

Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

**SUBJECT: RESIDENTIAL GARBAGE AND
RECYCLING RATES STATUS
REPORT**

FROM: Kerrie Romanow

DATE: March 22, 2023

Approved



Date

3/24/23

RECOMMENDATION

Accept this status report on Residential Garbage and Recycling Rates.

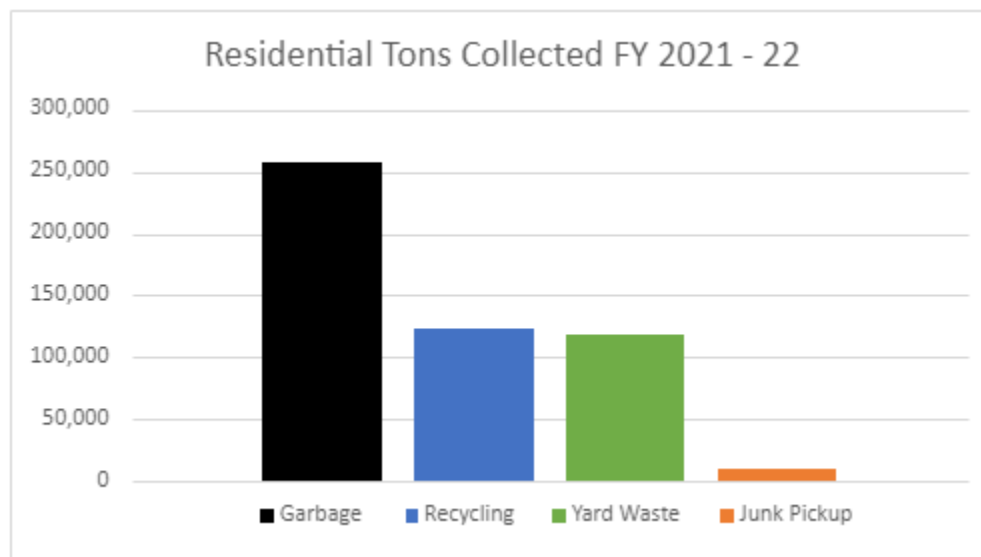
SUMMARY AND OUTCOME

This report provides information on the Residential Garbage and Recycling Rate structure, current rates and comparison to other jurisdictions, and the rate setting process.

BACKGROUND

The Environmental Services Department (ESD), Integrated Waste Management Division (IWM), Residential Garbage and Recycling Program provides weekly curbside garbage, recycling, junk (large item) pickup, and yard trimmings collection services to all 216,500 single-family dwelling (SFD) and 118,400 multi-family dwelling households. These services are provided through four contracted service providers. This system is one of largest privatized solid waste systems in the nation with an annual budget of approximately \$183 million. Together, the four contractors collect and process over 500,000 tons per year, as shown in the chart “Residential Tons Collected FY 2021-2022” below.

In designing the comprehensive Residential Garbage and Recycling Program, staff has been guided by the City’s own, Council-approved, Zero Waste goals, as well as by State waste diversion mandates, including the recently enacted Senate Bill 1383, Short-Lived Climate Pollutants Organic Waste Reductions, which includes waste-related targets to achieve a 75% reduction in the statewide disposal of organic waste. To help meet these targets, Residential Program staff also develop public outreach and education, engage with Santa Clara County and statewide peers, and conduct pilots for programmatic improvements benefitting both residents and the environment. These garbage and recycling processing services give San Jose a 70% waste diversion rate, one of the highest recycling rates in the country.



The Residential Garbage and Recycling Program maintains consistently high customer satisfaction in biannual surveys conducted since 2014. Results from the recently conducted 2022 biannual survey rate the program as “good or excellent” (over 70%). ESD also continues to provide an extensive Recycle Right campaign to reduce contamination in residential recycling by educating residents and changing behavior to place correct items in the recycling container and in the garbage. This year, for the first time, ESD has enhanced neighborhood association meetings by working with neighborhood groups to disseminate outreach within their communities.

ANALYSIS

Residential Garbage and Recycling Rates

The Residential Garbage and Recycling rate structure was established in 1993, when curbside recycling began in San José. This “Pay-As-You-Throw” rate structure was designed to encourage recycling. With this rate structure, the single-family monthly customer rate is based solely on the size of the garbage cart, encouraging residents to recycle more so they can subscribe to a smaller, less expensive, garbage cart. Included in the rate are unlimited recycling, yard trimmings, and junk pickup services. In part, because of the large price difference between the three garbage cart sizes, most single-family customers (85%) subscribe to the smallest garbage cart size, as shown in Table 1, below. Similarly, multi-family customer rates are based on both the size and frequency of collection of the garbage bins.

Table 1: FY 2022-2023 Single-Family Dwelling Rates and Subscription Levels

Garbage Cart Size	Current Monthly Rate	Current Annual Rate	Percent of Customers
32-gallon	\$49.43	\$593.16	85%
64-gallon	\$98.86	\$1,186.32	13%
96-gallon	\$148.29	\$1,779.48	2%

San José’s customer rates for Residential Garbage and Recycling are competitive in the local marketplace. San José’s services are more robust than most other jurisdictions, 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 to recover organics and recyclables.

This combination of services results in San José having one of the most cost-effective residential recycling programs in the area. Table 2 below provides a comparison of current monthly single-family rates throughout the area. Current multi-family rates are also very competitive, as shown in Table 2, using the common 3-cubic yard garbage bin, collected one-time per week, as a comparison.

Table 2 – Residential Garbage and Recycling Program Rates Comparison

Single Family Dwelling 32-Gallon Garbage Cart	
Jurisdiction	Monthly Rate
San Francisco	\$76.19
Oakland	\$71.43
Santa Clara	\$52.46
San José (Anticipated for 2023-2024)	\$51.40*
Palo Alto	\$50.07
San José (Current)	\$49.43*
Fremont	\$42.23
Sunnyvale	\$42.11
Hayward	\$37.67

Multi Family Dwelling 3-Cubic Yard Garbage Bin	
Jurisdiction	Monthly Rate
San Francisco	\$532.26
San Mateo County Avg.	\$531.98
Alameda County Avg.	\$469.79
Santa Clara County Avg.	\$406.85
San José (Anticipated for 2023-2024)	\$303.75*
San José (Current)	\$297.80*

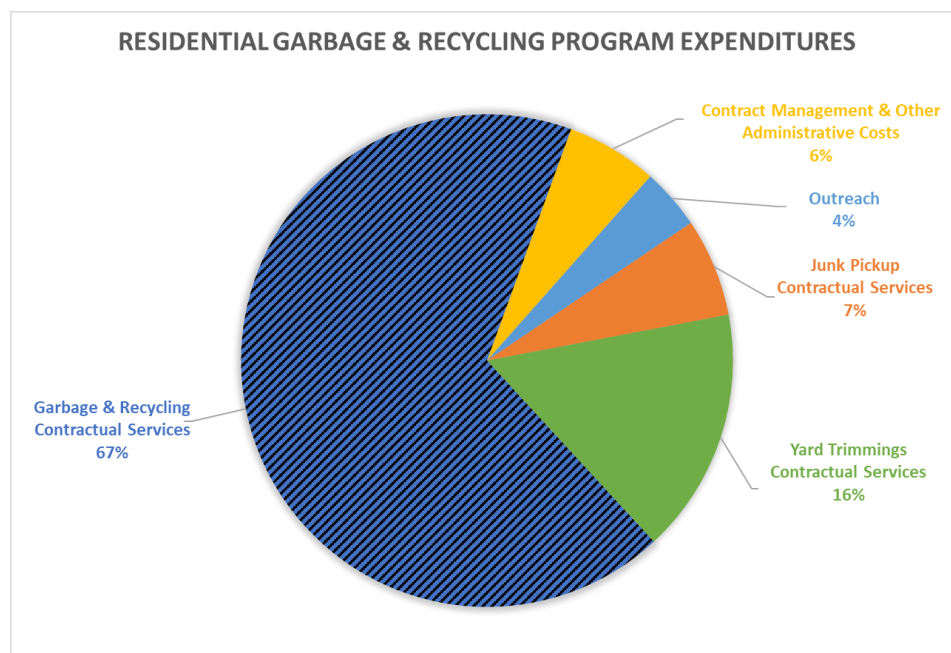
*Only San José includes unlimited junk pick-up for both single-family and multi-family dwellings.

In 2015, the City transitioned single-family customers from billing every other month by the City to annual billing on the Santa Clara County Secured Property Tax bill. The result is numerous operational efficiencies and cost savings, including reduced costs of generating bi-monthly bills and collection of associated revenue, as well as reduced staffing needs for addressing customer billing inquiries.

Rate Setting

Proposition 218 requires that Residential Garbage and Recycling rates, billed to property owners, are set to cover costs of providing residential solid waste services. Staff regularly reviews revenues and expenditures in the IWM Fund and forecasts the rates necessary to implement and maintain City Council-approved services, programs, and activities related to residential solid waste.

Contractual costs typically comprise about 90% of total expenditures in the IWM Fund. All other expenses, including City staff, outreach, and support costs, make up approximately 10% of the IWM Fund, which is on the lower end when compared to other municipalities (see chart “Residential Garbage and Recycling Program Expenditures” below, which shows the typical breakdown of contractual, outreach, and contract management costs). Additionally, the IWM Fund includes an Operations and Maintenance Reserve equal to approximately one month’s operating expenditures. This reserve enables the fund to absorb unforeseen costs from year-to-year and provides a contingency in the event of service disruptions or emergencies.



The City's agreements with the Residential Garbage and Recycling contractors provide for annual inflationary adjustments in compensation based on the Refuse Rate Index, which is calculated using a variety of cost indices published by the U.S. Bureau of Labor Statistics and Pacific Gas and Electric (for compressed natural gas truck fuel), weighted by the contractors' actual expenses. This is a standard provision for solid waste agreements, especially necessary given the higher expense, including labor and fuel, to operate in the Bay Area. These annual adjustments can be a major factor in needed customer rate increases in any given year. In Fiscal Year 2023-2024, the Refuse Rate Index is expected to increase by an average of 5.74%, which is the primary driver for proposed Residential Garbage and Recycling rate increases.

Another driver of customer rate increases is a dynamic pricing structure that compensates the recycling contractors based on levels of non-recyclables found in the recycling cart, which was negotiated to address the contractors' assertion that garbage in the recycling cart impacts their costs. A recycling assessment is performed once every two fiscal years by a third-party consultant to determine the percentage of material not on the then-current program recyclables list, by weight, present in recyclable material collected by the service provider.

The initial study completed in 2020 during the COVID pandemic showed a higher-than-expected citywide contamination rate of 51%, which with the new variable recycling compensation structure, partly contributed to the large customer rate increase of 17% in FY 2021-2022 (as shown in Table 3 below). In the 2022 study, the citywide contamination rate increased by six (6) percentage points to 57%. This change will increase expenditures by approximately \$1 million in FY 2023-2024. With contractor compensation tied to recycling contamination rates, reducing contamination, through programs such as the Recycle Right outreach campaign, continues to be a top priority for ESD and will be addressed in the FY 2023-2024 budget process.

Staff anticipates proposing modest Residential Garbage and Recycling rate increases to the City Council in June 2023, with a rate hearing scheduled on June 6, 2023. Customer rate increases for FY 2023-2024 are currently estimated to be 4% for single-family services (e.g., the monthly rate for a 32-gallon garbage cost increases from \$49.43 to \$51.40) and 2% for multi-family services (e.g., the monthly rate for 3-cubic yard garbage bin increases from \$297.80 to \$303.75). In the prior five fiscal years, single-family rates increased by an average of 8.4% annually. See Table 3 below for more information on the rate increases.

Table 3 – Residential Garbage and Recycling Rate Increases

Fiscal Year	Single- Family Residential Increase	Multi- Family Residential Increase
2023-24 (anticipated)	4%	2%
2022-23	8%	4%
2021-22	17%	7%
2020-21	9%	5%
2019-20	5%	5%
2018-19	3%	2%

In the first two weeks of April, the City will mail public notices to utility rate payers, advising them of the highest potential rate increases based on current information, along with information on how to submit a protest to the potential increase as required by California law (see Article XIID §6 of the California Constitution, enacted by Proposition 218).

EVALUATION AND FOLLOW-UP

Staff will return to City Council in June 2023 for proposed FY 2023-2024 Residential Program customer rates.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the April 3, 2023, Transportation & Environment Committee meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation is associated with this action.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
KERRIE ROMANOW
Director, Environmental Services

The principal author of this memorandum is Valerie Osmond, Deputy Director, Environmental Services Department. For questions, please contact Valerie.Osmond@sanjoseca.gov or (408) 535-8557.