

Solid Waste Rate Adjustment Process and Recycling Market Impacts



August 21, 2018

Milpitas Sanitation, Inc. Franchise Agreement & Rate Adjustment

- 15-year Franchise Agreement with Milpitas Sanitation Inc. (MSI) for collection and processing of solid waste, organic and recycling materials; started December 1, 2017.
- Two types of Rate Adjustment calculations:
 - Index Based – applies the percentage change in the consumer price index and a fuel index to calculate adjusted rates, submitted by October 1.
 - Cost Based – involves a review of actual costs and projection of cost for the coming rate period
 - Cost based adjustments for years four, seven, and 12; all other years are index-based, submitted September 1 of designated year
- Rate adjustment applications to be presented to City Council for approval on an annual basis.

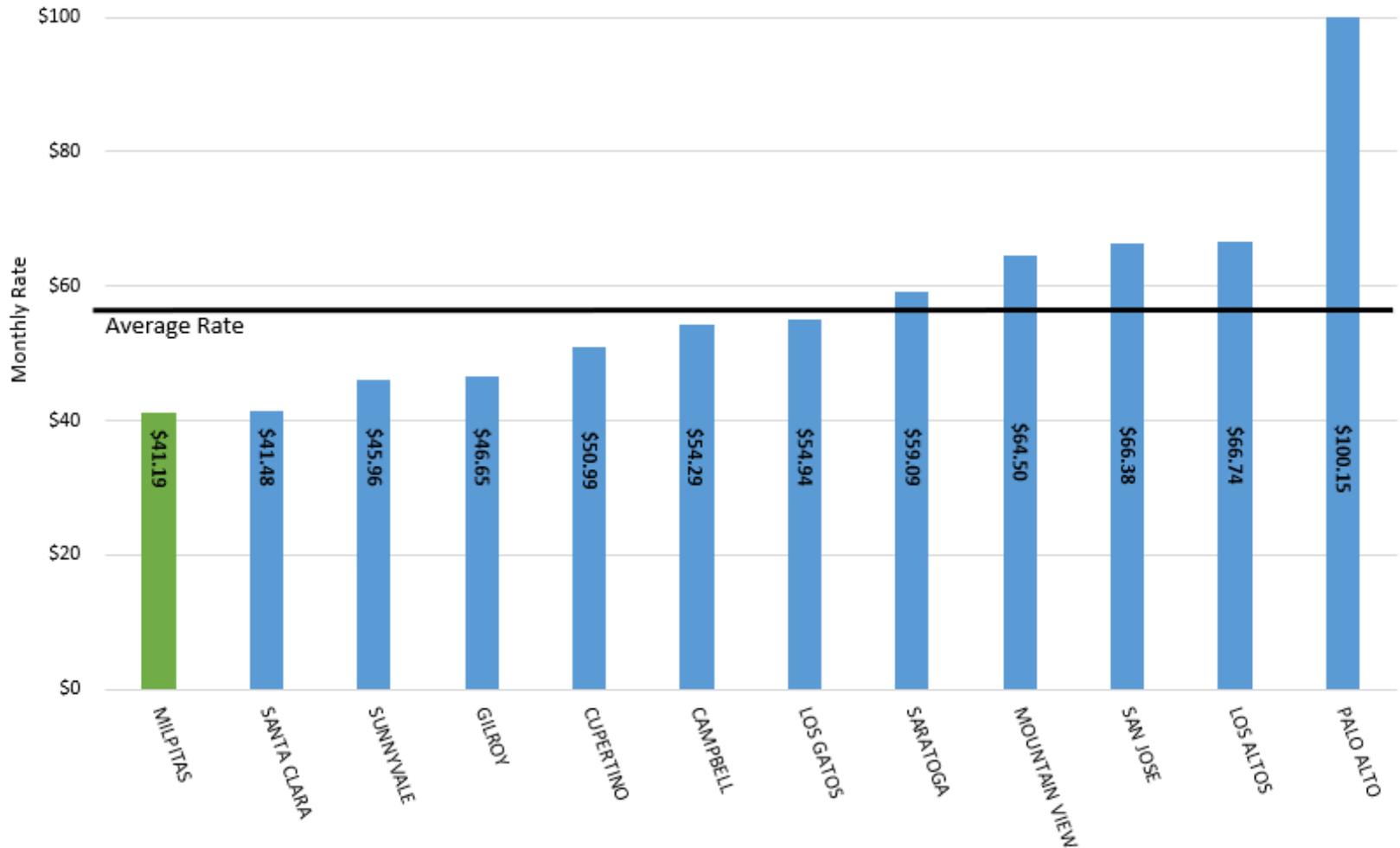
Waste Management, Inc. Franchise Agreement & Rate Adjustment

- 20-year Franchise Agreement with Waste Management, Inc. (WMI) for disposal services at Kirby Landfill; started December 1, 2017
- Rate Adjustment calculation:
 - Index Based – applies the percentage change in the consumer price index and a fuel index to calculate adjusted rates
- Index based rate adjustment to be submitted by October 1
- Rate application incorporated into the MSI, Inc. solid waste rate adjustment – not a direct submittal to the City.

Rate Adjustments – Schedule

- Staff anticipates rate adjustment applications from both MSI and WMI will be submitted by October 1, 2018.
- Staff will review rate adjustment applications for consistency with the Franchise Agreement with assistance from the City's consultant retained for rate review services.
- It is anticipated that a rate adjustment will be presented to the City Council with a recommendation in December.

Monthly Residential Refuse Service Rates in Santa Clara County (2 cans or 65-gallon cart)



Recycling Market Impacts

China's Policies

- National Sword, October 2017
- Blue Sky, March 2018
- China is a main purchaser of recycled materials from the US
- Impose sever restrictions on import of recycled materials
- Recently banned import of 24 varieties of solid waste and recyclables including mixed paper and plastics

When Materials are Rejected

- Sold to other markets in India, Vietnam and Malaysia
- Stored at facility for possible future sale
- Landfilled locally at a higher cost

Materials Recycled by Milpitas Customers

- Processed by GreenWaste Recovery, Inc. (GWI)
- Currently, no cost increases to date from China's new policies
- Contain levels of contamination; dual stream recycling helps

Recycling Market Impacts

Unknowns

- Future cost increases due to policies?
- Need to landfill recyclables?

What We Can Do as a Community

- Continue efforts to clean and sort recyclables
- Stop Wishcycling! When in doubt, find out:
www.MilpitasSanitation.com
- Properly dispose of unwanted materials:
www.RecycleStuff.org

Next Steps

- Staff will report market changes and keep the City Council apprised of changes in status
- Continue monthly reporting from Milpitas Sanitation staff

Recommendation:

Receive staff report on the solid waste rate adjustment process and recycling market impacts.

