



Item #4. – 19-806 Action on Agreement with Recology for Residential Curbside Recycling Services

December 3, 2019



City of Santa Clara
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Overview

- November 13, 2018 – Council directed staff to enter into successor agreement negotiations with Recology
- Anticipated base compensation increase
 - Operating costs have outpaced the Consumer Price Index (CPI)
 - Revenue for recyclable materials has dropped due to China's National Sword Policy
- New agreement is a good value for City



Recology
WASTE ZERO



Existing Recology Agreement

- Residential recycling collection and processing services
 - Pricing based on 2008 operating conditions
 - 45,000 customers
 - 9,000 tons collected per year
- 2019 Amendment
 - Extended term to 12/31/21
 - Adjusted compensation due to China's National Sword Policy



Favorable Agreement Terms

- Term through June 30, 2036
- Aligns with proposed Mission Trail Waste Systems and GreenWaste Recovery term
- New Renewable Diesel Trucks
- Free Recycling Bags for all multi-family dwelling units
- Route Growth – Increase routes from 6.5 to 7
- Recyclables Processing – Secured by Recology or City



Fixed Base Compensation

Date	Unit per Month Compensation	Increase Over Prior Year	% Increase Over Prior Year
July 1, 2019 (Current)	\$4.54	\$0.20	4.5%
July 1, 2020 (Negotiated)	~\$5.14	~\$0.60	14.3%
July 1, 2021 (Negotiated)	~\$5.72	~\$0.58	12.5%
July 1, 2022 (Negotiated)	~\$6.48	~\$0.76	12.8%



Fixed Base Compensation (continued)

Effective date	Negotiated annual base compensation paid to Recology
July 1, 2020	\$2,837,000
July 1, 2021	\$3,194,000
July 1, 2022	\$3,635,000

- Base compensation to be adjusted annually
- Changes in compensation will be incorporated into customer rates



Recology: Annual Adjustments

- **Change in compensation methodology**
 - Base compensation adjusted annually for growth
 - Water/sewer/trash CPI (5% max / 2% min) starting July 1, 2023
 - Fixed annual compensation will not include recyclables processing as of January 1, 2022.



Estimated Impact on Customer Rates

Date	Customer rate (per unit per month)	Change in customer rate	% Change in customer rate
July 1, 2019 (Current)	\$4.40		
July 1, 2020	~\$5.00	+ \$0.60	13.6%
July 1, 2021	~\$5.58	+ \$0.58	11.6%
July 1, 2022	~\$6.34	+ \$0.76	13.6%



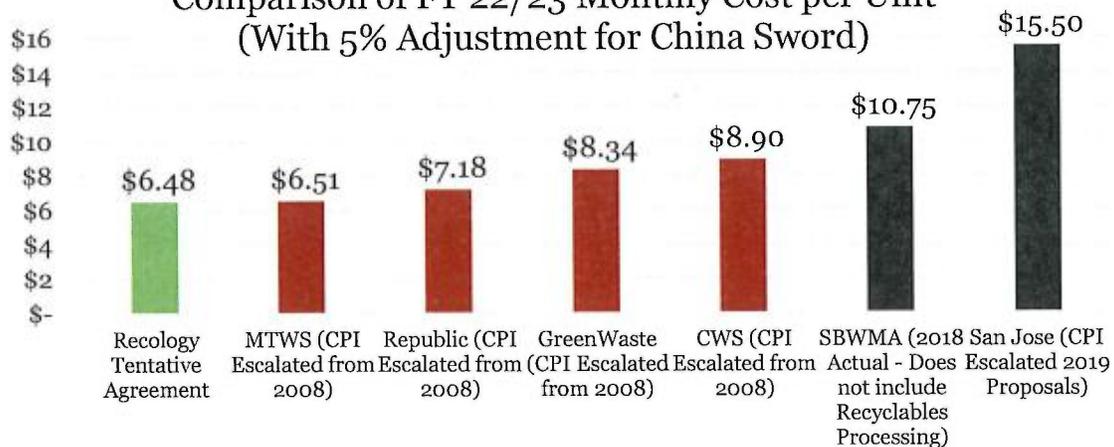
Recology: Comparison & Reasonableness

- Proposed FY 22/23 monthly cost per unit of ~\$6.48 compares favorably
 - Recent proposals for similar service to San Jose are almost double
 - Actual Recology San Mateo costs per unit nearly double
 - CPI escalated estimates of 2008 recycling proposals are generally above proposed compensation to Recology



New Agreement Provides Competitive Prices

Comparison of FY 22/23 Monthly Cost per Unit
(With 5% Adjustment for China Sword)





Summary

- City has benefited from favorable pricing since 2008 under current agreement
- Residents will see no change in services under new agreement
- Estimated customer rate increases were predictable and unavoidable
- Agreement is a good deal for the City



Recommendation

1. Approve and authorize the City Manager to execute a successor agreement with Recology South Bay, dba Recology Santa Clara for residential curbside recycling services
2. Authorize the City Manager to make minor modifications to the Agreement, if necessary



City of Santa Clara

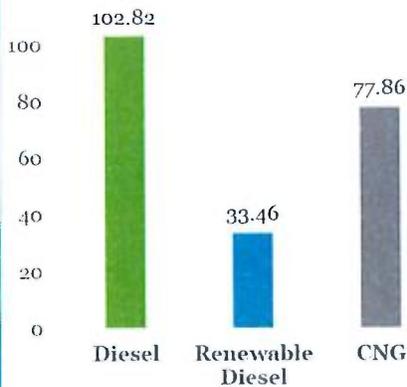
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Recology: Fuel Life-cycle Emissions

Fuel Type		
Diesel	Ultra low sulfur diesel based on average crude oil supplied to CA refineries and average CA refinery efficiencies.	102.82
Renewable Diesel	Conversion of tallow to renewable diesel from Australia-sourced tallow in Singapore plant, shipped to Los Angeles tanker.	33.46
CNG	CA natural gas via pipeline; compressed in CA.	77.86





Recology: Operating Cost Increases

Analysis of Increase Components (Annual)		
FY 22/23 over FY 19/20	Percent Increase	Dollar Increase
New Trucks Annual Depreciation	~4%	~\$90,000
Increase from 6.5 to 7 routes	~7%	~\$160,000
Annual CPI Increases (FY 20/21 - FY 22/23)	~14%	~\$350,000
Service Delivery Variance (Actual over CPI)	~22%	~\$555,000
Total	~47%	~\$1,155,000



Recology: Comparison to Market

