



PUBLIC WORKS DEPARTMENT

CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: May 21, 2019

Subject

Recology Cupertino's request for payment of \$8,791 to cover additional costs to process commercial organic materials collected in calendar year 2018.

Recommended Action

Authorize a payment of \$8,791 to Recology Cupertino from the Resource Recovery fund 520-81-801 to cover additional costs to process an additional 292 tons of commercial organic materials collected in calendar year 2018 over that which was collected in calendar year 2017.

Description

Per Recology's franchise agreement with the City of Cupertino, Recology may request reimbursement for the additional costs of processing additional commercial organics. Recology has requested reimbursement based on the year over year change in costs of processing additional organics against the revenues received through the sale of organics and the commercial franchise fee revenues. Recology requests reimbursement based on the difference between these costs and revenues. Accordingly, Recology has requested reimbursement in the amount of \$8,791 (Attachment A). This is the same methodology provided by Recology and approved by the City in previous years. 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 was 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 late 2015 through June 2016. This request and an increase in maximum commercial rates of 5.28% was authorized by Council on July 5, 2016.

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 beginning in 2016. Based on an increase in organics collection and processing costs since adoption of the ordinance, on December 19, 2017 Council approved Recology's request for payment of \$5,365 for calendar year 2016, and on October 2, 2018 Council approved Recology's request for payment of \$8,023 for calendar year 2017.

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. This last tier resulted in the increased diversion and increased costs for calendar year 2018 as shown on Recology's table included in Attachment A. In particular, a total of 7,855 tons of commercial organics were processed in 2018. This was an increase of 292 tons compared to the 7,563 tons processed in 2017. The methodology used by Recology for this request is the same as used to support its requests for 2016 and 2017.

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

Recology requests reimbursement based on the increased processing and hauling costs for 292 additional tons of commercial organics (\$46,882), reduced by the year over year

franchise fee revenue reimbursement from Recology to the City (\$30,809) and the increased revenues due to the sale of the processed organics (\$7,281). The net amount requested by Recology is \$8,791. Details of these costs and revenues are included in Attachment A and have been reviewed by staff. The Resource Recovery fund 520-81-801 (solid waste fund) will be used for this payment. No additional funding is needed and no change to the maximum rates are proposed at this time.

Prepared by: Cheri Donnelly, Environmental Programs Manager

Reviewed by: Roger Lee, Acting Director of Public Works

Approved for Submission by: Timm Borden, Interim City Manager

Attachments:

A – Recology Organic Processing Reimbursement Request (March 29, 2019)