



PUBLIC WORKS DEPARTMENT

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3354 • FAX: (408) 777-3333
CUPERTINO.ORG

CITY COUNCIL STAFF REPORT

Meeting: October 6, 2020

Subject

Study session to receive input on services to be provided in a new 10-year franchise agreement.

Recommended Action

Receive and provide input on services to be provided in a new 10-year franchise agreement.

Background

The Franchise Agreement with Recology Cupertino (Recology) for solid waste collection services expires on January 31, 2021. At the April 21, 2020 City Council meeting, Council authorized staff to pursue sole-source negotiations with Recology for a new 10-year agreement. If negotiations are unsuccessful or not completed by the end of the current franchise term, the City and Recology have approved an automatic “bridge agreement” extension of the current agreement of up to 18 months. The Bridge Agreement would include a 5% rate increase for all categories of customers. If needed, the Bridge Agreement would ensure continuation of trash, recycling, and organic materials hauling service during the bridge term until the City could complete negotiations or enter an agreement with a new solid waste collector.

The City, with the assistance of HF&H Consultants, issued a Request for Proposal (RFP) to Recology on July 23rd. Recology submitted their proposal to the City on September 8, 2020.

Requested Services

The City’s RFP request included continuation of current services and pricing of potential new services. Additionally, the RFP included activities required to ensure compliance with SB1383 Short-Lived Climate Pollutants (SB1383) that will go into effect in 2022. Those requirements include extensive work with residential and commercial food generators to divert edible food to food rescue organizations, ensuring proper sorting through regular waste assessments and notices, and robust outreach, education, and reporting. Cupertino is favorably positioned to address the new regulations because the

City is already largely in compliance; however, the additional required education, monitoring, and reporting activities will likely influence rates.

Community Input on Valued Services

As the City moves through the negotiation process, it is important to understand the services our community values. In order to identify these valued services, input from the community is ongoing and has been solicited in several ways.

A statistical survey was developed with Godbe Research (Godbe) and HF&H that collected almost 700 responses from residents. This exceeded the statistically significant target of 400. The survey included questions regarding “extra services” such as Environmental Days, on-call collections of bulky items, and curbside collection of oil, batteries, and fluorescent bulbs. There were also questions regarding satisfaction with Recology’s services. The survey was made available online, including a version translated in Traditional Chinese. A separate version was created specifically for commercial and multi-family property management customers to evaluate their needs and valued services. A webpage is maintained at Cupertino.org/newFA with links to the surveys and FAQs. Notifications about the surveys, online meetings, and this Study Session have been placed in the Scene, on social media, in the Business Buzz newsletter, and sent via direct mail to businesses. Two online community meetings were conducted which offered additional opportunities for direct feedback from the public. The Chamber of Commerce Legislative Action Committee has received two updates: one in March about the intent to negotiate, and another in September about SB1383 and possible rate impacts. The Sustainability Commission received similar updates in February and May, and Sustainability Commissioners were notified of the surveys and online meetings.

Draft results from the Godbe residential survey indicate that the full scope of current services remains popular. Most respondents felt that maintaining the current scope of services was preferable even if it meant some rate increase. Satisfaction with Recology’s services and customer service was rated highly, similar to the results of the last Cupertino Biennial Citywide Community Survey. In the recent Godbe survey, residents were asked about paying for certain services on an as-requested basis rather than including them in the baseline services. While there was interest in that idea, there was comparatively more interest in maintaining the current scope of services. When asked about possible future services, residents expressed the most interest in expanded cardboard collection. Residents were also interested in having organics carts washed once a year or in having the option for a smaller trash cart. Detailed findings from the survey will be discussed during the Study Session. The table below shows a highlight of survey results.

Service	% in Support
Expanded collection of cardboard	81.5%
Annual washing of organics carts	61.7%
Smaller trash cart	43.1%
Pay for certain services as requested	68.9%
Maintain current scope of services included in rates	76.8%

Rates and Comparisons

Potential new maximum rates for collection services are still under negotiation. Rates are anticipated to increase, and further analysis of costs and possible phasing-in of increases is ongoing. It is anticipated that the agreement will include use of a consumer price index (CPI) and two other indices to calculate annual rate adjustments to costs to provide service.

State SB1383 legislation, which goes into effect on January 1, 2022, will contribute to expected rate increases. Rates are also expected to be influenced by reduced recycled material revenue due to the current international recycling markets, and higher labor and operational costs. One goal of negotiations is to keep rates for customers as low as possible. Accordingly, the City is comparing the Recology proposal to similarly-served cities to ensure competitive rates. If it seems that a more favorable proposal could be achieved by going out to bid, the City retains that option.

Current rates charged to customers continue to be among the lowest rates in the region. The table below shows a comparison of current Cupertino rates with five nearby agencies. It is anticipated that other Santa Clara County cities will also be raising rates to address SB 1383.

CITY	32-gal cart	65-gal cart	95-gal cart
Cupertino (2020)	\$29.60	\$56.97	\$84.34
Cupertino (with Nov 2020 CPI increase)*	\$30.50	\$58.71	\$86.91
Campbell (20/21)	\$33.33	\$62.80	\$92.28
Mountain View (20/21)	\$34.95	\$69.90	\$104.85
Sunnyvale (20/21)	\$37.36	\$41.47	\$46.67
Santa Clara (20/21)	\$37.90	\$55.70	\$73.60
AVERAGE (with Cupertino)	\$34.81	\$57.72	\$80.86
AVERAGE (without Cupertino)	\$35.89	\$57.47	\$79.35

Residential: Sorted by 32-gallon rate; Commercial rate comparison is similar.

**Current franchise agreement allows an annual CPI adjustment to occur each year (typically in November). For this year, the increase will be 3.05%*

Next Steps

The City is on an aggressive schedule of negotiation meetings to assess costs, risks, establish base services, and resolve agreement exceptions. The goal is to bring the new agreement with a recommended rate of services to City Council for adoption before the end of the current agreement term in January 2021. If negotiations are unsuccessful, the City retains the option to bid the contract.

Sustainability Impact

State regulations for diverting organic materials from the landfill are intended to reduce greenhouse gas emissions. The Short-Lived Climate Pollutants (SB1383) regulations target a 75% reduction in organics to landfill statewide by 2025, and both the City and Recology will have required actions to ensure diversion is taking place. Effective diversion goals are also reflected in the community solid waste measures in Cupertino's Climate Action Plan. Measure C-SW-1 calls for a community wide diversion rate of 75%, C-SW-2 seeks to increase diversion of food scraps, compostable paper, and yard waste, while C-SW-3 set a goal to divert 60% of construction and demolition waste from landfill. The new 10-year agreement incorporates language to address diversion goals and actions which include outreach, education, auditing, and reporting.

Fiscal Impact

The City is negotiating to keep rates low for residents and businesses. In the current agreement, the City is a customer and pays for landfill fees but not collection fees. In the new agreement, the City will pay for collection. Detailed rate and fee information will be provided when the negotiated agreement is presented to City Council.

Prepared by: Ursula Syrova, Environmental Programs Manager

Reviewed by: Roger Lee, Director of Public Works

Approved for Submission by: Dianne Thompson, Assistant City Manager

Attachments:

A - Residential survey questions in English and Chinese

B - Commercial survey questions in English and Chinese