



DATE: October 27, 2020

CATEGORY: New Business

DEPT.: Public Works

TITLE: **Agreement with Recology Mountain View for Recyclable Materials, Organic Materials, and Solid Waste Collection Services**

RECOMMENDATION

Authorize the City Manager of the City of Mountain View to execute an agreement with Recology Mountain View (Recology) to provide Recyclable Materials, Organic Materials, and Solid Waste (Garbage) Collection Services for the 10-year term of July 1, 2021 through June 30, 2031.

BACKGROUND

Mountain View’s solid waste and recycling collection, processing, and disposal system is made up of services provided by three separate entities under different agreements (see Table 1). These three agreements cost a total of \$26 million in Fiscal Year 2020-21 (approximately 75 percent of the Solid Waste Program) and expire near the end of 2021.

TABLE 1: CURRENT SOLID WASTE AGREEMENTS		
Provider	Service Type	Agreement Time Period
Recology Mountain View	<ul style="list-style-type: none"> ● Collect garbage, recycling, and organics from residences, businesses, schools, and construction sites and haul the material to the Sunnyvale Materials Recovery and Transfer (SMaRT®) Station. ● Compost organics collected from businesses. ● Operate a local recycling center. 	April 2013 to October 2021
Sunnyvale SMaRT Station	<ul style="list-style-type: none"> ● Process garbage, bulky goods, and construction debris to remove recyclables. ● Sort and market recyclables. ● Transfer remaining waste to landfill. 	October 1991 to October 2021

Provider	Service Type	Agreement Time Period
Waste Management	<ul style="list-style-type: none"> • Dispose solid waste from SMaRT Station at Kirby Canyon Landfill. 	September 1991 to December 2021

On [October 29, 2019](#), the City Council authorized staff to begin negotiations with the current service providers (Recology, City of Sunnyvale, and Waste Management) to establish new agreements for solid waste collection and processing services. On [January 28, 2020](#), the City Council approved a scope of services for Recology and approved negotiating parameters for a Memorandum of Understanding (MOU) with the City of Sunnyvale for use of their SMaRT® Station.

Negotiations with Recology are now complete, and the Council is requested to consider approving a new agreement. The SMaRT Station MOU and Waste Management disposal agreement negotiations are currently underway and are anticipated to be presented for Council consideration in early 2021.

ANALYSIS

Staff conducted a lengthy review and negotiation process with Recology to develop a new agreement utilizing the scope of services approved by Council. The recommended agreement includes new services required for compliance with recently adopted State regulations ([Senate Bill 1383](#)), other service improvements to further the City’s Zero Waste goal, and several cost-saving measures as detailed in Table 3.

Collection Services

All existing recycling and collection services will continue. Several new services have been added, and some existing services were revised. Tables 2 and 3 outline new and revised services.

The new agreement will become effective on July 1, 2021 (Year 1 is Fiscal Year 2021-22), bringing the current agreement to an early close. Recology will begin preparing for new services immediately upon approval of this new agreement to accommodate long lead times for equipment acquisition. Attachment 1 describes the services to be provided under the new agreement.

TABLE 2: NEW SERVICES

Service	Description	Year 1 Cost or (Savings)
Multi-Family Organics Collection	An additional cart collection route is needed to provide organics collection to all multi-family accounts, as required by SB 1383. On July 1, 2021, Recology will immediately begin implementing this program. It will take approximately two and a half (2-1/2) years to bring the service to the remaining 588 complexes that are not in the pilot program because Recology must work with each complex individually to address specific needs and situations.	\$575,000 cost
Multi-Family Bulky Item Collection	Multi-family complexes not eligible for the On-Call Plus Clean-Up program (apartments with nine-plus units) will be offered two bulky item collection events per year. Bulky items include furniture, e-waste, household appliances, and bagged clothing and textiles. At the request of the owner or property manager, Recology will deliver a debris box into which residents can place bulky items (not general debris or garbage). Smaller complexes will have the option of a curbside pickup instead of a debris box. Recology will offer the collected items to partner reuse organization(s) to maximize the reuse of collected bulky items (as described for On -Call Plus Program changes in Table 3).	\$68,000 cost
Illegal Dumping Collection	Recology has been assisting the City with collection of illegally dumped bulky items on a pilot basis. This assistance has been formalized in the new agreement. When the City receives report of an illegally dumped bulky item, if that item does not pose any immediate danger to the public and cannot be traced to a responsible party, it will be collected by Recology on the next regularly scheduled service day as part of the On-Call Clean-Up collections taking place in that neighborhood. Recology is only assigned bulky items, not loose debris.	No Cost


Service	Description	Year 1 Cost or (Savings)
Route Audits	SB 1383 requires municipalities to conduct regular container inspections to check for participation in the City's diversion programs and for contamination. Recology will provide this service and the City will use the audit findings to conduct required enforcement actions and reporting.	\$162,000 cost
Vehicle Outreach Signs	<p>Recology will pilot truck-mounted signs on three residential collection vehicles at no cost to the City. The effectiveness of this outreach tool will be evaluated by the City and, if found to be beneficial, can be expanded at a cost of \$3,000 per vehicle.</p> 	No Cost for Pilot

TABLE 3: REVISED SERVICES

Service	Description	Year 1 Cost or (Savings)
Commercial Organics Collection	In order to provide service to all commercial customers as required by SB 1383, a new route will be added to supplement the existing commercial organics route. The existing route has room for growth, so the new one will not be added until Year 2 or Year 3 of the new agreement.	\$525,000 cost

Service	Description	Year 1 Cost or (Savings)
Outreach and Technical Assistance	<p>Recology currently employs one specialist to provide technical assistance and outreach to multi-family and commercial accounts. A second specialist will be added to handle the increased number of accounts required to have organics and recycling services. The specialists will also provide enhanced services to special events and schools and will assist the City in complying with the edible food rescue requirements of SB 1383. Budgeted outreach supplies include kitchen pail kits, multi-family recycling “buddy bags,” service guides, sorting posters, container labels, and all supplies schools will need to improve their programs, including indoor collection containers.</p>	\$400,000 cost
On-Call Plus Clean-Up Program (OCP)	<p>The OCP program will be modified to increase opportunities for reuse of items collected. Use of the rear-loader solid waste vehicle will be reduced, and an enclosed flatbed truck will be utilized to facilitate collection of reusable items. Recology will partner with one or more reuse organizations to accept many collected items, and will follow a reuse protocol to include advising customers about how to set out materials to maximize reuse and evaluate the set-outs for appropriate vehicle collection. In addition, the number of allowed OCP appointments will be reduced from three to two annually. Residents would still be able to obtain a third voucher for direct haul to the SMaRT Station. This change helps offset the costs of the new reuse program and allows more time for selection of materials for reuse.</p>	(\$8,600) savings
Textiles Collection	<p>Customers with curbside collection may place textiles in clearly marked bags next to their carts on collection day. Multi-family property managers may offer a collection location for textiles to their residents, to be serviced by Recology no more than once per quarter (limit 2 cubic yards per service). Collected textiles will be offered to partner reuse organization(s).</p>	No Cost

Service	Description	Year 1 Cost or (Savings)
New Containers	All recycling and organics carts must be replaced for compliance with SB 1383 mandated colors. The split carts will be replaced in Year 1, with the lid split into light blue and dark blue. Multi-family will be changed to light blue (containers) and dark blue (paper) carts in Year 2. The organics carts will be replaced in Year 3 with green carts. White recycling bins will be painted blue. All other carts and bins are already in compliance.	\$216,800 cost
Collection Vehicles	The collection fleet will be converted over time (as vehicles are due for replacement) from compressed natural gas (CNG) and regular diesel to renewable diesel. Renewable diesel is not derived from fossil fuels but is produced using fats and vegetable oils. It has a higher cetane number than biodiesel, allowing it to combust more efficiently. Compared to CNG, renewable diesel emits less carbon monoxide and particulate matter and has lower life-cycle GHG impacts. There are both environmental and cost benefits of this action. Recology is currently testing an electric vehicle in Mountain View, but these vehicles are in the early development stages. When, and if, they are ready for further deployment, the City can revisit the truck replacement schedule with Recology.	(\$14,000) savings per new vehicle, approximate
Multi-Family Garbage Routes	Currently, Recology operates two 2-person multi-family-only garbage routes. However, only some multi-family accounts require 2-person collection (due to required bin or vehicle movements). These routes have been combined with the commercial garbage routes, and the MFD accounts requiring two-person service will be collected separately, which will result in efficiency savings.	(\$128,000) savings

Optional Service Changes

Staff negotiated a cost proposal for weekly residential recycling collection and a cost-saving proposal to discontinue the California Redemption Value (CRV) buy-back function at the Mountain View Recycling Center:

- Weekly Recycling Collection: \$520,000
- Discontinue CRV Buy-Back: (\$225,000)

The proposals represent Year 1 cost/savings. Staff does not recommend implementing either of these service changes in Year 1. However, they can be implemented at any later year of the agreement. Should the City opt to implement either or both of these changes in Year 2 or later, the cost/savings will be escalated by the same factor that is allowed for Recology's overall expenses in each fiscal year prior to implementation.

Weekly Recycling. Although weekly recycling service would increase convenience to customers, it is relatively expensive in terms of cost-per-ton diverted (500 tons projected diversion at a cost of \$1,040 per additional ton, compared to the base cost of \$373 per ton for the current program) and results in additional GHG emissions. Currently, residents with more recycling than they can hold for 2 weeks can receive an additional cart or a larger cart at no charge. Furthermore, any recycling that is placed in the garbage container is removed and recycled at the SMaRT Station.

Buy-Back Services. Discontinuing buy-back services at the Recycling Center would save the City about \$225,000 annually (beginning in Year 1). This service would still be offered at the SMaRT Station (based on MOU discussions to date) and at some local grocers. While surveys done at the Recycling Center in the last year indicate that less than 30 percent of CRV buy-back customers are Mountain View residents, there are few other locations to redeem CRV in Mountain View at this time. Mountain View partnered with the County, four other cities, and a local company on a CalRecycle grant to pilot a program to expand CRV redemption at Safeway stores, but has received word that the grant was not approved. Therefore, staff would recommend maintaining the buy-back service for now and reevaluating if additional CRV redemption locations become available in the future.

Processing Services

Organics Compost Processing. Recology currently provides composting services for commercial organics at their Blossom Valley Organics North facility in Vernalis (near

Modesto). This service will continue but at increased pricing to reflect current costs as shown in Table 4 below. Recology will also begin processing the City’s residential organics services at their South Valley Organics facility in Gilroy under this new agreement.

The pricing in Table 4 includes all transfer, preprocessing, composting, and regulatory costs. The commercial organics pricing is higher because the facility is farther away and the material requires more preprocessing because it is typically contaminated with garbage.

TABLE 4: ORGANICS PRICING		
Material	FY 2020-21 Processing Fee Per Ton	New Processing Fee Per Ton
Residential Organics	\$74.25	\$88.98
Commercial Organics	\$76.45	\$121.04

Construction and Demolition Debris Processing. Construction and Demolition Debris (C&D) will no longer be processed at the SMaRT Station. Recology has obtained an agreement with Zanker Road Resource Management to process this material at their facility located in San Jose. Per-ton pricing varies depending on the load, but much of the material delivered from Mountain View construction sites will be charged an initial “Commingled Material Rate” of \$87.50 per ton. This price will increase by \$5 per ton per year in the first three (3) years and by the Consumer Price Index (CPI) in the two (2) following years. The processing fees paid to Recology for C&D material will be offset by cost reductions at the SMaRT Station; however, the SMaRT Station budget does not include separate costs by material type, so it is not possible to make a direct comparison. Total SMaRT Station costs for Fiscal Year 2019-20 divided by the total tons of all material delivered equals approximately \$105 per ton. However, this includes fixed costs that will not necessarily decline with the discontinuation of C&D processing.

Commercial Recycling Processing. The SMaRT Station is not ideally suited to process Mountain View’s single-stream commercial recycling because the recycling sorting equipment is designed to handle two streams (containers separated from paper). The cost to upgrade the equipment to accommodate our commercial recycling may be cost-prohibitive. Recology has obtained an agreement with GreenWaste Recovery to process commercial recycling at their facility in San Jose. The processing price is variable, depending on monthly revenues from sale of recyclables and contamination of delivered

loads. The monthly per-ton rate range for Mountain View commercial recyclables is likely to be \$40 to \$75.

Again, it is difficult to compare this pricing directly to the City’s current cost to process commercial recycling at the SMaRT Station, but based on very preliminary cost estimates from Sunnyvale for future per-ton pricing by material type, this agreement with Green Waste would compare favorably.

Overall Compensation

Overall compensation for all new services for Year 1 of the new agreement, as compared to the current compensation, is shown in Table 5. This does not include compensation for processing services, which will be paid monthly on a per-ton basis.

TABLE 5: RECOLOGY MOUNTAIN VIEW COMPENSATION				
	Current FY 2020-21	Year 1 FY 2021-22	Difference FY 2020-21 Versus FY 2021-22	% Increase
Base Services Compensation	\$19,282,270	\$19,653,069	\$370,799	1.92%
New/Revised Services Compensation	\$0	\$1,110,000	\$1,110,000	N/A
Total Compensation	\$19,282,270	\$20,763,069	\$1,480,799	7.68%

The change in Base Service Compensation from the current fiscal year (2020-21) to Year 1 of the new agreement (Fiscal Year 2021-22) reflects a variety of increases and decreases:

- Increases for CPI, split-cart replacement, and property rent;
- Decreases in overtime and equipment maintenance costs in response to the benchmark pro forma done to evaluate Recology’s service costs against a projected standard. The pro forma indicated that Recology’s costs are within a reasonable

range; however, it was noted that both overtime and equipment maintenance costs were out of range and, in response, were reduced by Recology; and

- Decrease due to the change in On Call Plus appointments from three to two.

Compensation increases for replacement carts (multi-family recycling and organics) and the additional commercial organics route will be reflected in Recology’s Year 2 and Year 3 rate applications.

Compensation for processing services will be separate from the collection compensation noted above. Recology will subcontract with their affiliated companies for organics processing and with third-party vendors for other processing. Actual cost will vary each year based on the number of tons delivered to the processors. Increased compensation to Recology for residential organics, C&D, and commercial recycling processing would be countered by reductions in SMaRT Station expenses for these same services and avoided landfill disposal savings.

Compensation will also be increased or decreased in Year 1, or in any later year, if the Council directs either of the optional service changes: add weekly recycling (\$520,000) or discontinue CRV buy-back (\$225,000).

Rate Impact

The rate impacts for Recology compensation under the new agreement are shown in Table 6.

TABLE 6: RATE IMPACTS		
Service	Affected Rates	Year 1 Estimated Rate Impact
Base Services	All Rates	1% to 2%
New and Revised Services	Carts (Residential)	1%
New and Revised Services	Bins (Commercial and Multi-Family)	3%

These estimated rate impacts are not presented as a proposed rate change, but rather as a way to understand the costs associated with the new agreement. They do not reflect processing costs as they cannot be determined until final cost estimates for future SMaRT Station services are available. The rate impacts also do not take into account unknown Fiscal Year 2021-21 SMaRT Station capital expenses (the current MOU is in place through October 2021) or the City's solid waste and recycling program costs.

Final rate impacts of the new Recology, SMaRT Station, and landfill disposal agreements will also be based on an updated cost-of-service study, which will be conducted in the second half of this fiscal year. Updated cost assignments to each rate category are needed as a result of program additions and expected shifts in tonnage collected. For example, it is likely staff will recommend the multi-family organics service costs be embedded in the garbage rate, similar to the single-family program. This may require realignment of the garbage bin rate between multi-family and commercial accounts as commercial customers pay a separate fee for organics service.

The cost-of-service study will also evaluate possible changes to the rate structure needed to stabilize revenues linked to a declining solid waste base resulting from Zero Waste programs and policies.

Recycling Center

At the June 30, 2020 Council meeting, staff was directed to determine the feasibility of developing the City-owned property at 935 San Leandro Avenue (also known as 935 Terra Bella Avenue) into a park. This is the current location of the Mountain View Recycling Center (including CRV buy-back), the Recology local business office, and container storage facility. The City's current collection agreement with Recology requires provision of these services at a location in Mountain View. Recology leases this property from the City under a separate agreement for the purposes of fulfilling the collection agreement requirement.

The new agreement includes terms that will allow the City to require Recology to vacate the property should the City determine at a future date to construct a park on the property. The new agreement specifies that the City will confer with Recology at least 18 months prior to any transition of the property to discuss the necessity of maintaining a Mountain View location for a Recycling Center, Recology local business office, and/or container storage. This provides time for the City and Recology to determine whether there is another suitable location in Mountain View that Recology could lease for these operations or for the City to decide not to continue these services at a Mountain View location. The City will provide at least a 12-month formal notice terminating the lease

which will require that Recology vacate the property. This notification timeline would not delay the construction of a park as designing the park with robust community engagement and awarding a construction contract can take at least 18 months.

Maintaining the Recycling Center, Recology local business office, and/or container storage services in Mountain View at another location, or relocating these services to Recology's main corporate yard in San Jose, would likely have cost implications. The agreement has established procedures to address situations that result in material cost changes such as this.

California Environmental Quality Act

Pursuant to CEQA Guidelines, Section 15061(b)(3), the proposed agreement is subject to the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Because it can be seen with certainty that there is no possibility that executing the proposed agreement will have a significant effect on the environment, the activity is not subject to CEQA.

Further, pursuant to CEQA Guidelines, Section 15301, "Existing Facilities," the proposed agreement is subject to the Class 1 categorical exemption for the operation, permitting, leasing, licensing, or minor alteration of existing public or private facilities where there is a negligible or no expansion of use beyond that currently existing. Because the proposed agreement is a reauthorization of the City's existing routes with a minor addition of two routes, and which will result in a reduction of waste to the landfill, the activity would have a Class 1 categorical exemption.

FISCAL IMPACT

Compensation to Recology for collection and processing services under the recommended agreement will be funded from the Solid Waste Management Fund. The Solid Waste Management Fund supports the City's solid waste collection, transportation, recycling, and disposal services. The Fund also pays for maintenance activities associated with the City's two closed landfills.

Compensation for Fiscal Year 2021-22, including the base services and new/revised services, is \$20,763,069, a 7.68 percent increase over the current fiscal year compensation. This compensation is considered a pass-through expense and is not included in the City's budget. Processing costs are included in the Solid Waste and Recycling Program operating budget and will be paid monthly based on documentation of material deliveries.

Rate increases will be required to provide the necessary funds to support the cost of services provided under the new agreement. Based on the current rate structure, the cost of Recology's services in Fiscal Year 2021-22 is estimated to require rate increases in the range of 4 percent to 5 percent. These are preliminary estimates and subject to change based on any additional cost increases or decreases associated with the SMaRT Station and City Solid Waste and Recycling Program budgets. Any necessary rate changes will be adopted with the Fiscal Year 2021-22 budget and likely become effective July 1, 2021.

CONCLUSION

Based on Council direction, staff has negotiated a new services agreement with Recology for a 10-year term beginning July 1, 2021. A number of new and improved services will be implemented, including programs to increase diversion and ensure compliance with SB 1383 regulations. Compensation for collection services in Fiscal Year 2021-22 will be \$20,763,069, a 7.68 percent increase over current compensation. Rate increases to support the new services will be necessary, but cannot be determined until the SMaRT Station and landfill negotiations and cost-of-service study are completed. However, the rate impact for Recology compensation under the new agreement (not including additional processing services) is approximately 4 percent to 5 percent (1 percent for base services and 3 percent to 4 percent for new and revised services). Staff believes the new agreement represents a good value for the City and recommends Council approval.

ALTERNATIVES

1. Direct staff to not include one or more of the new or revised services in the new agreement, as described in Tables 2 and 3 above, and reduce Recology's total compensation by a commensurate amount.
2. Direct staff to include either of the two optional service changes in Year 1 of the new agreement—weekly recycling and discontinuation of the CRV buy-back center operation—and increase and/or reduce Recology's total compensation by a commensurate amount.
3. Direct staff to modify other terms or services of the new agreement as may be desired by Council. Depending on whether such modifications require additional negotiation or analysis, it may result in a delay to execution of the agreement.
4. Do not approve the proposed new agreement. Direct staff to execute a short-term extension of the current Recology agreement and issue an RFP for the services

included in the proposed agreement. This will delay implementation of new services and compliance with SB 1383 regulations by one to two years.

PUBLIC NOTICING

In addition to the City's standard agenda posting requirements, notice of this meeting was provided via social media, e-mail to neighborhood associations, the Zero Waste interest list, the Chamber of Commerce, and the Downtown Business Association. Notice was also posted on the City's website.

Prepared by:

Lori Topley
Solid Waste Program Manager

Damian Skinner
Assistant Public Works Director

Approved by:

Dawn S. Cameron
Public Works Director

Kimbra McCarthy
City Manager

LT-DS/TS/4/CAM
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Attachment: 1. Collection Services