



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: May 14, 2024

Approved

Date

5/22/24

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

RECOMMENDATION

- (a) Hold a public hearing on the proposed Residential Garbage and Recycling rates and charges effective July 1, 2024.
- (b) Adopt a resolution, effective July 1, 2024:
 - (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, 2024:
 - (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 (\$2.05 per month or \$0.47 per week for the 32-gallon cart, or typical service level) and 2% for Multi-Family Dwelling (MFD) households (approximately \$0.51 per unit per month or \$0.12 per unit per week) will be implemented effective July 1, 2024. 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 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 9, 2024 to all property owners that are subject to these rates. The notice specified a maximum 6% annual rate increase for SFD households and 3% for MFD households effective July 1, 2024.

Adoption of the resolution and approval of the uncodified ordinance will implement increased residential garbage and recycling rates, effective July 1, 2024.

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 4.47% 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. In the 2022 study, the Citywide contamination rate was 57%, which resulted in approximately \$1 million compensation increases to recycling contractors in 2023-2024 and 2024-2025.

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 limit-dated and part-time contractual staff support for lid flip inspections and resident education via cart tagging as well as a small increase in funding for household hazardous waste disposal.

Contractual costs for the agreements are projected to be approximately \$192.6 million for 2024-2025, an increase of \$9.1 million from 2023-2024. Contractual costs comprise over 89% of total expenditures in the Integrated Waste Management Fund. All other expenses, including outreach, City staff, and support costs amount to approximately \$23.7 million, or roughly 11% of the Integrated Waste Management Fund.

Residential garbage and recycling contractual appropriations proposed for 2024-2025 are shown in the **Table 1** below.

Table 1 – Recycle Plus Contractual Appropriations (Integrated Waste Management Fund 423)

| <i>Appn</i> | <i>Contractual Budget</i> | <i>2022-2023</i> | <i>2023-2024</i> | <i>2024-2025</i> | <i>Increased Amount</i> |
|-------------|-------------------------------------|----------------------|----------------------|----------------------|-------------------------|
| | | <i>Adopted</i> | <i>Adopted</i> | <i>Proposed</i> | |
| 0763 | Single-Family Recycle Plus | \$91,511,798 | \$93,016,568 | \$96,990,657 | \$3,974,089 |
| 3318 | Single-Family Dwelling Processing | \$20,496,497 | \$21,632,279 | \$22,597,378 | \$965,099 |
| 0764 | Multi-Family Recycle Plus | \$29,295,506 | \$29,970,769 | \$31,751,411 | \$1,780,642 |
| 0766 | Yard Trimming Collection/Processing | \$32,004,594 | \$33,573,107 | \$35,764,590 | \$2,191,483 |
| 2059 | * IDC Disposal Agreement | \$4,736,232 | \$5,340,575 | \$5,516,303 | \$175,728 |
| | Residential Contracts Total | \$178,044,627 | \$183,533,298 | \$192,620,339 | \$9,087,041 |

*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 remain comparable to the local marketplace, even when comparing San José’s proposed rate effective July 1, 2024 to other local jurisdictions’ current rates (as 2024-2025 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 three-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 |
| Oakland | \$58.77 |
| San José (Proposed for 2024-2025) | \$53.45* |
| San José (Current) | \$51.40* |
| Palo Alto | \$50.07 |
| Santa Clara | \$49.12 |
| San Francisco | \$47.50 |
| Fremont | \$46.84 |
| Sunnyvale | \$44.64 |
| Hayward | \$44.22 |

| MFD 3-Cubic Yard Bin Rate Comparison | |
|---|---------------------|
| Jurisdiction | Monthly Rate |
| Santa Clara | \$1,008.57 |
| Oakland | \$978.42 |
| Sunnyvale | \$963.40 |
| Palo Alto | \$786.96 |
| San Francisco | \$774.26 |
| Fremont | \$762.28 |
| Hayward | \$746.42 |
| San José (Proposed for 2024-2025) | \$309.82* |
| San José (Current) | \$303.75* |

*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, 2024 for SFD and MFD customers. A supplemental memorandum will be submitted to the City Council prior to the June 4, 2024 public hearing to report on the number of written protests and comments received by the City Clerk’s Office in response to rate notice. Furthermore, there is a 120-day statute of limitations to challenge any new, increased, or extended fee or charge.

COST SUMMARY/IMPLICATIONS

It is estimated the SFD and MFD increases will generate approximately \$7 million (\$6.3 million from SFD and \$732,000 from MFD) in additional revenue in the Integrated Waste Management Fund in 2024-2025 to offset the necessary expenditure increases. The additional revenue, coupled with savings in the 2023-2024 Ending Fund Balance, will be used to offset the necessary expenditure increases of approximately \$9.1 million. This additional revenue and higher expenditures have been assumed in the 2024-2025 Proposed Operating Budget Integrated Waste Management Fund Statement of Source and Use of Funds.

COORDINATION

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

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PUBLIC OUTREACH

As required under California law, public notices were mailed in early April, advising property owners of the proposed rate changes and a public hearing scheduled for June 4, 2024. Notices and frequently asked questions were made available to utility rate payers in six languages, including English, Spanish, Korean, Vietnamese, Traditional Chinese, and Tagalog on the Environmental Services Department Proposed Rate Change webpage at <https://www.sanjoseca.gov/your-government/departments-offices/environmental-services/rate-notices>. As of May 6, 2024, the City Clerk's Office had received 612 letters of protest to garbage and recycling rates from customers in response to the public notices. Written protests have been received by mail, fax, and email.

This memorandum will be posted on the City's Council Agenda website for the June 4, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND 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.