



PUBLIC WORKS DEPARTMENT

CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: October 2, 2018

Subject

Recology Cupertino's request for payment of \$8,023 to cover additional costs to process commercial organic materials collected in calendar year 2017

Recommended Action

Authorize a payment of \$8,023 to Recology Cupertino from the Resource Recovery fund 520-81-801 to cover additional costs to process commercial organic materials collected in calendar year 2017.

Description

Per Recology's franchise agreement with the City of Cupertino, Recology may request reimbursement by March 2nd for the costs of processing additional commercial organics over the amount processed in calendar year 2016. When a request for a commercial organic reimbursements is received, the increased costs of processing the organics is compared against the revenues received through the sale of these organics and the year over year change in commercial organic franchise fee revenues. The difference between costs and revenues becomes the reimbursement amount. Accordingly, Recology has requested this additional cost in the amount of \$8,023 (Attachment A). This amount has been verified for accuracy by the City-retained auditor - HF&H. The additional tons processed are a direct result of increasing mandatory collection of organics at businesses.

Discussion

In 2010, the City and Recology initiated the commercial organics program. The expected cost for Recology to process the organic material was uncertain at the time the program started and an approximate amount of 3,500 tons of commercial organic processing were included in the 2010 rate structure. In 2015, Council adopted a mandatory commercial organics ordinance that is an accelerated and more stringent version of the state's AB1826. Beginning in September 2015, and as a result of this ordinance, diversion of commercial organics increased to 5,879 tons when all businesses that generated more than eight cubic yards of organic waste were required to recycle these wastes. This mandate resulted in Recology requesting an organic processing reimbursement of \$146,128 for the time period

of October 2015 through June 2016. This request and an increase in maximum commercial rates of 5.28% was authorized by Council on July 5, 2016.

In January 2016 a second tier of Cupertino's mandatory commercial organics ordinance occurred wherein all businesses that generated up to three cubic yards of organic waste or a solid waste stream that is comprised of 25% or more of organic food waste material were required to subscribe to and maintain organic material recycling services. This resulted in an increase of 1,111 tons and a total of 6,990 tons of commercial organics being processed in 2016. On December 5, 2017, Council authorized an amount of \$5,365 to Recology as a reimbursement for processing this additional tonnage.

Due to adoption of the mandatory commercial organics ordinance and the increasing number of businesses impacted by the progressive implementation of the ordinance, education of commercial businesses ramped up significantly in 2016 and 2017. The effect of this education and the resulting increase in participation was a total of 7,563 tons of commercial organics processed in 2017. This was an increase of 573 tons compared to the 6,990 tons processed in 2016.

On July 1, 2018, the last tier of the mandatory commercial organics ordinance was implemented wherein all businesses that generate four cubic yards of any waste and all multi-family complexes with five or more units must recycle organic wastes. It is expected that this last tier will result in increased diversion and increase costs for 2018. Staff anticipates that a rate increase may be requested by Recology in 2019. If a rate increase is needed, it will be preceded by public education, notification and a public hearing. Staff is also conducting a tonnage audit and waste characterization study so as to better understand additional costs that will be incurred as a result of the July 2018 requirement.

Sustainability Impacts

CalRecycle reports that of the nearly 35 million tons of waste that reach California's landfills each year, approximately 80% could be recoverable through organics and construction and demolition debris collection programs. Though Cupertino is exceeding state mandates for waste diversion, this City's organics recycling program supports continued efforts to accelerate zero waste targets recommended by Council in the City's Climate Action Plan, which both align with AB32 goals and reflect those adopted by adjacent jurisdictions.

CEQA Exemption

Staff has determined that this action is exempt from the requirements of the CEQA in that it is not a project which has the potential for causing a significant effect on the

environment and is a regulatory action as authorized by State law. This determination is pursuant to the provisions and requirements of the CEQA of 1970, together with related State CEQA Guidelines and Title 14 of the California Code of Regulations, Sections 15061(b)(3) and 15307.

Fiscal Impact

The 2017 processing and hauling costs for 573 additional tons of commercial organics totaled \$67,530. This amount is reduced by the year over year franchise fee revenue reimbursement from Recology to the City in the amount of \$49,131 and the increased revenues due to the sale of the processed organics that total \$10,376. The net amount due to Recology is \$8,203. The Resource Recovery fund 520-81-801 (solid waste fund) will be used for this payment. No additional funding is needed.

Prepared by: Roger Lee, Assistant Director of Public Works

Reviewed by: Timm Borden, Director of Public Works

Approved for Submission by: Amy Chan, Interim City Manager

Attachments:

A – Recology Organic Processing Reimbursement Request (updated 8-18-18)