



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to Execute a Memorandum of Understanding (MOU) for Recycling and Solid Waste Processing and Transfer Services with the City of Milpitas and Approve the Addendum to the Previously Certified SMaRT Station Environmental Impact Report

BACKGROUND

Consistent with prior Council direction to pursue uses for the excess capacity of the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station®), staff has been assessing the feasibility of providing SMaRT Station solid waste and recycling services to City of Milpitas (Milpitas) in response to a Request for Proposals (RFP) issued by Milpitas. This opportunity was made possible because the SMaRT Station has some excess processing capacity that can be marketed to serve the needs of other entities.

Adding materials from Milpitas to those already handled at the SMaRT Station would result in economies of scale that, with appropriate pricing and terms, would reduce costs and increase revenues for the existing Participating Agencies (cities of Mountain View, Palo Alto, and Sunnyvale). Milpitas would benefit by taking advantage of the SMaRT Station's advanced processing capabilities to reduce the amount of municipal solid waste (MSW) it disposes, thus increasing its diversion rate, which would likely have financial benefits to Milpitas in the future by reducing its future costs of compliance with State of California MSW diversion requirements.

As discussed in the Report to Council from November 29, 2016 (RTC No. 16-1015), on November 14, 2016 the Milpitas City Council awarded a new, 15-year refuse collection franchise to Garden City Sanitation (GCS), with services to begin in September 2017. The franchise agreement provides for GCS to deliver recyclables, yard trimmings and construction and demolition (C&D) wastes at various "approved" and "alternate approved" facilities. The SMaRT Station is listed as an "alternate approved facility."

Pursuant to Milpitas's contract with Waste Management, GCS will deliver MSW to Guadalupe Landfill for disposal. However, the GCS franchise agreement allows Milpitas to direct the hauler to instead deliver MSW to the SMaRT Station if there is an agreement between Milpitas and Sunnyvale that allows use of the facility.

In light of the advanced sorting and diversion capabilities of the SMaRT Station, Milpitas was interested in potentially processing two or more material types at the SMaRT Station to improve its ability to meet regulatory requirements for diversion and to reduce its costs for landfill disposal. The anticipated annual amounts are approximately:

- MSW - 56,400 tons per year
- Recyclable Materials - 14,400 tons per year

- Yard Trimmings - 6,800 tons per year

At the November 29, 2016 Special City Council Meeting, Council authorized the City Manager to negotiate a Memorandum of Understanding with Milpitas for accepting and processing Milpitas recyclables, yard trimmings and municipal solid waste at the SMaRT Station. The MOU was intended to be the first step towards negotiating a post-collection processing agreement for these Milpitas materials.

EXISTING POLICY

Council adopted the Zero Waste Plan in April 2013. In so doing, the Council directed staff to, “market SMaRT Station capacity beyond the current tri-city consortium (Sunnyvale, Mountain View, and Palo Alto)” and to “create renewed partnerships that are centered on the SMaRT Station and take advantage of economies of scale, which are significant in waste processing facilities.” Council specifically recommended that staff “continue to explore with other jurisdictions their interest in committing to a SMaRT Station-based Zero Waste goal as well as transfer and disposal services.”

Council Goal 3.2F states the objective to, “Maintain sound financial strategies and practices that will enable the City to provide comprehensive solid waste management services to the community while keeping refuse rates at or below countywide averages for cities using cost of service pricing.”

More specifically, Policy 3.2F.3 states: “Identify additional revenue sources and, where possible, increase revenues from solid waste programs, services, and **facilities** [emphasis added] without jeopardizing program goals and customer service quality.”

ENVIRONMENTAL REVIEW

The City Council certified an Environmental Impact Report (EIR) for the SMaRT Station in 1990 (SCH #89022812). The EIR evaluated a “primary service area” comprised of the cities of Sunnyvale, Mountain View, and Palo Alto, as well as an “extended service area” that that included Stanford, Cupertino, Los Altos, Los Altos Hills, and Santa Clara. Because Milpitas was not part of either the primary or expanded service area analyzed in the EIR, the City retained environmental consultants Kimley-Horn to determine the approval level of environmental review for the proposal to accept Milpitas materials at the SMaRT Station.

Based on Kimley-Horn’s analysis as documented in the Addendum (Attachment 1) to the previously certified EIR (Attachment 2), the amount of material and the number of truck trips anticipated to arrive at SMaRT from Milpitas do not exceed the amounts evaluated in the EIR. No new significant impacts would occur as a result of the modified project, nor would there be any substantial increase in the severity of any previously-identified significant environmental impacts. In addition, no new information of substantial importance shows that mitigation measures or alternatives that were previously found not to be feasible or that are considerably different from those analyzed in the 1990 Final EIR would substantially reduce one or more significant effects on the environment.

Therefore, none of the conditions described in Section 15162 or 15163 of the CEQA Guidelines have occurred that would require preparation of a subsequent or supplemental EIR. An Addendum making minor technical changes to the service area covered by the EIR is the appropriate document that will comply with CEQA requirements for the modified project. Pursuant to the CEQA Guidelines, an Addendum does not need to be circulated for public comment, but must be considered by the

legislative body at the time that the project is approved.

DISCUSSION

After Council direction to negotiate an MOU with Milpitas on November 29, in December, staff reviewed a draft MOU from Milpitas. Consistent with Council direction, staff substantially edited the MOU (Attachment 3). The MOU serves as one of the major stepping stones for a post-collection processing agreement with Milpitas.

On January 3, the MOU was sent to the negotiation staff at Milpitas, which includes Milpitas' City Manager. On January 6, staff met with Milpitas' City Manager to start negotiations. Milpitas had requested that the MOU be approved by both parties by early February 2017. In order to meet this deadline, the Sunnyvale City Council would have to consider the MOU for approval at the January 31, 2017 Special City Council meeting.

Since the January 6 meeting, Sunnyvale staff arranged three meetings that Milpitas' staff initially confirmed, on January 10, January 12 and January 17. For all three meetings, Milpitas cancelled the meetings approximately one hour before the scheduled meeting times.

The prices shown in the MOU for acceptance of Milpitas materials take into account a number of factors, as described below, and recover 100% of the cost of processing the Milpitas materials at the SMaRT Station.

Examples of Financial Elements to be Factored into Pricing

- Annual (Fixed) Operating Costs (annual payment to SMaRT operator, City administration, etc.)
- Variable Operating Costs (utilities, spare parts, hazardous waste disposal, fuel, etc.)
- Landfill Charges, Taxes, Fees
- Host Fee (to General Fund)
- SMaRT Station rent (to the General Fund)
- Capital Costs and Debt Service
- Revenues from Curbside Recycling
- Cost to Compost yard trimmings

The attached pricing also assumes that Milpitas processes its solid waste at the SMaRT Station so that Milpitas can potentially increase its diversion rate, if so desired. Alternatively, Sunnyvale can only transfer versus processing solid waste at the SMaRT Station, which would significantly reduce cost initially with the goal of phasing in the processing of solid waste during the first few years of a future post-collection services agreement.

With Council's approval on January 31, 2017 of the attached MOU, the City Manager would be authorized to execute the MOU. This would allow the City to proceed on a delayed timeline that Milpitas may need in order to analyze and respond to the MOU. As outlined in the attached letter to the Milpitas City Manager (Attachment 4), if Milpitas requests changes to the terms of the Council-approved MOU staff offered to take an amendment to the MOU in late March 2017. This will allow for staff to balance other major work efforts and sufficient advanced agenda planning and noticing for public hearing items.

Should the two cities reach agreement on the MOU, other steps required to complete the

arrangements include Sunnyvale reaching final agreement with Waste Management (WM) on terms by which Milpitas waste can be delivered to WM's Kirby Canyon Landfill instead of its Guadalupe Landfill, and approval of the arrangements by one (preferably both) of the other SMaRT Station Participating Agencies, Mountain View and Palo Alto. Based on preliminary discussions, staff anticipates that both items can be accomplished without difficulty.

Staff is thus recommending that Council adopt the Addendum to the SMaRT Station EIR and authorize the City Manager to execute the attached MOU with the City of Milpitas.

FISCAL IMPACT

As mentioned above, the pricing for the attached MOU recovers the City's cost for processing Milpitas' waste stream. The implementation of this MOU (assuming approval by Milpitas) would increase General Fund revenues (Host Fee charged for driving trucks on City streets as well as other minimal City services; this fee is assessed to the existing partner cities) and reduce costs to the Sunnyvale Solid Waste Fund as SMaRT Station fixed costs would be spread over a larger amount of materials received and processed. The amounts of those impacts would depend on the amounts and quality of each type of material (garbage, yard trimmings and recyclables) received from Milpitas. The solid waste enterprise funds of Mountain View and Palo Alto would see operating cost reductions proportional to their shares of total fixed cost.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Authorize the City Manager to execute the attached agreement with City of Milpitas for the SMaRT Station to process, transfer and market or dispose recyclables, yard trimmings and municipal solid waste.
2. Make the Findings Required by CEQA in Attachment 5 and Approve the Addendum to the Previously Certificated SMaRT Station Environmental Impact Report.
3. Take no action.

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Authorize the City Manager to execute the MOU for Recycling and Solid Waste Processing and Transfer Services with City of Milpitas for the SMaRT Station to process, transfer and market or dispose recyclables, yard trimmings and municipal solid waste; 2) Make the Findings Required by the California Environmental Quality Act (CEQA) in Attachment 5 in the report and Approve the Addendum to the Previously Certified SMaRT Station Environmental Impact Report.

Staff is recommending this course of action to allow for the possibility that discussions with Milpitas could resume and reach agreement. If the content of a final MOU were to differ from the current version, staff would return to Council for approval of the subsequent MOU.

Attracting new customers to the SMaRT Station is beneficial to the City because the facility has excess capacity. Increasing the amount of materials flowing through the SMaRT Station would put that capacity to work, with the potential for significant financial benefits to the ratepayers of all three Participating Agencies. This benefit would result from spreading fixed costs at the SMaRT station

over a larger base, resulting in lower unit costs for handling the larger amount of materials.

Prepared by: Mark A. Bowers, Solid Waste Programs Division Manager

Reviewed by: John Stufflebean, Director, Environmental Services Department

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Addendum to the Previously Certified SMaRT Station Environmental Impact Report
2. Draft, Final and First Addendum, 1990 SMaRT Station Environmental Impact Report
3. Memorandum of Understanding
4. Letter to the City of Milpitas City Manager dated January 19, 2017
5. CEQA Findings