



AGENDA REPORT SUMMARY

Meeting Date: September 20, 2022

Subject: Solid Waste Disposal and Recycling Agreement

Prepared by: R3 Consulting, Inc.

Reviewed by: Aida Fairman, Environmental Services and Utilities Department Director
James Sandoval, Public Works Director

Approved by: Gabriel Engeland, City Manager

Attachments:

1. Solid Waste Disposal Agreement with International Disposal Corp. Of California, Inc. (New Agreement)
- A. Resolution Authorizing the City Manager to enter into an Agreement with International Disposal Corp. Of California, Inc (Republic Services)

Initiated by:

Staff

Previous Council Consideration:

None

Fiscal Impact:

None. The tip fees associated with this New Agreement are incorporated into the overall solid waste rates paid for by residential and commercial ratepayers in the City.

Environmental Review:

Not applicable - Categorically Exempt pursuant to CEQA Section 15061(b)(3). It can be seen with certainty that the New Agreement will not pose a significant effect on the physical environment, and none of the circumstances in CEQA Guidelines Section 15300.2 apply.

Policy Questions for Council Consideration:

- Does the New Agreement alleviate the need for competitive proposals for similar services?
- Does this New Agreement provide the City with a modern agreement that complies with all laws and regulations and provides the City with long-term rate stability and disposal capacity?

City Manager

GE

Reviewed By:

City Attorney

JH

Interim Finance Director

SN



Subject: Consideration of a new long-term solid waste disposal agreement

Summary:

- The New Agreement has a total contract value exceeding the \$100,000 limit, which requires authorization by City Council.
- Contractor owns and operates the Newby Island Sanitary Landfill and associated recycling and composting facilities (“Newby Island”).
- City desires to contract for recycling and long-term disposal of Municipal Solid Waste at the currently used Newby Island Landfill.
- The City and Contractor desire that the Newby Island Landfill be available to the City as a fully permitted facility to receive Municipal Solid Waste from the City for recycling and disposal in accordance with this New Agreement.
- The initial term of this New Agreement shall commence on November 21, 2023, and is expected to continue for a period of the lesser of (i) fifteen years or (ii) the useful life of Newby Island, which for purposes of this New Agreement means that the permitted capacity of the landfill is met.
- The proposed tipping fee of \$52 per ton is competitive with other similar agreements for neighboring jurisdictions and guarantees long-term capacity and stable tipping fees for the term of the New Agreement.

Staff Recommendation

Authorize the City Manager to execute the New Agreement on behalf of the City with International Disposal Corporation of California, Inc for recycling and disposal of the City’s solid waste

Purpose

The current Solid Waste Disposal Agreement (Current Agreement) is set to expire in November 2023. To properly plan for its conclusion, the City engaged R3 Consultants, Inc. (R3) to assist with the strategy, negotiations, and possible competitive procurement of new disposal and recycling services. The early start to the process was done to ensure that if negotiations with the current disposal provider were unsuccessful, there would still be adequate time to seek proposals from other service providers. Based on the long negotiation process, market analysis, and likely alternatives, the staff is recommending acceptance of the New Agreement you have before you for consideration. Should the City Council not authorize the City Manager to sign this New Agreement, staff will work with R3 to develop a Request for Proposals (RFP) to seek other alternatives.



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Background

The City of Los Altos holds a 30-year Agreement for the Disposal of Municipal Solid Waste with International Disposal Corporation of California, Inc., owned by Republic Services, which is set to expire in November 2023. The Current Agreement requires them to accept for disposal or recycling of all municipal solid waste at its Newby Island Sanitary landfill (Newby Island) and associated recycling facilities. Under the old agreement and the anticipated new agreement, construction and demolition debris for most construction or demolition projects utilizing the franchise hauler are also required to be delivered to Newby Island.

The staff has been negotiating the New Agreement with the Contractor since Fall 2021. The proposed New Agreement would begin in August 2023 for the initial term and last for the expected life of the landfill. The New Agreement may be extended in two-year renewal terms if the landfill's useful life extends past its expected life. The currently negotiated terms of the New Agreement include a modest increase in the landfill disposal fee in the first year, which equates to an approximately \$0.19 increase to the average residential customer's monthly collection costs. The landfill disposal fee would be adjusted annually by the Water, Sewer, and Trash Consumer Price Index (WST), a common industry index that aligns with the annual increases under the collection agreement with Mission Trail Waste Systems (MTWS). City staff also negotiated increased commitments for source-separated construction and demolition material recycling and the provision of compost to the City and/or Los Altos residents to assist in meeting the required Senate Bill 1383 procurement targets.

Discussion/Analysis

The City's material is currently disposed of at the Newby Island Sanitary landfill in Milpitas, CA, with the City staff directly managing the Current Agreement with Newby Island and Republic Services. Under the New Agreement, the City's solid waste material would be sent to the same facility through 2038. The current tipping fee paid by MTWS and supported through the customer rates is \$45.79 per ton; the negotiated tipping fee beginning in 2023 would be \$52.00 per ton and is believed to reflect the actual costs and reasonable profit for these services. Based on our analysis, the tipping fee is comparable to other recently negotiated agreements, and well within the market price compared with other jurisdictions, and most importantly, ensures long-term local capacity.

Los Altos is one of several cities with disposal contracts with Newby Island that are expiring in the coming few years; of those, Los Altos will be the first to finalize a new disposal agreement with Newby Island. The proposed New Agreement has largely isolated the proposed fees from the current significant inflationary pressures and locks in that fee subject to the index.

The initial term of this New Agreement will commence on November 21, 2023, and continue for a period of the lesser of (i) fifteen years or (ii) the useful life of Newby Island. After the Initial Term (if the landfill still has the capacity, the parties may extend this New Agreement in two-year increments by mutual agreement). Republic will provide the City with notice at least four years prior to the end of the useful life of the landfill and each year thereafter. If the landfill's capacity is increased via an



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expansion, Contractor and City shall meet and confer on a term extension and tipping fee, and the Contractor will give the City a right of first refusal for access to the increased capacity for the life of the landfill.

Proximity is the most important criteria in recommending this New Agreement. The distance from Los Altos to Newby Island is 15.1 miles, which allows MTWS to haul solid waste directly to the landfill without double-handling it through a transfer station. If the City were to bring its solid waste to a transfer station, more solid waste disposal facilities could be available because the range of travel distance would be longer; however, there are substantial costs associated with the transfer of approximately \$20/ton (with additional costs per mile transferred) and there are limited current options for solid waste transfer. **Table 1**, below presents facilities that would be capable of potentially receiving the City’s material if transferred.

Table 1: Facility Options if Material is Transferred

Facility	City	Distance (miles)
Keller Canyon Landfill	Bay Point	65.3
John Smith Road Landfill	Hollister	66.2
Monterey Peninsula Landfill	Marina	66.9
Potrero Hills Landfill	Suisun City	91.7
Redwood Landfill	Novato	70.2
Forward Landfill	Manteca	81.4

Due to the additional cost to transfer material to a more distant facility, use of these facilities will be more expensive on an overall per ton basis than the facilities listed in **Table 2** below, because of the associated transfer costs. Additional environmental impacts associated with longer trucking distances may also need to be considered through the CEQA process. Because of the need to transfer the solid waste, these facilities are likely cost prohibitive when compared to the Newby Island fee.

If the City desires an RFP, Newby Island might still compete for the City’s material and could propose a higher rate based on inflation and likely other proposed fees it would be competing with. Nearby landfills that might propose on the City’s disposal material are shown in **Table 2**, below. We have not included any other Republic facilities in this list, as we don’t expect Republic to propose more than once on a disposal RFP (e.g., Ox Mountain in Half Moon Bay is another nearby landfill operated by Republic, located 24 miles from Los Altos City Hall).



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Table 2: Disposal Facility Options

Facility	City	Distance (miles)
Newby Island Sanitary Landfill	Milpitas	15.1
SMaRT Station	Sunnyvale	8.0
Guadalupe Landfill (Waste Management)	San Jose	20.9
Kirby Canyon (Waste Management) (requires transfer)	Morgan Hill	32
Altamont Landfill (requires transfer)	Livermore	54

If the City were to develop and release an RFP for solid waste disposal alone, the four facilities in **Table 2** are the likely proposers. However, these facilities are not guaranteed to bid on the City’s material due to a host of reasons: small tonnage amounts, capacity constraints, and/or the requirement to enter a long-term partnership inclusive of other material streams. Guadalupe Landfill, which is otherwise the closest feasible landfill for the direct haul, has contentious and potentially litigious neighbors. For reference, this resulted in the City of Milpitas spending additional money to redirect its garbage flow.¹ Sunnyvale’s SMART station, which is a transfer station and landfill, requires a commitment to deliver all garbage to the station for processing prior to disposal at a steep additional cost to ratepayers. Based on the current tip fees and location of the transfer stations and landfills, R3 does not recommend that the City release an RFP for solid waste disposal as no cost savings are anticipated.

¹ Additional information about the City of Milpitas process can be found at the following web link: <https://www.wastedive.com/news/milpitas-ca-will-change-disposal-site-for-extra-12m-due-to-community-rel/438977/>