increase to monthly rates (approximately 0.5%), staff recommends executing a Merchant agreement now while retaining the option to explore partnership in the future.

Sustainability Impact

Routing garbage for processing:

- Would complete a recommended climate change mitigation strategy identified in the City’s adopted Climate Action Plan (CAP) 2.0 under action item W1.2.
- Supports the Sustainability Commission’s recommendation to route collected garbage for processing to increase diversion before final disposal. (October 17, 2024).
- Supports two items in the City’s adopted Zero Waste Policy (Resolution 17-122):
 - Item #1 to “Reduce the amount of waste being generated and disposed of by Cupertino employees, businesses and residents.”

- Item #12, to “Pilot and steadfastly work to expand collection and processing programs that result in materials being diverted from the landfill to their highest and best use, and innovative, cost effective programs that reduce waste generation.”
- Supports Policy INF-7.1 in the City’s General Plan to “Coordinate with solid waste system providers to utilize the latest technology and best practices to encourage waste reduction and meet, and even, exceed State targets.”

Fiscal Impact

These agreements do not affect the City of Cupertino's General Fund because garbage ratepayers (residents, businesses, and construction projects) pay for the services through their garbage rates as billed by Recology. The City’s role is to set standards, establish agreements for the service, and monitor performance.

Rate Impacts to Customers

The following rate impacts (Figure 7) reflect the likely additional expense to ratepayers due only to the change in the destination facility, if implemented this year. As shown, a longer term with the SMaRT Station® brings an overall lower rate. These changes would be in addition to annual index-based or cost-based adjustments to rates detailed in the Recology franchise agreement that occur annually. As discussed earlier in this report, use of the SMaRT Station® is contemplated after upgrades have been completed, so changes to rates are presented as a lookahead for the purpose of decision-making and rates would not actually take effect until Rate Period Seven starting February 1, 2027, if completion of the upgrades to the SMaRT Station® stay on schedule.

Figure 7

Additional Estimated Extra Monthly Cost to Ratepayers	10-year term	15-year term	20-year term
Newby Landfill: 32 Gal extra per month	\$0.06	N/A*	N/A*
SMaRT: 32 Gal - Partner extra per month	\$6.50	\$6.20	\$6.00
SMaRT: 32 Gal - Merchant extra per month	\$6.75	\$6.50	\$6.25

*The term of this agreement is 10 years only due to available capacity

Community Willingness and Rate Comparisons with Surrounding Cities

A 2020 survey of the community specific to waste topics showed 43.2% of respondents were willing to pay more for garbage to be sorted, 44.3% were against, and 12.4% were unsure. Figure 8 below shows how these various options (direct to landfill, processing under a 10-year merchant agreement, and processing under a 20-year partner agreement) would impact rates and how those impacted rates would compare with surrounding cities.

Figure 8

2025 Single-Family Residence Garbage Rates	
Estimated Rate Impact of Processing Garbage Compared to Other Cities	
City	32 or 35-gallon cart
Cupertino now	\$44.30
Cupertino with new landfill agreement	\$44.36
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Los Gatos	\$53.22
San Jose	\$53.45
Saratoga	\$55.81
AVERAGE	\$49.54

Use of Resource Recovery Fund 520 During Interim Period

November 21, 2025 – January 31, 2026

Rates are charged by Recology and incorporate the costs of handling or disposing of material after collection. For Recology, those are costs they do not control and must pass them through to the ratepayers based on the agreements the City executes. The next rate period begins February 1, 2026, but the City's current agreement with IDC ends on November 20, 2025, presenting the City with an interim period of just over ten weeks. For this interim period between November 21, 2025 – January 31, 2026, staff recommends that Recology invoice the City for the difference between current disposal rates and the new rates. The City can use the Resource Recovery Fund 520 to cover that difference, which would be expected to be around \$20,000 total for the regular garbage accounts. The difference in C&D debris processing cost is harder to estimate because it is variable depending on construction projects and the composition of the material streams, but is expected to be no more than \$15,000 total based on average debris box tons per month during 2024. That use of the Resource Recovery Fund is an allowable use for the benefit of ratepayers and avoids administrative burden to effect an earlier rate change to the customers. City Council will consider the Rate Period Six rates at a Council meeting before the end of the calendar year. To accommodate that, staff requests Budget Modification #2526-395 to increase appropriations in the Resource Recovery budget for FY 25-26 in the amount of \$35,000.

City Work Program (CWP) Item/Description

None

Council Goal:

Environmental Sustainability

California Environmental Quality Act

No California Environmental Quality Act impact anticipated. Negative Declarations will be prepared before commencement of chosen services and facilities.

Prepared by: Ursula Syrova, Environmental Programs & Sustainability Manager

Reviewed by: Chad Mosley, Public Works Director

Floy Andrews, Interim City Attorney

Michael Woo, Senior Assistant City Attorney

Approved for Submission by: Tina Kapoor, Acting City Manager

Attachments:

A – Zanker Agreement for C&D

B – IDC Agreement for Newby Landfill

C – SMaRT Station Partner Agreement

D – SMaRT Station Merchant Agreement

E – Resolution 25-XXX for Approval of Agreements

F – Resolution 25-XXX for Budget Modification