



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jeffrey Provenzano

SUBJECT: Republic Services Solid
Waste Services Rates

DATE: April 20, 2026

Approved

Date:

4/29/26

COUNCIL DISTRICT: Citywide

RECOMMENDATION

- (a) Conduct a Public Hearing to confirm that the proposed Maximum Commercial Solid Waste Services Rates for Fiscal Year 2026-2027 are consistent with the terms of the Commercial Solid Waste and Recyclable Materials Collection Franchises Agreement between the City of San José and Allied Waste Services of North America, LLC, dba Republic Services.
- (b) Adopt a resolution increasing the Maximum Commercial Solid Waste Services Rates in the City of San José for Fiscal Year 2026-2027 by 3.29 percent pursuant to the Commercial Solid Waste and Recyclable Materials Collection Franchises Agreement between the City of San José and Allied Waste Services of North America, LLC, dba Republic Services, including the total costs for organics processing services.

SUMMARY AND OUTCOME

Approval of the recommendation will increase the maximum commercial solid waste service rates for Fiscal Year 2026-2027 by 3.29 percent.

BACKGROUND

Allied Waste Services of North America, LLC dba Republic Services (Republic Services) has an exclusive franchise agreement with the City of San José (City) to provide solid waste collection and processing services to the commercial sector

(Franchises Agreement).¹ The Franchises Agreement was amended and restated, and has a term end date of June 30, 2032. The City also has an agreement with Zero Waste Energy Development Company (ZWED) to provide organics processing services for the organics collected under this system.

Republic Services' Commercial Solid Waste collection program, which serves approximately 8,000 business accounts citywide, was designed and is required to ensure collected waste is processed and recycled to its highest and best use. Waste is separated into three categories: 1) Wet service for organic material such as food waste, food-soiled paper, and plant trimmings; 2) Dry service for material such as mixed non-organic garbage and recyclables; and 3) Customized service for clean mixed recycling material such as cardboard, paper, and glass. Customers choose the container type(s) that works best for their business and are provided consistent rates across the City, access to a service representative who provides ongoing technical assistance, and online access to billing and service data. The system also provides the City and businesses the opportunity to comply with statewide recycling and organics diversion requirements.

Under San José Municipal Code Section 9.10.1695 and the Franchises Agreement, Republic Services may apply for an adjustment to the maximum commercial solid waste services rates once a year. Under the San José Municipal Code, any request to adjust the existing maximum service rates must be in accordance with the application process, methodology, and other factors specified in the Franchises Agreement. The City Council may also conduct a public hearing to confirm that the proposed maximum service rates are consistent with the terms of the Franchises Agreement. The Franchisee must provide all customers with advance written notice of changes to the maximum customer service rates at least 30 calendar days prior to the effective date of the change.

Customer service rates vary based on the material type collected, container type and size, and frequency of collection. The rates are set and adjusted each year to satisfy Republic Services' annual revenue requirement under the Franchises Agreement, which is the dollar amount needed to fund the cost of operations, including collection equipment and labor, recyclables processing equipment and labor, compensation to ZWED for organics processing service, and payment of Government Fees (Franchise Fees and Source Reduction and Recycling Fees) to the City. Per the Franchises Agreement, the revenue requirement also allows Republic Services to calculate its profit for the coming rate year by dividing the anticipated total annual cost of operations for the coming rate year by a set operating ratio and subtracting the same total annual cost of operations from the result. City staff reviews the commercial solid waste service rates application for accuracy and verifies the numbers against the monthly reports submitted by Republic Services.

¹ Republic has a franchise to conduct commercial solid waste services in both North and South geographic collection districts, effectively giving them a citywide franchise.

Section 10.4 of the Franchises Agreement allows for two rate adjustment methods: index-based or cost-based. Section 10.4.2 of the Franchises Agreement allows the City to request a cost-based rate adjustment at any of the following times: (1) in any year where the index-based adjustment results in an increase greater than six percent net of Organics Processing Fee, Government Fee, changes in law, or City-directed scope of work changes; (2) upon request during Rate Year 16; or (3) at any time when the City desires to use its one-time option. The City opted to use this one-time option for Rate Year 13, 2024-2025. The index-based adjustment involves various cost adjustment factors, such as the percentage change in the Consumer Price Index for urban wage earners and percentage change in the Organics Processing Fee paid to the organics processing contractor, to calculate the new revenue requirement and new maximum service rates. During the index-based adjustment process, changes are made to the calculated costs of the then-current year. Adjustments are not made to reflect actual costs, actual changes in wages and benefits, actual changes in customer account data and service levels, or other actual changes. The total increase to maximum service rates in any given year may not exceed six percent; provided, however, this six percent cap shall not apply to the extent the maximum service rates are increased due to increases in the Organics Processing Fee, Government Fees (Franchise Fees and Source Reduction and Recycling Fees), changes in law, or City-directed changes in franchisee's scope of work.

The adjustment methodologies are designed to protect both the customers and the franchisee by limiting the annual increase allowed and ensuring Republic Services is compensated appropriately as operating expenses fluctuate from year to year. Both the Franchises Agreement and the City's agreement with ZWED include annual inflationary adjustments.

ANALYSIS

Pursuant to Section 10.4.1 of the Franchises Agreement, the index-based adjustment method must be used for this Rate Year 15 (July 1, 2026 to June 30, 2027). The United States Bureau of Labor Statistics Consumer Price Index data from November 1, 2024 to October 31, 2025 is being used to calculate Rate Year 15 rates. Republic Services proposed a 2.33 percent increase for Rate Year 15 commercial service rates to satisfy its proposed annual revenue requirement of \$89,686,311. Staff performed a review of the documentation provided by Republic Services and found that, based on reports provided to the City, Republic Services had a slight discrepancy in the annual tons delivered to ZWED (the facility where organic material is delivered by Republic Services), which resulted in a decrease of the total tons delivered by 274. Republic Services' proposed 2.33 percent increase for Rate Year 15 did not include the City's updated Source Reduction and Recycling Fee, as this information was not available to Republic Services during its initial rate adjustment application. Staff also included the City's updated Source Reduction and Recycling Fee amount in its rate calculation and as a result of these adjustments, staff assessed the proposed annual revenue

requirement and revised the total rate adjustment to 3.29 percent based on the Franchises Agreement requirements.

The proposed maximum rates, effective July 1, 2026, are detailed in the resolution accompanying this memorandum. In addition to collection services, the 3.29 percent rate increase impacts all associated commercial rates, including bin cleaning, bin locks, pushing and pulling containers into a serviceable position by the truck drivers, and delivery of containers. In accordance with ZWED's agreement and the Franchises Agreement, the resolution also includes a cost-of-living adjustment of 2.15 percent to the rates paid to ZWED by Republic Services for organics processing, as allowed in ZWED's agreement.

For Rate Year 15, the annual revenue requirement amount is proposed at \$90,529,002. Of this amount, \$36,985,866 is for Republic Services' operations and applicable cost of living adjustments, which comprises 1.15 percent of the total rate adjustment for Rate Year 15. The Newby Island Resource Recovery Park Processing (NIRRP) Cost is proposed at \$11,332,111, an increase of \$255,421 from the previous year and is 0.29 percent of the total rate adjustment for 2026-2027. The ZWED portion of the revenue requirement is \$20,208,785, an increase of \$425,151 from the previous year, representing 0.49 percent of the increased rate, which covers the cost of anaerobically digesting the organic material. Additionally, Direct Disposal Costs are proposed at \$1,318,215, a decrease of \$55,636 from the previous year and is -0.06 percent of the total rate adjustment.

Government fees equaling \$20,684,026 include a Franchise Fee of \$15,434,026 to the General Fund and a Source Reduction and Recycling Fee of \$5,250,000 to the Integrated Waste Management Fund. Of the \$5,250,000 in source reduction and recycling fees, approximately \$4,800,000 is received by the City and deposited into the Integrated Waste Management Fund, while approximately \$420,359 is retained by Republic Services for waste processing costs. The Franchise Fee is charged to Republic Services for use of City property in providing solid waste services in both San José's North and South Service Districts; it funds services in the General Fund and may be adjusted each year based on the year-over-year change in the Consumer Price Index, which was 2.7% for this rate year. The Source Reduction and Recycling Fee funds several City functions related to the implementation of the City's Integrated Waste Management Plan, including oversight, administration, and enforcement of the City's commercial solid waste system; a portion of ZWED's residue disposal costs paid by the City; and targeted commercial sector waste diversion programs, including technical assistance for recycling and outreach. The Source Reduction and Recycling Fee may be adjusted each year based on the operating needs of the City and is set at \$5,250,000 for 2026-2027, as shown in the 2026-2027 Proposed Fees and Charges Report. Overall, the Government Fees portion of the rate increase will be adjusted by \$1,255,763, which comprises 1.43 percent of the total rate adjustment for 2026-2027.

The table below summarizes the components of the overall increase of 3.29 percent for 2026-2027.

Adjustment	2025-2026	Annual Change	2026-2027	Rate Impact
Republic Costs of Operations	\$35,981,594	\$1,004,272	\$36,985,866	1.15%
NIRRP Processing Costs	\$11,076,690	\$255,421	\$11,332,111	0.29%
Organics Processing Fee	\$19,783,634	\$425,151	\$20,208,785	0.49%
Government Fees	\$19,428,263	\$1,255,763	\$20,684,026	1.43%
Direct Disposal Costs	\$1,373,851	\$(55,636)	\$1,318,215	-0.06%
Total Revenue Requirement	\$87,644,032	\$2,884,971	\$90,529,002	3.29%

Following the recommended rate increase, the City’s commercial solid waste rates will remain lower than average compared to rates charged elsewhere in the San Francisco Bay Area. The Attachment – Rate Comparison of Nearby Cities - compares San José’s proposed maximum rates for two common service levels with the 2025-2026 rates from nearby jurisdictions. Most neighboring cities will be proposing an increase of their commercial rates (available July 2026).

EVALUATION AND FOLLOW-UP

The Commercial Solid Waste Franchise Fee and Source Reduction and Recycling Fee are included in the 2026-2027 Proposed Operating Budget and the 2026-2027 Proposed Fees and Charges Report, both of which are scheduled to be released on May 1, 2026.

FISCAL IMPACTS

It is estimated that the Commercial Solid Waste rate increase will generate approximately \$20,684,026 in revenue for the City, which includes approximately \$5,250,000 from Source Reduction and Recycling Fees in the Integrated Waste Management Fund and \$15,434,026 from the Franchise Fees in the General Fund. Of the \$5,250,000 in fees, approximately \$4,800,000 is deposited into the City’s Integrated Waste Management Fund, while about \$420,359 is retained by the hauler for processing costs. The additional revenue has been assumed in the 2026-2027 Proposed Operating Budget in the Integrated Waste Management Fund and the General Fund. Proposed increased revenue will fund increased costs related to

management and administration of the Franchises Agreement and associated service agreements for the Commercial Solid Waste program that have increased due to inflation and cost of living increases.

COORDINATION

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

PUBLIC OUTREACH

Republic Services is required to notify all customers in writing of the rate change at least 30 days before the effective date.

This memorandum will be posted on the City Council Agenda website for the May 12, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Statutorily Exempt pursuant to CEQA Guidelines Section 15273, File No. PP17-005
Statutory Exemption for Adjustments to Fees, Rates, and Fares without expansion of services.

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/
Jeffrey Provenzano, P.E.
Director, Environmental Services

HONORABLE MAYOR AND CITY COUNCIL

April 20, 2026

Subject: Republic Services Solid Waste Services Rates

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For questions, please contact Judy Erlandson, Deputy Director, Environmental Services Department, at Judy.Erlandson@sanjoseca.gov or 408-535-8557.

ATTACHMENT: Rate Comparison of Nearby Cities

Attachment – Rate Comparison of Nearby Cities

Two common commercial container sizes and rates from several Santa Clara County and nearby cities are shown in the table below. Services included with these rates vary from city to city. Not all cities' rate increases were available as of the date of this memorandum.

Rates are from July 1, 2025 to June 30, 2026 (unless otherwise stated).

City	3 Cubic Yard Container Collected Once Per Week (monthly rate)	City	40 Cubic Yard Container (per collection)
San José Current	\$281.63	Campbell***	\$721.52
San José Proposed (Effective July 1, 2026)	\$290.90	Los Gatos***	\$732.12
Fremont*	\$293.58	Monte Sereno***	\$734.80
Milpitas**	\$358.74	Saratoga***	\$735.67
Mountain View	\$433.35	Santa Clara	\$1,106.80
Gilroy	\$435.45	Morgan Hill	\$1,134.01
Palo Alto	\$437.20	San José Current	\$1,141.49
Santa Clara	\$466.70	Fremont*	\$1,142.86
Campbell	\$473.96	Los Altos‡	\$1,174.76
Morgan Hill	\$492.57	San José Proposed (Effective July 1, 2026)	\$1,179.05
Sunnyvale	\$508.75	Gilroy	\$1,224.40
Los Gatos	\$594.92	Palo Alto	\$1,227.59
Los Altos‡	\$632.54	Cupertino†	\$1,412.92
Saratoga	\$692.72	Milpitas**	\$1,539.37
Monte Sereno	\$707.12	Sunnyvale	\$1,568.43
Cupertino†^	\$861.84	Mountain view	\$1,744.05

* From January 1, 2026 to December 31, 2027

** From January 1, 2026 to December 31, 2026

*** Cities under the West Valley Solid Waste Management Authority adopted a new rate structure for the 40 Cubic Yard Container in Fiscal Year 2024-2025, which includes a base rate plus a \$57.31 per ton disposal/processing charge. The cost listed in this table is only for the base rate and does not include the additional per ton charge.

† From February 1, 2026 to January 31, 2027

^ Garbage, Recycling, and Organics services are bundled

‡ Includes appropriate level of recycling and organics for no additional charge