



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: May 14, 2018

Approved

D. D. S. L.

Date

5/25/18

SUBJECT: ADOPTION OF A RESOLUTION TO INCREASE RECYCLE PLUS RATES EFFECTIVE JULY 1, 2018 FOR SINGLE FAMILY AND MULTI-FAMILY SERVICES

RECOMMENDATION

Adopt a resolution to amend the current Recycle Plus rate resolution effective July 1, 2018, as follows:

- a) Increase rates for single-family households by 3 percent; and
- b) Increase rates for multi-family households by 2 percent.

OUTCOME

Rate increases of 3 percent for Single-Family Dwelling (SFD) and 2 percent for Multi-Family Dwelling (MFD) households would maintain the Recycle Plus Program at cost-recovery, meet contractual obligations, and sustain a prudent fund balance in the Integrated Waste Management (IWM) Fund.

BACKGROUND

Recycle Plus rates are set to cover the expenses of providing residential solid waste services. Staff regularly reviews IWM Fund revenues and expenditures and forecasts the rates necessary to implement and maintain Council-approved services, programs, and activities. The recommendations of this memorandum are based on the results of this analysis.

On April 21, 2017, Proposition 218 notices were mailed to all property owners that are subject to these rates. The notice specified maximum 5 percent annual rate increases for 2017-2018, 2018-2019, and 2019-2020. During the public protest period, the City received a total of 554 written

and in-person protests. This represents less than one percent of all property owners impacted by the change in rates, which is less than the 50 percent needed to reject the proposed rate increases under California law. Recycle Plus rates were last increased in 2017-2018 by 3.5% for single-family dwellings and 4.5% for multi-family dwellings.

ANALYSIS

Increasing Contractual Costs

Contractual costs for the Recycle Plus collection and disposal agreements comprise approximately 90 percent of total expenditures in the IWM Fund and are expected to increase by approximately \$4.36 million, or approximately 3.69 percent, in 2018-2019. These agreements provide the following services: garbage, recycling and yard trimming collection; MFD and SFD junk pickup services (or large item collection); SFD motor oil and oil filter on-demand collection; and the household hazardous waste drop-off program.

The City’s agreements with the residential garbage haulers provide for annual inflationary adjustments in compensation to cover increases or decreases in contractual costs. Growth in SFD and MFD housing units also contributes to increased contractual expenditures. SFD and MFD rates are proposed to increase in 2018-2019 in order to support these anticipated increases in contractual services.

Service Level Increases

Growth and service level increases contribute to increased contractual expenditures for the SFD and MFD sectors due to higher occupancy rates and greater solid waste volumes, including more volume through the large item collection program. Recycle Plus contractual appropriations proposed for 2018-2019 are shown in Table 1.

TABLE 1 - Recycle Plus Contractual Appropriations (IWM Fund)

<i>Appn</i>	<i>Contractual Budget</i>	<i>17-18 Adopted</i>	<i>18-19 Proposed</i>	<i>\$ Change</i>	<i>% Change</i>
	Recycle Plus Contracts	118,311,532	122,674,581	4,363,049	3.69%
0763	Single-Family Service	55,795,940	56,868,596	1,072,656	1.92%
3318	Single-Family Processing	14,257,241	15,082,325	825,084	5.79%
0764	Multi-Family Service & Processing	21,150,399	22,054,139	903,740	4.27%
0766	Yard Trimmings Service	23,562,599	24,592,284	1,029,685	4.37%
2059	Landfill Disposal	3,545,353	4,077,237	531,884	15.00%

Rate Strategy and Recommended Increases

The Administration maintains an IWM fund balance equal to approximately one month's operating expenditures for the Recycle Plus and disposal contracts. This balance enables the fund to absorb unforeseen costs from year to year and provides a contingency reserve in the event of service disruptions or emergencies.

An SFD increase of 3% to the 32-gallon garbage cart (used by 90 percent of SFD customers) would result in a monthly increase of \$1.00, from \$33.19 to \$34.19. The proposed SFD rates are on par with the current countywide average of \$34.17. An MFD increase of 2% to the 3-cubic yard bin serviced once per week (one of the most common service levels) would result in a monthly increase of \$4.76, from \$237.99 to \$242.75. The MFD rate remains far lower than the current County-wide average rate of \$363.13. San José's services are robust, including unlimited recycling, unlimited loose in the street yard trimmings collection (with optional cart subscription), unlimited on-demand junk pickups at no additional cost, used oil collection, and processing of all waste. This combination of services results in San José having one of the highest residential recycling rates in the area.

The recommended Rate Resolution includes complete listings of proposed MFD and SFD rates. Information on other jurisdictions' current rates is presented in the Attachment, "Other Jurisdiction Rate Comparison." Most jurisdictions in Santa Clara County have increased garbage rates recently. In 2017-2018, 14 out of 15 cities in Santa Clara County increased residential garbage rates, and accordingly the rates listed for other jurisdictions in the Attachment are anticipated to increase in 2018-2019.

EVALUATION AND FOLLOW-UP

Once approved, the Recycle Plus rates will be billed to rate payers for services effective July 1, 2018 for SFD and MFD customers.

PUBLIC OUTREACH

As required by Proposition 218, notices for proposed maximum rate increase for 2018-2019 were mailed to property owners in April 2017. This memo will be posted on the City's website for the Council Agenda of June 05, 2018.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The additional revenue generated by the recommended rate increases, along with a sufficient fund balance, aligns with City Council Policy that programs be self-supporting whenever possible.

COST SUMMARY/IMPLICATIONS

It is estimated the SFD and MFD increases will generate approximately \$4.36 million (\$2.94 million from SFD and \$0.52 million from MFD) in additional revenue in the IWM Fund in 2018-2019. This additional revenue has been assumed in the 2018-2019 Proposed Operating Budget (IWM Fund Statement of Source and Use of Funds). The recommendation in this memorandum aligns with City Council Policy that programs be self-supporting whenever possible.

CEQA

Not a Project, File No. PP17-005, Adjustment to Fees, Rates & Fares without changes to or expansion of services.

/s/
KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Shikha Gupta, Interim Deputy Director, Environmental Service Department, at (408) 975-2520.

Attachment: Other Jurisdiction Rate Comparison

**ATTACHMENT
JURISDICTION RATE COMPARISON**

Single-family dwelling (SFD) and multi-family dwelling (MFD) garbage and recycling customer rates of Santa Clara County cities are shown in the tables below. Services included with these rates vary from city to city, and San José's services are more robust, including unlimited recycling and yard trimmings collection, periodic collection and recycling of neighborhood waste, used oil collection, and backend processing of waste.

SFD Garbage and Recycling Program 32-Gallon Rate Comparisons

Santa Clara County Cities	17/18 Monthly Rate	Proposed 18/19 Rate	Rate Adjustment Effective Date
Palo Alto	\$50.07	No change	July 1, 2018
Milpitas	\$44.31	No change	December 1, 2018
Los Altos Hills	\$41.63	N/A^	July 1, 2018
Sunnyvale	\$40.83	\$41.65	July 1, 2018
County District West	\$37.89	N/A^	July 1, 2018
Countywide Weighted Average	\$34.17	N/A	-
County District East	\$33.72	N/A^	July 1, 2018
Los Altos	\$33.36	N/A^	July 1, 2018
San José	\$33.19	\$34.19	July 1, 2018
Mountain View	\$32.25	\$33.90	July 1, 2018
County District South	\$32.11	N/A^	July 1, 2018
Gilroy	\$31.79	N/A^	July 1, 2018
Santa Clara	\$31.64	\$33.24	July 1, 2018
Monte Sereno	\$31.12	\$31.90	July 1, 2018
Morgan Hill	\$30.95*	\$31.60*	July 1, 2018
Saratoga	\$29.54	\$30.23	July 1, 2018
Los Gatos	\$27.47	\$28.70	July 1, 2018
Campbell	\$27.15	\$28.05	July 1, 2018
Cupertino	\$25.49	N/A^	November 1, 2018

San Francisco	\$40.04	\$40.04	July 1, 2017
Oakland	\$44.93	N/A^	July 1, 2018

* Flat rate for all cart sizes

^ 18/19 Proposed Rates are not available as of date of this memorandum

MFD Garbage and Recycling Program 3-Cubic Yard Bin Rate Comparison

San José's proposed rate for a 3-cubic yard bin serviced once per week (a common multi-family service level) is \$242.75, which is lower than the current countywide average of \$363.13 per month (average based on 13 cities in Santa Clara County that offer multi-family bin service). San José's multi-family rates also include recycling and yard trimmings collection. These services are not always provided in other jurisdictions, particularly when multi-family service is provided by a commercial collection company.

Santa Clara County Cities	17/18 Monthly Rate	Proposed 18/19 Monthly Rate	Rate Adjustment Effective Date
Milpitas	\$791.80	\$791.80	N/A
Palo Alto	\$437.20	\$437.20	7/1/2018
Sunnyvale	\$416.21	\$424.53	7/1/2018
Saratoga	\$387.64	\$396.37	7/1/2018
Los Altos	\$380.71	\$392.74	N/A
Countywide Average Rate	\$363.13	N/A	-
Morgan Hill	\$340.41	\$347.56	7/1/2018
Los Gatos	\$319.54	\$332.39	7/1/2018
Mountain View	\$352.50	\$352.50	7/1/2018
Gilroy	\$306.88	\$313.88	7/1/2018
Campbell	\$271.21	\$280.20	7/1/2018
Cupertino	\$250.51	\$250.51*	N/A
San José	\$237.99	\$242.75	7/1/2018
Santa Clara	\$228.10	\$247.26	7/1/2018

*18/19 Rates are not available as of date of this memorandum