



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT:** SEE BELOW

**DATE:** 1-8-07

Approved

Date

1-16-07

**COUNCIL DISTRICT:** Citywide

**SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE NON-PROFIT RECYCLING AND REUSE AGREEMENTS FOR 2006-2007**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute the Reuse and Recycling Agreements with the following non-profit organizations, for a one-year period beginning July 1, 2006 and ending June 30, 2007:

1. Goodwill Industries of Santa Clara County in an amount not to exceed \$362,848.
2. The Salvation Army in an amount not to exceed \$128,244.
3. Hope Services in an amount not to exceed \$6,312

## OUTCOME

Approval of this recommendation will support the Non-Profit Recycler's salvage and reuse programs and contribute to the City compliance with state-mandated solid waste diversion requirements.

## **BACKGROUND**

Since FY 1992-93, the City has entered into Reuse and Recycling Agreements with Non-profit Recyclers. In 2005-2006, the Non-profits qualifying for the program were Goodwill Industries of Santa Clara, The Salvation Army, and Hope Services. These agreements have reimbursed the Non-profit Recyclers at the rates the City receives for City Franchise fees and disposal facility taxes that are included in the disposal costs the Non-profits have paid on the residue from their salvage operations. This financial assistance has traditionally offset the disposal costs of residue from the Non-profit Recyclers' collection, processing and distribution centers located in San Jose. This is done in recognition of the many years that Goodwill Industries, The Salvation Army and Hope Services have played an important role in redirecting reusable and recyclable materials from local landfills.

## **ANALYSIS**

The City used the following criteria to determine Non-profit Recyclers eligible for financial assistance:

The organization (i) must be a charitable organization, as defined in Section 501 c(3) of the Internal Revenue Code, (ii) must reuse and recycle donated goods or materials, and (iii) must receive more than 50% of its revenues from handling and sale of those donated goods or materials.

### **Goodwill of Santa Clara County**

Established in 1916, Goodwill of Santa Clara County provides career services and vocational training to people with disabilities and the disadvantaged and is largely supported by proceeds from its retail thrift stores and contract manufacturing. In the past decade Goodwill has trained over 3,500 individuals.

Goodwill diverts material from local landfills by selling donated goods at its 13 retail stores in Santa Clara County. In addition to the retail stores, Goodwill runs re-upholstered furniture operations. These operations provide necessary vocational training to County residents as well as diverting significant volumes of waste from the landfill.

### The Salvation Army

The mission of The Salvation Army is to restore people to productive living by recognizing the importance of balance in spiritual, mental, and physical aspects of a person's life. To help individuals achieve this balance, the Salvation Army operates the Adult Rehabilitation Center (ARC). Located near downtown San Jose, the ARC provides recovery program participants with transitional housing and an opportunity to integrate back into society as contributing members. The ARC successfully uses work as therapy to rebuild a person's self-esteem and confidence. In addition, work therapy serves as the basis for one of the nation's largest recycling programs. The income from the recycled materials provides the major sources of funding for this program.

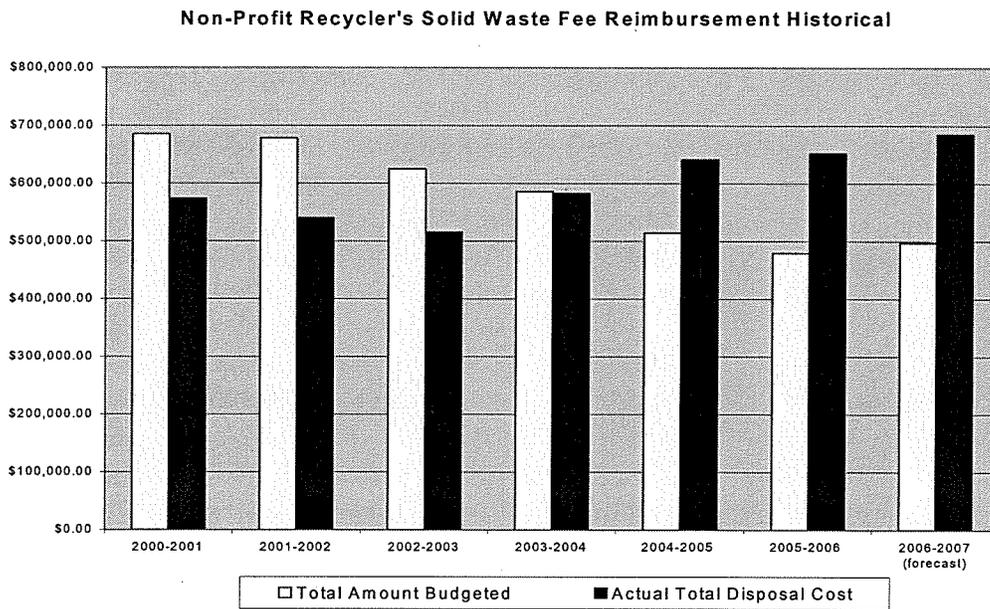
### HOPE Services

Hope Services is the third largest non-profit in Santa Clara County and has been providing work training, job placement, professional counseling, and daily activities program for children, adults, and seniors with developmental disabilities for over 50 years. Each year, Hope Services assists over 2,500 individuals living with mental retardation, autism, epilepsy, cerebral palsy, and other neurological impairments. Hope Services work training programs teach vocational skills and help participants find employment in the community.

Under the terms of the Reuse and Recycling Agreements, the Non-profit Recyclers provide reuse and recycling information to the City. The City provides financial reimbursement to offset the Non-profit Recyclers' disposal costs attributable to commercial solid-waste franchise fees and the disposal facility tax (DFT). The solid waste haulers servicing the non-profits remit franchise fees to the City for each cubic yard of commercial solid waste each non-profit generates. Landfill operators remit DFT revenue to the City for each ton of solid waste the non-profits dispose of in local landfills. The haulers build these fees and taxes into the service rates that are charged to the non-profits in costs.

The total annual appropriation for the non-profit agreements reached a peak of \$685,000 in FY 2000-01. Since that time, the Administration has made a reduction in the total dollar amount of these agreements in an effort to align the budgeted appropriation with the actual disposal costs incurred by the Non-profit Recyclers. However, the cost of disposal has been increasing for the non-profit organizations.

The increase in disposal costs illustrated by the following graph has been attributed to several factors. An increase in the amount of unusable material being donated resulting in a higher level of residue and increases in garbage company service fees are two of the more significant causes. For these reasons, in FY 2005-06, as in FY 2004-05, the disposal cost reimbursement from the City did not completely cover all of the disposal fee costs incurred by the non-profit recyclers. The following graph illustrates how the budgeted amount for the non-profit reimbursements has been reduced while their actual disposal costs have increased.



For 2006-2007, the budget allocation for the non-profit reimbursements was increased 3.8% from \$479,353 to \$497,404 to cover the increase in Commercial Solid Waste Franchise Fees. Staff recommends allocation of the 2006-2007 reimbursement funding to all non-profits to be done in the same proportions as in 2005-2006. These proportions are based on the reported volumes of solid waste.

| Non-Profit Recycling Organizations | FY 2005-06             | FY 2006-07       | Proposed FY 2006-07    |
|------------------------------------|------------------------|------------------|------------------------|
|                                    | "Not to Exceed" Amount | Percent Increase | "Not to Exceed" Amount |
| Goodwill                           | \$349,679              | 3.8%             | \$362,848              |
| Salvation Army                     | \$123,590              | 3.8%             | \$128,244              |
| Hope Services                      | \$6,082                | 3.8%             | \$6,312                |
| <b>Totals</b>                      | <b>\$479,351</b>       | <b>3.8%</b>      | <b>\$497,404</b>       |

Given the constraints of the budget, the expected increases in the disposed volumes, and the increase in solid waste disposal costs, the Administration expects to continue the current situation whereby the City does not fully reimburse the Non-Profit Recyclers for the solid waste fees. Based on disposal forecasts, staff expects the total shortfall in eligible reimbursable costs to be approximately \$187,500.

The expected increases in disposal volumes correspond with expected increases in disposal costs Countywide. A combination of an improving economy resulting in more items available for donation and increasing residential garbage rates make the non-profit recyclers a popular alternative disposal option for City residents. The consequence for all three non-profit recyclers is that a greater amount of material to be processed will result in greater volumes of residue.

Another significant factor contributing to increases in disposal volumes is the persistent problem of illegal dumping at the non-profit recyclers' drop-off locations. While there is not complete data on the full effect of illegal dumping on non-profit recyclers, Goodwill has observed that as much as half of material left by the community needs to be thrown away as garbage. At some drop-off locations, this is nearly 100 cubic yards per week. As a consequence, Goodwill is planning to close the most impacted drop-off locations. Many of these locations are in areas of the City that are burdened with a disproportionate share of the illegal dumping. It is expected that the closure of these drop-off locations will exacerbate illegal dumping in these areas.

An additional complication for the non-profits results from a decrease in revenue from retail sales operations and other sources. Salvation Army expects retail sales to be down in the current year while Goodwill also expects to receive less from other sources of funding.

### **PUBLIC OUTREACH/INTEREST**

The criteria below do not apply to this contract

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

Environmental Services Department staff has contacted all Non-profit Recyclers that operate within the City. When requested by the Non-profit Recycler, City staff met in person to discuss the budget for the annual reimbursements as well as any technical issues that may enhance their operations.

**COORDINATION**

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

**COST IMPLICATIONS**

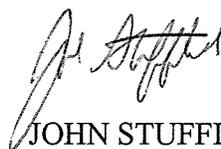
These Reuse and Recycling Agreements follow the Mayor's March 17, 2004 Budget Strategy. The strategy directed City departments to apply budget reductions to our partner community-based organizations that receive General Fund support, with the goal of minimizing the impact on direct services to our residents and businesses. These agreements focus on protecting vital core city services by funding cost-effective solid waste diversion programs to meet state-mandated recycling targets. Additionally, by using Non-profit Recyclers to achieve state-mandated diversion targets, the City is delivering services through appropriate public-private partnerships.

**BUDGET REFERENCE**

| Fund # | Appn. # | Appn. Name                    | RC #   | Total Appn. | Amt. for Contracts | 2006-2007 Adopted Operating Budget | Last Budget Action (Date, Ord. No.) |
|--------|---------|-------------------------------|--------|-------------|--------------------|------------------------------------|-------------------------------------|
| 001    | 0762    | ESD – Non-Personal/ Equipment | 500521 | 1,721,555   | 497,404            | Page VIII-38                       | 10/17/06 Ord No 27888               |

**CEQA**

Not a project.



JOHN STUFFLEBEAN  
Director  
Environmental Services Department