CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: **SEE BELOW**

DATE: May 26, 2023

Approved Jennifer A. Maguire

Date 5/19/23

SUBJECT: PUBLIC HEARING ON RESIDENTIAL GARBAGE AND RECYCLING SERVICES RATES FOR SINGLE-FAMILY AND MULTI-FAMILY FAMILY RESIDENTIAL SOLID WASTE SERVICES

RECOMMENDATION

(a) Hold a Public Hearing on the proposed 2023-2024 Residential Garbage and Recycling rates and charges.
(b) Adopt a resolution effective July 1, 2023:
    1) Increasing residential solid waste service rates for single-family households up to 4%; and
    2) Increasing residential solid waste service rates for multi-family households up to 2%.
(c) Approve an uncodified ordinance effective July 1, 2023:
    1) Increasing residential solid waste service rates for single-family households up to 4% specified in the resolution; and
    2) Increasing residential solid waste service rates for multi-family households up to 2% specified in the resolution.

SUMMARY AND OUTCOME

Rate increases of up to 4% for Single-Family Dwelling (SFD) households ($1.97 per month or $0.46 per week for the 32-gallon cart, or typical service level) and 2% for Multi-Family Dwelling (MFD) households (approximately $0.53 per unit per month or $0.12 per unit per week) will be implemented. Additionally, the City is recommending a maximum rate increase of 18% (or an additional $1.04 per month) for optional single-family dwelling subscription yard trimmings cart. These proposed rate adjustments would maintain the Residential Garbage and Recycling Program near cost-recovery and meet contractual obligations.

BACKGROUND

Residential Garbage and Recycling agreements provide the following services: garbage, recycling, and yard trimming collection; recycling processing; yard trimmings processing and composting; junk pickup; SFD motor oil and oil filter collection; and processing of residential garbage to recover organics and recyclables. Residential Garbage and Recycling rates, billed to property owners as part of the property tax bill, are set to cover the expenses of providing these residential solid waste services. Staff regularly reviews Integrated Waste Management (IWM) Fund revenues and expenditures and forecasts the rates necessary to implement and maintain City Council-approved services, programs, and activities related to residential solid waste.

As required under California law, a notice of the proposed rate increase was mailed on, April 7, 2023 to all property owners that are subject to these rates. The notice specified a maximum 4% annual rate increase for SFD households and 2% for MFD households for 2023-2024. During the public protest period, the City received a total of 243 written and in-person protests as of May 13, 2023. This represents less than one percent of all property owners impacted by the change in rates, which is less than the 50% needed to reject the proposed rate increases under California law. Residential Garbage and Recycling rates were last increased in 2022-2023 by 8% for SFD households and 4% for MFD households.

Adoption of the resolution and approval of the uncodified ordinance will implement increased residential Garbage and Recycling Rates, effective July 1, 2023.

ANALYSIS

Residential Garbage and Recycling contractors collect half a million tons of material every year, from over 330,000 households, while providing waste processing services that give San José one of the highest recycling rates in the area.

Increasing Contractual Costs

The recommended rate increases fund contractual cost increases due to an average increase of 5.74% in the Refuse Rate Index which covers cost of living adjustments and increased operational costs for waste haulers. 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 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 2021-2022. In the 2022 study, the

citywide contamination rate increased by six percentage points to 57% which will result in approximately $1 million more in compensation to the recycling contractors in 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 the Environmental Services Department. The recommended rate increase will also fund programmatic improvements including the addition of a new recycling contamination reduction team, converting two enforcement staff from limit-dated to permanent status, and contractual services support for a garbage cart study to evaluate strategies to reduce recycling contamination.

Contractual costs for the agreements are projected to be approximately $183.4 million for 2023-2024, an increase of $5.4 million from 2022-2023. Contractual costs comprise over 90% of total expenditures in the IWM Fund. All other expenses, including outreach, City staff and support costs, amount to approximately $21.1million, or roughly 10% of the IWM Fund.

Residential Garbage and Recycling contractual appropriations proposed for 2023-2024 are shown in the Table 1 below.

Table 1 – Recycle Plus Contractual Appropriations (IWM Fund 423)

		2021-2022	*2022-2023*	*2023-2024*	
Appn	***Contractual Budget***	***Adopted***	***Adopted***	***Proposed***	***Increased Amount***
0763	Single-Family Recycle Plus	$85,715,398	$91,511,798	$92,881,566	$1,369,768
3318	Single-Family Dwelling Processing	$19,446,392	$20,496,497	$21,632,279	$1,135,782
0764	Multi-Family Recycle Plus	$27,657,580	$29,295,506	$29,970,769	$675,263
0766	Yard Trimming Collection/Processing	$30,364,890	$32,004,594	$33,573,107	$1,568,513
2059	*IDC Disposal Agreement	$4,712,956	$4,736,232	$5,340,575	$604,343
	Residential Contracts Total	**$167,897,216**	**$178,044,627**	**$183,398,296**	**$5,353,669**

*International Disposal Corporation of California, Inc.

Rate Strategy and Recommended Increases

Under the proposed rate increases, San José's customer rates for Residential Garbage and Recycling are competitive in the local marketplace, even when comparing San José's proposed 2023-2024 rates to other jurisdictions current rates (as 2023-2024 rate information is not yet available from all other jurisdictions). 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 to recover organics and recyclables. This combination of services results in San José having one of the most 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

SFD 32-Gallon Cart Rate Comparison	
Jurisdiction	**Monthly Rate**
San Francisco	$76.19
Oakland	$71.43
Santa Clara	$52.46
San José (Proposed for 2023-2024)	**$51.40***
Palo Alto	$50.07
San José (Current)	**$49.43***
Fremont	$42.23
Sunnyvale	$42.11
Hayward	$37.67

MFD 3-Cubic Yard Bin Rate Comparison	
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 (Proposed 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.

EVALUATION AND FOLLOW-UP

If approved, the Residential Garbage and Recycling rates will be billed to ratepayers for services effective July 1, 2023 for SFD and MFD customers.

COST SUMMARY/IMPLICATIONS

It is estimated the SFD and MFD increases will generate approximately $6.8 million ($6.1 million from SFD and $708,000 from MFD) in additional revenue in the IWM Fund in 2023-2024 to offset the necessary expenditure increases. The additional revenue, coupled with savings in the 2022-2023 Ending Fund Balance, will be used to offset the necessary expenditure increases of approximately $7,400,000. This additional revenue and higher expenditures have been assumed in the 2023-2024 Proposed Operating Budget IWM Fund Statement of Source and Use of Funds.

COORDINATION

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

PUBLIC OUTREACH

As required under California law, Public Notices for proposed maximum rate increase for 2023-2024 were mailed to property owners in April 2023. Notices and Frequently Asked Questions were made available to utility rate payers in five additional languages including Spanish, Korean, Vietnamese, Traditional Chinese, and Tagalog on the Environmental Services Department Proposed Rate Change webpage at SanJoseCA.gov/RateNotices. This memo will be posted on the City's Council Agenda website for the June 6, 2023 City Council meeting.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation/input associated with this action.

CEQA

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273, Rates, Tolls, Fares, and Charges

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

For questions, please contact Valerie Osmond, Deputy Director, Environmental Services Department, at (408) 535-8557.