



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nadine Nader

SUBJECT: SEE BELOW

DATE: 02/23/07

Approved

Date

2/23/07

SUBJECT: RECYCLE PLUS TRANSITION UPDATE AND SERVICE RATE INCREASES

At the Transportation and Environment Committee Meeting of February 22, 2007, the Committee accepted the staff report and staff's recommendation to cross-reference the item so that Council action may be taken. This cross-reference was requested after the March 6, 2007 Council Agenda was finalized and therefore the below recommendation will be placed on the amended Council Agenda, to be released on March 2.

Staff has locked in the above item, 7.1, for the March 6 agenda, and wanted to ensure that Council received this information as early as possible.

- a. Acceptance of the status report on the 2007 Recycle Plus Hauler Transition.
- b. Set a public hearing for May 8, 2007, on the recommended Recycle Plus rate increases for Fiscal Year 2007-2008, and potential Recycle Plus rate increases covering the following two fiscal years.
- c. In accordance with Proposition 218 requirements, direct the Administration to send notices to San José residential property owners for receipt no later than March 23 informing them of potential Recycle Plus rate increases over the next three fiscal years. For Fiscal Year 2007-2008, the rate notices would provide for an increase of not-to-exceed 29% for single-family services and not-to-exceed 10% for multi-family services. For Fiscal Years 2008-2009 and 2009-2010, the rate notices would provide for increases of not-to-exceed 10% each year for both single-family and multi-family services. Council would set the specific level of rate increases at the conclusion of the May 8 public hearing, which could be at or below the not-to-exceed percentages provided in the public notices.

A copy of the staff memorandum is attached for your review.

NADINE NADER
Agenda Services Manager



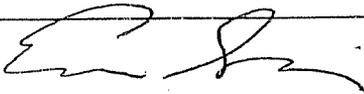
Memorandum

TO: TRANSPORTATION AND ENVIRONMENT COMMITTEE

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 02-08-07

Approved 

Date 2/12/07

SUBJECT: RECYCLE PLUS TRANSITION UPDATE AND SERVICE RATE INCREASES

RECOMMENDATION

1. Accept this status report on the 2007 Recycle Plus Hauler Transition; and
2. Recommend that the City Council authorize the following actions at the March 6, 2007, Council Meeting:
 - a. Set a public hearing for May 8, 2007, on the recommended Recycle Plus rate increases for Fiscal Year 2007-2008, and potential Recycle Plus rate increases covering the following two fiscal years.
 - b. In accordance with Proposition 218 requirements, direct the Administration to send notices to San Jose residential property owners for receipt no later than March 23 informing them of potential Recycle Plus rate increases over the next three fiscal years. For Fiscal Year 2007-2008, the rate notices would provide for an increase of not-to-exceed 29% for single-family services and not-to-exceed 10% for multi-family services. For Fiscal Years 2008-2009 and 2009-2010, the rate notices would provide for increases of not-to-exceed 10% each year for both single-family and multi-family services. Council would set the specific level of rate increases at the conclusion of the May 8 public hearing, which could be at or below the not-to-exceed percentages provided in the public notices.

OUTCOME

Staff will provide Status Update Reports to the Transportation & Environment Committee on a monthly basis throughout the Recycle Plus contactor transition period. Council Information

Memoranda may be provided to Council more frequently should key issues develop between the regular reporting periods.

Council approval of the recommendations contained in this memorandum will ensure that Proposition 218 requirements for public noticing are met and that San Jose property owners are given the opportunity to protest potential Recycle Plus rate increases. Upon Council approval, mailing of rate increase notices will begin in March, which will allow sufficient time for the required 45-day protest period before the May 8 public hearing. This timeline also ensures that the necessary changes within the Integrated Billing System can be made so that Recycle Plus rate increases can be effective on July 1, 2007, when the new contractors begin service.

EXECUTIVE SUMMARY

New contracts for Recycle Plus garbage, recycling, yard trimmings and street sweeping services for single-family service in Districts A and C were executed in November 2006. This Status Report on Recycle Plus Transition details the status of the ongoing preparations for the start of service on July 1, 2007. Staff is planning to provide monthly status reports to the Transportation & Environment Committee through fall 2007, supplemented by additional Council Information Memoranda as needed.

In addition, the Administration is seeking Council approval to issue a three-year notice to San Jose property owners advising them of potential increases to Recycle Plus service rates. The proposed rate increase notice will include not-to-exceed amounts of 29% for Single-Family Dwelling (SFD) services in Fiscal Year 2007-2008, and not-to-exceed 10% in Fiscal Years 2008-2009 and 2009-2010. Several premium SFD services including the yard trimmings subscription cart and on-premises collection services are proposed to increase more than the 29% maximum for general Recycle Plus increases in order to bring these services to cost recovery. Rates for Multi-Family Dwelling (MFD) services will include not-to-exceed amounts of 10% for each fiscal year covered by the notice. The proposed rate increases for these services will be included in the public notice.

The notice will be mailed out in March and will describe how property owners can officially object to the potential increases by submitting a written protest to the City. A draft of this notice is included as Attachment B.

The rate increases cover expenditures that fall under three categories: (a) Contractual Expenditures; (b) Integrated Billing System and Customer Service Call Center, and (c) Environment and Utility Services Projected Costs.

Category A: Contractual Expenditures (26.5% Rate Increase)

- Increased Hauler Contract Costs (\$15 million single-family rate impact, or 26.5% in FY 2007-2008) – As reported to Council in August 2006, increased costs for SFD services in

Service Districts A and C and yard trimmings and street sweeping services in District C would result in a customer rate increase of approximately 29% in Fiscal Year 2007-2008. As of February 2007, the actual percentage rate increase needed to fund the new contracts is 25%. An additional increase of 1.5% is also needed for annual cost of living adjustments (COLAs) associated with the continuing Recycle Plus Agreements, District B SFD services performed by GreenTeam and Yard Trimmings and Street Sweeping Services in Districts A and B performed by GreenWaste Recovery (GWR), Inc, and the Newby Island Landfill disposal agreement. These combined increases result in a 26.5% increase in contractual services overall.

Category B: Integrated Billing System (IBS) Projected Costs (1.5% Rate Increase)

- Increased IBS Costs (\$950,000 single-family rate impact or 1.5% rate increase in FY 2007-2008) – These costs include IBS staffing and program support for the Information Technology and Finance departments, and Call Center staffing additions to handle customer inquiries relating to services and billing.

Category C: Environment and Utility Services (E&US) CSA Projected Costs (0.75% Rate Increase)

- Increased E&US CSA Costs (\$560,000 single-family rate impact or 0.75% rate increase in FY 2007-2008) - These costs include certain enhancements to environmental programs and infrastructure, as well as some small funding alignments.

BACKGROUND

On August 22, 2006, the Council adopted a resolution to negotiate agreements with California Waste Solutions, Inc. (CWS) for single-family residential recycling services for Districts A and C, and with Garden City Sanitation, Inc. (GCS) for single-family residential solid waste services for Districts A and C, for six-year terms commencing July 1, 2007. Council executed these agreements on November 21, 2006. Council also directed the Director of Finance to negotiate and execute an agreement with GreenWaste Recovery, Inc. (GWR) for residential yard trimmings and street sweeping services for a six-year term commencing July 1, 2007.

A key City goal has been to bring solid waste programs to cost recovery in order to ensure the financial integrity of the Integrated Waste Management (IWM) Fund and to meet program obligations. As stated in the FY 2006-2007 Environmental and Utility Services Five-Year Business Plan, a combination of program efficiencies and modest rate increases have been used to balance expenditures and revenues to keep programs as close to 100% cost recovery as possible, while still providing quality services for San José residents. Staff reviews IWM Fund revenue and expenditure forecasts on a regular basis, and determines the revenue necessary to achieve cost recovery and implement City Council approved programs and activities.

Proposition 218 notices were mailed out to property owners in May 2005, limiting rate increases to a maximum of 5% through FY 2007-2008. Fewer than 500 protest letters were received in response to the May 2005 rate notice, representing less than 1% of San José property owners. At

that time, it was assumed that all of the Recycle Plus contracts would continue through the end of FY 2012-2013, at the same annual cost (plus yearly cost of living adjustments). In December 2005 however, Norcal Waste Systems informed the City that they would not seek extensions of their contracts beyond June 30, 2007. As detailed in the Analysis section below, projected costs beginning in FY 2007-2008 are significantly higher for the new Recycle Plus agreements than the original Norcal agreements.

For the first two years covered by the three-year public notice, Recycle Plus rate increases were maintained within the maximums allowed by the notice. However, as part of the FY 2006-2007 rate recommendation, staff presented a five-year rate strategy that included potential rate increases higher than 5% in FY 2007-2008. Implementation of a rate increase higher than 5% in FY 2007-2008 will require re-noticing to the public.

ANALYSIS

Two major issues are covered in this report: (I) Recycle Plus Hauler Transition and (II) Recycle Plus Rate Increase Proposals.

I. RECYCLE PLUS HAULER TRANSITION

A. CITY PREPARATIONS

1. Hauler Coordination

The new contractors have been sending in weekly updates of transition progress to the City's transition consultant, R3 Consulting Group (R3). These reports are used to keep City staff and the City Manager's Office apprised of transition progress and are the basis for the City Manager's weekly reports to the Council. The reports include major milestone accomplishments and progress, problems encountered regarding upcoming milestones, and any assistance required by City staff or R3 Consulting.

From September through December, Transition meetings with City staff and the haulers were held monthly to track progress and address transition issues. Beginning in January 2007, Transition meetings have been increased to twice monthly. At the meetings, City staff updates the haulers on worker retention, the Integrated Billing System (IBS), customer service and public outreach. Representatives from the City Manager's Office, the City Attorney's Office, Environmental Services, Public Works (Office of Quality Assurance), the City Call Center, and Information Technology attend regularly. The newly signed haulers update City staff on transition progress and milestones met. In addition, this is the forum for the haulers to ask for clarification of contract requirements and any assistance required by City staff or R3 Consulting.

2. Facilities and Permitting Issues

The City has hired a land use and permitting consultant to assist the new haulers with permitting issues, to help insure that facilities will be operational before July 1, 2007. The status of each hauler's preparations is provided in the Contractor Preparations section of this report (pages 3, 4, 5, and 6).

ESD and Planning are working very closely with CWS and GWR to ensure that the permitting process progresses as smoothly and as quickly as possible for their facilities. There is still sufficient time to process the permits and make the required improvements prior to start of the agreements, as long as the haulers do not experience delays in submitting the required documentation and reports.

3. Worker Retention

Per the City's agreement, Garden City Sanitation, California Waste Solutions and GreenWaste Recovery are required to offer employment to all qualified displaced workers who have been employed by Norcal for at least 120 days prior to July 1, 2007. A qualified displaced worker includes all non-management workers of Norcal who have been employed for at least 120 days prior to July 1, 2007 and who would otherwise be laid off.

Norcal has informed the Office of Equality Assurance (OEA) that they plan to displace all workers and have provided OEA with a preliminary list of those workers. The total list of 148 workers to be displaced includes garbage/recycling drivers (107), yard trimmings drivers (16), street sweepers (2), mechanics (11), welder (1); utility/shop person (1), customer service representatives (8), and account clerks (2). The list will be updated no later than March 1, 2007.

Also by March 1, the new contractors will submit lists of positions and numbers to be filled by classification. OEA will provide the list of displaced workers in rank order (seniority) to the new contractors and Teamsters Local 350. Prior to the end of March, Norcal will notify their current employees that they will be displaced and provide information about the job fair to be held in April. OEA will provide Norcal with the wording for the letters. Following the job fair, job offers will be mailed to the displaced workers and they will have 10 days to accept or reject the job offer. The new contractors will be required to fill permanent positions from the Displaced Worker Pool until June 30, 2008 (a year after the service agreements begin).

4. Integrated Billing System (IBS)

Interfacing with the Integrated Billing System (IBS) by the new haulers is critical for seamless operations of Recycle Plus billing and service orders. IBS is important because it provides work order management, field service activities, administrative charges, and hauler payment services. IBS/Hauler Team meetings are occurring weekly via phone or in person to provide technical

updates and discuss questions that arise as the haulers' integration efforts progress. GCS expressed concern that IBS integration testing would not begin until April, and requested that testing start in late February instead. To help resolve technical questions regarding the system, specialized meetings started in early January with the new haulers and City and IBS contract staff. To resolve GCS's concerns, IBS Technical Team staff is available for File Transfer Protocol (FTP) testing when haulers are ready.

Haulers are each at various stages in the process of integrating individual work order management systems with IBS. As a current contractor, GreenWaste Recovery has already implemented an interface with the City's billing and customer service system. BearingPoint, San Jose's IBS contractor, will begin reconfiguring IBS in mid-February to accommodate contracts with separate haulers for garbage and recycling services. This reconfiguration is the critical path to ensuring the system is functionally ready to go live on July 1, 2007. Since they are so closely related, the Transition Customer Service Team will be participating in the IBS Hauler Team meetings.

5. Customer Service Staffing

It is anticipated that during the initial transition period, July through September 2007, call volumes will likely increase to at least two times the current level of 26,000 calls per month. If additional customer service representatives are needed, the Information Technology Department will use the City's existing contract with Trendtec temporary services to provide these staff. The haulers are also planning to obtain additional customer service resources during the transition period, including staffing and increased phone capacity, to adequately handle the elevated workloads. ESD is working closely with the contracted haulers and the City Contact Center to prepare public education materials, scripts, and processes to efficiently handle customer calls, including triaging customers to the correct hauler. The City Contact Center and the Information Technology Department are playing a key role in this planning effort. It is staff's goal that no calls elevate to Council offices during transition. ESD staff will be providing Council staff briefings, which will include a list of frequently asked questions. Additionally, regular updates on the transition will be provided to the City Manager's Office.

6. Transition Outreach (City and Hauler)

City staff and hauler outreach staff are working jointly to determine outreach needs leading up to and beyond Transition. Materials such as the resident recycling guide, non-collection notices, and truck signs will be updated, and four separate but related campaigns will be undertaken during various phases of the Transition period. Team members are working jointly to identify critical messages and appropriate educational formats for all affected audiences. Each contractor has submitted a transition outreach plan to be integrated by the group into a collaborative outreach work plan. In addition to outreach materials prepared for citywide distribution, City and hauler staff will be jointly attending events in the community to introduce the new haulers and distribute any targeted materials or messages as appropriate.

7. Neighborhood Clean-Up Services

In order to offer uninterrupted Neighborhood Clean-Up (NCU) services in service Districts A and C beginning July 2007, Council approved an interim agreement with GreenWaste Recovery on January 30, 2007. A request for proposals (RFP) for longer-term NCU services will be developed in fall 2007, after the new garbage and recycling services stabilize. The RFP is scheduled for release in early 2008. A contract will be awarded in June of 2008, with a long-term service agreement beginning January 1, 2009.

B. CONTRACTOR PREPARATIONS

California Waste Solutions, Inc.

1. Facilities and Permitting

California Waste Solutions will continue to operate their recycling facility at 1005 Timothy Drive. In addition, CWS has secured a lease for property at 1655 Berryessa Road. The intent is to use the new site as their main corporation yard, including a maintenance shop, vehicle and container storage, "Large Item" handling area, administrative offices and a customer service center to serve Districts A and C. Part of the site is zoned A-Agricultural and will need to be rezoned in order to implement the site plan proposed by CWS for the property.

The City also has determined that a Special Use Permit will be required to fully use this site as a corporation yard and for staging "Large Item" collection operations. Improvements are also needed, including paving or repaving, upgrading the storm drain system, adding a new modular office structure, and landscaping. CWS submitted their initial application for a Special Use Permit to Planning, Building and Code Enforcement (PBCE) on January 12. PBCE is reviewing the application and will prepare a request for additional data if needed. CWS is currently working with PBCE and ESD to ensure that all necessary upgrades and infrastructure is secured and in place prior to the start of the contract. The timeframe for CWS to obtain permits for the Berryessa site and make all necessary site improvements is very aggressive but achievable if there are no unanticipated delays. CWS and City staff are developing contingencies if not all corporation yard operations can begin at Berryessa by July 1, 2007.

2. Equipment

CWS placed their orders for collection vehicles on September 18, 2006. The order specifies for the delivery of 5 vehicles per week during the months of April and May. CWS has ordered 46 recyclable collection vehicles, 3 large item collection vehicles, 4 supervisor trucks, 1 cart repair/replacement vehicle and one mobile truck maintenance vehicle. This will allow CWS time to make any minor modifications to the vehicles as well as to provide time for employee

training. CWS is in the process of validating cart quantity assumptions and will have carts ordered by the beginning of March and at their location by the beginning of June as required in their Service Agreement.

3. Operations

CWS has completed their routing for both Districts A and C. This is a significant accomplishment and has been completed ahead of schedule. A minor amount of data clean up and route adjustments are ongoing as more residences are added and annexed into the City. Two full time Route Auditors have been hired to supervise the routing process and the drivers. CWS has hired a Maintenance Manager, two Route Auditors and two Operations Managers.

Garden City Sanitation, Inc.

1. Facilities and Permitting

Garden City Sanitation purchased a property at 1080 Walsh Avenue with usable buildings in December. They are modifying the facility for use and are making room for vehicle parking. They have ordered office equipment and are configuring the space to suit their needs. GCS is working with the City of Santa Clara planning department to obtain a demolition permit for their facility on 1080 Walsh Avenue. They plan to remove a building to make room for fleet parking. The sub-contractor has scheduled the demolition for the week of February 5 if there are no delays. They are planning to install a new truck washing facility and will coordinate stormwater runoff issues with Santa Clara's Streets Department.

2. Equipment

Delivery of 50 collection vehicles including 5 spares is on schedule for final arrival by May. Twenty-five of the vehicles have been modified to accommodate higher tonnages. GCS has also ordered two flatbed trucks, two supervisor and manager's trucks, and three pick-up trucks for route managers. The five pick-up trucks have arrived. Camera systems have been ordered. GCS has ordered approximately 6,600 garbage carts and inserts for replacement stock that is due for delivery on June 1, 2007.

3. Operations

Garden City has been working on routing continuously, and will be hiring two full time route auditors to assist in route verification. The routing operations computer system equipment is in place, as is a 44" plotter for mapping. The routing will require only one trip to the landfill per day.

GreenWaste Recovery, Inc.

1. Facilities and Permitting

GreenWaste Recovery has identified a site for lease at 565 Charles Street for the corporation yard for the new District C yard trimmings collection contract. The site will require paving, upgrading of the storm drain system, some building improvements, and possibly other minor improvements. The proposed use on this site will also require a Special Use Permit (SUP), and GWR has filed the necessary application. They have also identified a second site on South 7th Street that could be used for a corporation yard for the new contract if for any reason the Charles Street site cannot be ready by July 1, 2007. The South 7th Street site would be a lease agreement, and would also require an SUP. At this time, the application for the SUP for the alternative site has not been submitted.

2. Equipment

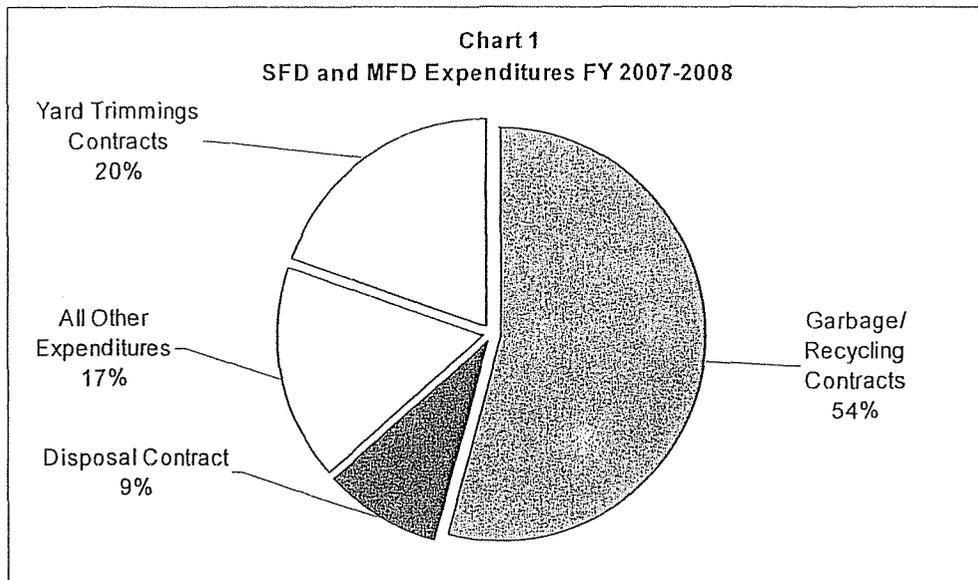
New sweepers have been ordered to service streets in District C. There will be two full-time sweepers and one spare. The spare can be used in case of vehicle breakdown or during times of heavy debris. This equipment is expected to arrive by the end of May. Seven rear-end loader trucks, one fully automated collection truck, and seven wheel loaders with claw buckets will be used for the collection of yard trimmings. Additional spare equipment has also been ordered. The construction of the truck chassis is on schedule, and will arrive at the body manufacturers in early February.

3. Operations

GWR is modifying routing for District C. The administrative staff, including customer service, general administration, management, and accounting staff relocated to 1500 Berger Drive on February 2nd. Operations managers will remain at the 625 Charles Street address.

II. RECYCLE PLUS RATE INCREASE PROPOSALS

The bulk of the costs covered by the Recycle Plus fees are used to pay the collection contractors and the landfill disposal contractor. Chart 1 below indicates that in FY 2007-2008 it is estimated that these contracts will comprise 83% of total single-family and multi-family expenditures. The remaining 17% includes expenditures for City overhead, program management, billing and customer service.



Similarly, the bulk of the projected 29% single-family rate increase can be attributed to large increases in contract expenditures associated with the new Recycle Plus contracts. However, other factors in Fiscal Years 2006-2007 and 2007-2008 contribute to the projected increases for both single-family and multi-family services. The sections below provide a brief overview of the known budgetary impacts in FY 2007-2008. A detailed discussion of the budgetary impacts affecting the Recycle Plus rates will be presented when staff returns to Council with final rate recommendations in May 2007, including a complete analysis of the rate impact of the FY 2007-2008 proposed budget.

Anticipated FY 2007-2008 Budget Impacts

As mentioned previously, the bulk of the projected 29% single-family rate increase can be attributed to large increases in contract expenditures associated with the new Recycle Plus contracts beginning in FY 2007-2008. In addition to this increase, expenditures for the continuing Recycle Plus hauler contracts and disposal contract will increase by modest amounts in FY 2007-2008. It is anticipated that proposed increases for the FY 2007-2008 budget will impact expenditures and contribute to the projected Recycle Plus rate increases. As more information becomes available through the FY 2007-2008 budget process, staff will present a comprehensive analysis on the FY 2007-2008 budget impacts when final Recycle Plus rate recommendations are presented to Council on May 8, 2007. The following section highlights the major FY 2007-2008 budget impacts known at this time.

New Recycle Plus Contracts – In 2006, Council awarded contracts to California Waste Solutions, Garden City Sanitation and GreenWaste Recovery for solid waste services currently provided by Norcal Waste Systems in Service Districts A and C. As previously presented to Council, annual costs for these new contracts are significantly higher than current contract costs under the Norcal agreements. It is estimated that FY 2007-2008 costs for these contracts will be

\$41,519,000, a 54% increase over current costs. This expenditure increase alone accounts for approximately 25% of the 29% projected rate increase for FY 2007-2008.

Continuing Contracts - The two continuing collection contracts (GreenTeam and GreenWaste Recovery) and the Newby Island Landfill disposal contract include provisions for annual COLAs to cover allowable cost increases. In recent years these cost increases have been significant due to volatile fuel and labor costs, and rising regulatory costs at Newby Island Landfill. In FY 2007-2008, COLA increases are anticipated to be much lower than in recent years. On average, costs for the continuing Recycle Plus contracts are anticipated to increase by 3.7% in FY 2007-2008. The COLA increases to current contracts account for approximately 1.5% of the 29% rate increase.

Projected IBS and Call Center-Related Impacts – The City is currently billing and collecting for Recycle Plus services (along with two other utilities, Muni Water and Sanitary/Storm Sewer) from the new Integrated Billing System which went live in July 2006. Through the implementation stage of IBS, a number of staff was added to the program due to identified resource needs for technical support, call center, and billing services. Conversion of old billing systems for the three utilities to IBS revealed the requirement for additional staff resources to improve the accuracy of the billing information, to develop controls for the new system processes, and to define new procedures and responses for customer inquiries. These staffing resources have been filled through temporary contractual services, pool or overstrength positions, or have not been filled pending adoption of the City's FY 2007-2008 operating budget.

The Executive Steering Committee (consisting of the Chief Deputy City Manager and the Directors of Environmental Services, Finance, and Information Technology) have submitted FY 2007-08 budget proposals to permanently add some of these positions to the operating budget. Eleven call center representatives, eight technical and application support staff, three billing and account maintenance staff, and one premises data management position are proposed to be made permanent in FY 2007-2008. Eight additional staff for customer service and one for billing account maintenance are proposed for continued funding as temporary overstrength positions through the end of the FY 2007-2008 stabilization period. It is expected that by the end of FY 2007-2008, City staff will have learned to more effectively use the system and business processes will be designed and implemented that make work flow more efficient. In addition, through this transition period, streamlined processes are anticipated that will allow for further improvements due to more efficient processes, increased system functionality, conversion from manual to automated processes and continued enhanced customer service. For example, two significant initiatives that are in the final testing phase of implementation are on-line bill payment and automatic debit payment processing. As the system continues to be refined and stabilized through the final phase of the Consolidated Utility Billing Project and related business processes are improved, the level of overstrength positions dedicated to the system operations and maintenance should reduce. It is estimated that these proposals would contribute approximately 1.5% to the total single-family rate increase.

Projected Environment and Utility Services CSA Budget Impacts – It anticipated that budget proposals related to the Environmental and Utility Services CSA will be brought forward during the FY 2007-2008 budget process. These expenditures consist of some enhancements to environmental programs and infrastructure, such as continuance of the expanded enforced street sweeping signage programs, as well as some small funding alignments. It is estimated that these proposals would contribute approximately 0.75% to the total single-family rate increase.

What is Included in the Rate Notice

The rate notice (included as Attachment B) will be mailed to property owners in March 2007. This will allow ample time for the required 45-day protest period. The proposed rate notice will include not-to-exceed amounts for potential rate increases in Fiscal Years 2007-2008, 2008-2009 and 2009-2010. The rate notice will include general increases to Recycle Plus rates, general increases to Recycle Plus delinquency charges, and one-time adjustments to the yard trimmings subscription cart rate and subscription on-premises service rates needed to bring these services to cost recovery. A general description of the increases is provided below. More detailed information will be provided when staff returns to Council on May 8, 2007, with the final rate recommendations for FY 2007-2008.

The rate notice will describe how property owners can officially protest the potential rate increases by submitting a written protest to the City. Property owners will also be informed that they may make comments at the public hearing scheduled for May 8, 2007. The notice will include instructions in Vietnamese and Spanish on how the notice can be obtained in those languages. Proposition 218 requires that a rate increase not be imposed if written protests are submitted from a majority of affected property owners.

General Recycle Plus Rate Increase

Table 1 below presents the maximum general Recycle Plus rate increases for single-family and multi-family services that will be included with the Proposition 218 rate notice.

TABLE 1 – Maximum Increases to General Recycle Plus Rates

	FY 07-08	FY 08-09	FY 09-10
Maximum Single-Family Increase	29%	10%	10%
Maximum Multi-Family Increase	10%	10%	10%

Although final rate recommendations for FY 2007-2008 will not be presented until the May 8, 2007 public hearing, current information indicates that 29% for single-family services and 10% for multi-family services would be sufficient to keep the program near cost recovery, while maintaining adequate contingency reserves. At this early stage in the FY 2007-2008 budget process, it is difficult to predict final rate recommendations; however a preliminary five-year

Recycle Plus rate strategy is presented in Table 2, using the best information currently available.

The projected rate increases for Fiscal Years 2008-2009 and 2009-2010 fall well below the maximums that will be presented in the proposed rate notice. However, it is important that the City retain its ability to adopt rate increases in future years that are higher than current projections indicate. As staff move forward with the development and implementation of the new programs that will be needed to meet the Council-adopted U. N. Accords goals of reducing solid waste disposal to landfills, additional funding may be needed. This rate noticing strategy will allow for unforeseen changes in current forecasts, such as increased fuel and labor costs, unanticipated transition-related expenditures, and higher regulatory costs at Newby Island.

TABLE 2 – Estimated Recycle Plus 5-Year Rate Strategy

	Modified	Projected				
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Fund Balance Target (1 month operating expenses) ¹⁾	5,531,000	6,910,000	7,288,000	7,696,000	8,119,000	8,567,000
SFD Rate Increase	5%	29%	2%	6%	5%	6%
MFD Rate Increase	3%	6%	2%	3%	5%	4%
32 Gallon Cart Rate	\$20.15	\$25.99	\$26.50	\$28.09	\$29.49	\$31.25
Unrestricted Fund Balance and Contingency Reserve	3,200,000	7,279,000	7,670,000	7,922,000	7,962,000	8,684,000

¹⁾ A minimum ending fund balance is maintained equal to approximately one month's operating expenditures for the Recycle Plus and disposal contracts. This prudent balance serves as a contingency reserve in the event of service disruption or other emergencies.

An SFD increase of 29% would amount to an additional \$5.84 per month for the standard 32-gallon garbage cart, increasing the rate from \$20.15 to \$25.99. The estimated countywide weighted average for a 32-gallon garbage cart for 2007 is \$24.09 per month based on a survey of Santa Clara County cities conducted in December 2006. Although the projected rate increase would place San Jose above the countywide average, it is important to note that services included with these rates vary widely from city to city (collection frequency, street sweeping, etc). In addition, some solid waste programs may have funding sources other than rate-payer revenue.

San Jose's Recycle Plus program has operated on a "pay-as-you-throw" basis since its inception in 1993. This means that the 64-gallon cart size is priced at double the 32-gallon size (double the size = double the cost). This pricing system has had a significant and positive impact on recycling volumes, as residents have been able to lower their costs by recycling more. The introduction of this type of financial incentive is widely credited with virtually tripling recycling volumes in San Jose within the first six months of its implementation in 1993. In addition to increased volumes of recyclables since 1993, residential participation in the recycling program increased from 66% of households to 83%. The system has been adopted in thousands of

communities nationally, including Oakland and San Francisco. Currently, all but 3 of the 22 jurisdictions in Santa Clara County have also adopted the “pay-as-you-throw” system.

The MFD program operates on a modified pay-as-you throw basis. With the projected 6% increase in multi-family rates, the resulting rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) will be \$167.79 per month, far lower than the countywide average of \$203.80 per month, based on a survey of Santa Clara County cities undertaken in December 2006. Rate comparisons with other jurisdictions are detailed in Attachment A.

Additional Rate Increases

In addition to the general Recycle Plus rate increases, certain rates will be increasing by more than the maximum increases detailed in the Proposition 218 rate notice. These additional rate changes include increases to Recycle Plus delinquency charges, and one-time adjustments to the yard trimmings subscription cart rate and subscription on-premises service rates needed to bring these services to cost recovery. Details of these special rate changes are included in Attachment C, Recycle Plus Special Rates.

FY 2007-2008 Recycle Plus Rate Increase Schedule

For FY 2006-2007, Council approved new Recycle Plus rates in June 2006 in conjunction with the City’s 2006-2007 Operating Budget. In order to minimize impact of the proposed FY 2007-2008 rate increase on City and contractor operations during the hauler transition period, and to ensure that the City receives sufficient revenues to compensate the haulers for FY 2007-2008, staff recommends that Council approve the rates in May instead of June 2007 for the following reasons:

- SFD bills are generated on a two-month cycle with the first 30 days being billed in advance of services rendered. Therefore, Council approval of rates in June would result in rates becoming effective no earlier than August 1st. Although this schedule has the advantage that Recycle Plus rates can be considered with the City’s annual budget, it results in at least one month of lost revenue from the new rates. At the projected rates for FY 2007-2008, the monthly cost of deferring the increase is \$1.6 million.
- Council rate approval in May, and billing the new rates in June for July service, avoids this revenue loss, and results in no retroactive charges appearing on customer’s bills. Even with a July 1 effective date, should approval of the rate increase be delayed so that June bills could not include the new rates, it would be necessary to make an adjustment for July service on a later bill. This may appear to the customer as an increase larger than 29%, and may impact Call Center staff as customers call with billing questions.
- City Call Center staff and new haulers will be heavily impacted during the service transition beginning July 1, 2007. Customer calls are expected to more than double

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during the transition period. Under the proposed rate increase schedule, 50% of the Recycle Plus bills with the new rates will have been received before July 1st. This will decrease the number of rate-related calls and service change requests received in the Call Center during the heavily impacted transition period.

The proposed rate increase implementation timeline attempts to minimize impacts of rate changes to hauler and City operations during the extremely critical contractor transition period, while still ensuring that the City receives the required revenue to pay for Recycle Plus services.

The following schedule allows for an effective date of July 1, 2007 for new Recycle Plus rates.

Rate Increase Timeline	Date
Rate notice report presented to Transportation and Environment Committee	February 22nd
Rate notice recommendation to City Council	March 6th
Rate notice mailing begins	March 16th
45-day Proposition 218 protest period begins	March 24th
Public hearing / Rate recommendation to City Council	May 8th
New rates appear on Recycle Plus bills	June 1st
Rates effective	July 1st

May 8 has been set as the date for the public hearing and Council action on a proposed Recycle Plus rate increase. This date accommodates the 45-day public review and protest period required by Proposition 18, the time needed to print and data sort the mass mailing to all property owners in San Jose (over 205,000 properties), and the time required to adjust billing processes and issue bills in the correct amounts. Because the rate notices must be received by property owners no later than March 23 (45 days in advance of May 8), the proposed increases are described in terms of a "not-to-exceed" amount. Staff's final rate recommendations to Council will come forward in May, and Council shall make the final rate determination at the May 8 Council meeting following the public hearing.

ALTERNATIVES

Council may elect to alter the Proposition 218 rate notice at the March 6 Council meeting. This may include increasing the number of years included in the notice, or altering the maximum rate increase amounts for each fiscal year.

PUBLIC OUTREACH

Upon approval of the recommendations contained in this memorandum, a public notice will be sent to all San Jose residential property owners advising them of potential Recycle Plus rate increases, with an opportunity to protest proposed increases through the Proposition 218 public comment process. At the public hearing scheduled for May 8, 2007, staff will provide a full report on the number, and type, of official protests received by the City Clerk's Office.

COORDINATION

This memorandum was coordinated with the Department of Public Works/Office of Equality Assurance, the City Manager's Budget Office, the City Attorney's Office, the Information Technology and Finance Departments, and the City Clerk's Office.

COST IMPLICATIONS

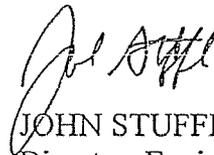
Costs for the mailing of the Proposition 218 rate notice are estimated to be approximately \$100,000. Existing funds are available for this mailing. Additional cost analysis will be presented with final Recycle Plus recommendations for FY 2007-2008.

BUDGET REFERENCE

Not Applicable

CEQA

Not a project.



JOHN STUFFLEBEAN
Director, Environmental Services

For questions, please contact Jo Zientek, Deputy Director, Integrated Waste Management Division, at (408) 535-8557.

Attachments:

- (A) Rate Comparisons of Other Cities
- (B) Draft Proposition 218 Rate Notice
- (C) Recycle Plus Special Rates

**ATTACHMENT A
RATE COMPARISONS**

The table below compares the typical single-family dwelling garbage and recycling rates of Santa Clara County cities and agencies. This survey of other cities was conducted in December 2006, after new rates were adopted by many other jurisdictions. If known, proposed rates are included. **It is important to note that services included with these rates vary widely from city to city, and that San Jose's services generally are more robust (more frequent collections, additional services included such as street sweeping, etc.) . In addition, some solid waste programs may have funding sources other than rate-payer revenue.** As shown below, San José's proposed single-family rate would rise above the countywide average for the first time since the new rate system was adopted in 1993. Multi-family rates would remain below the countywide average. With a proposed 6% multi-family increase, the rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) would be \$167.79 – far lower than the countywide average of \$203.80 per month, based on a December 2006 survey.

**Single-Family Dwelling Garbage and Recycling Program
32 Gallon Rate Comparisons**

Santa Clara County Cities	Current Monthly Rate	Proposed Monthly Rate (if available)
Milpitas	\$28.59	-
Los Altos Hills	\$27.72	-
San José with 29% Increase	\$20.15	\$25.99
Gilroy	\$23.20	\$24.36
Los Altos	\$24.14	-
Countywide Weighted Average	\$21.42	\$24.09
Unincorporated County Districts	\$19.43-\$22.79	\$19.55-\$31.94
Palo Alto	\$21.38	\$23.30
Monte Sereno	\$21.71	\$22.88
Morgan Hill	\$22.31	-
Sunnyvale	\$21.71	-
Saratoga	\$18.81	\$19.83
Santa Clara	\$19.25	-
Cupertino	\$18.66	-
Campbell	\$18.05	\$18.46
Los Gatos	\$16.90	\$17.88
Mountain View	\$15.30	-

**Single-Family Dwelling Garbage and Recycling Program
32 Gallon Rate Comparisons - Continued**

Other Northern California Cities	Current Monthly Rate
San José (proposed)	\$25.99
Oakland	\$25.24
Fremont	\$22.36
San Francisco	\$22.29
Sacramento	\$20.09
San José (current)	\$20.15

ATTACHMENT B



OFFICE OF THE CITY CLERK

OFFICE OF THE CITY CLERK
200 EAST SANTA CLARA STREET
SAN JOSE, CA 95110

March 16, 2007

NAME
ADDRESS
CITY, STATE ZIP

Assessor's Parcel Number(s):
XXX-XX-XXX
Property Owner of:
ADDRESS

NOTICE OF PUBLIC HEARING: PROPOSED RECYCLE PLUS SERVICE RATE INCREASES

Dear Property Owner:

A public hearing will be held on **Tuesday, May 8, 2007**, by the San José City Council regarding proposed increases to Recycle Plus rates for garbage and recycling services. The meeting begins at **1:30 p.m.** and will be held in the San Jose City Hall Council Chambers located at 200 East Santa Clara Street.

General Recycle Plus Rate Increases

The Recycle Plus system is based on full cost recovery from rate-payers and is not subsidized by the General Fund. The bulk of the significant cost increases detailed below, reflects the higher costs of providing garbage, recycling, yard trimmings and street sweeping services based on a competitive selection process to secure new hauler contracts for a six-year period starting July 1, 2007. In addition, expenses for the continuing Recycle Plus hauler contracts and the landfill disposal contract will increase by modest amounts in Fiscal Year 2007-2008, as will costs for billing and account management. Total expenses are expected to increase by approximately \$14 million. The proposed increases will provide funding for these additional expenditures.

Single-Family Rate Increases

A single-family household rate increase not to exceed 29% will be recommended for Fiscal Year 2007-2008. If approved by the City Council, this would amount to an increase of \$5.84 per month for a standard 32-gallon garbage cart, effective July 1, 2007. The chart below provides information on other cart sizes. The amounts given would be reduced in direct proportion should the approved increase be less than 29%.

The public hearing on May 8 will also cover proposed Recycle Plus maximum rate increases of 10% in Fiscal Year 2008-2009 and 10% in Fiscal Year 2009-2010.

Multi-Family Rate Increases

A rate increase of up to 10% may be recommended for multi-family properties during Fiscal Year 2007-2008. The public hearing on May 8 will also cover proposed Recycle Plus maximum rate increases of 10% in Fiscal Year 2008-2009 and 10% in Fiscal Year 2009-2010.

Other Rates

Administrative rates for billing services, such as delinquency processing, late payment fees, fees on returned checks, and notice of intent to lien, will be recommended for a not-to-exceed amount of 29%, to reflect increased

ATTACHMENT B

processing costs.

In addition to increases to the basic Recycle Plus rates, there are proposed increases of more than 29% on a variety of additional services. These rate changes reflect the price increases the City will pay the new haulers. Additional rates are set to fully recover the costs of providing these services to customers. The May 8 public hearing will also cover proposed Recycle Plus maximum increases for these other rates of 10% in Fiscal Year 2008-2009 and 10% in Fiscal Year 2009-2010.

Optional Yard Trimmings cart rates have not been increased during the past three years. In order to bring this service to full cost recovery, this rate is proposed to increase by 60%, from \$2.50 per month currently to \$4.00.

Two new rates are proposed to be added. The first is for recycling carts that have been used to dispose of non-recyclable materials that must be collected as garbage and transported to the landfill. The second new rate covers the cost for replacing an excessive number of carts for any one customer.

Please refer to the attached schedule for more details on the proposed rate changes for Fiscal Year 2007-2008.

Protest Process

If you wish to protest the proposed Recycle Plus service rate increases, the City must receive your *written* protest prior to the close of the public hearing on May 8, 2007. Mail or deliver written protests to: Recycle Plus Rate Increase, City Clerk, 200 East Santa Clara Street, San José, California 95113. ***For your protest to be counted, you must indicate the Assessor's Parcel Number(s) of the property (ies) you own*** that are subject to the proposed rate adjustment. For your reference, this parcel number is printed at the top of this letter.

Billing Impacts

If the City Council approves the proposed rate changes at its May 8, 2007 meeting, the new rates will take effect July 1, 2007. Note that the rate increase will show up on bi-monthly billing statements beginning June 1, 2007. If the Council does not approve the proposed rate changes, current rates will remain in effect.

For assistance in determining the cost of the proposed rate adjustments to you, please call the City of San Jose Customer Contact Center at (408) 535-3500.

Requesting Notice in Other Languages or Formats

In accordance with the Americans with Disabilities Act, this letter can be made available upon request in alternative formats such as Braille, large print, audiotape, or computer disk. Requests can be made by calling (408) 535-3500 (voice) or (800) 735-2929 (California Relay System).

Spanish text

Vietnamese text

ATTACHMENT B

**SCHEDULE OF PROPOSED RECYCLE PLUS MONTHLY SERVICE RATES
FISCAL YEAR 2007-2008
Effective July 1, 2007**

Single-Family Service Rates

Recycle Plus single-family service rates are based on garbage cart size. Recycling, loose-in-the-street yard trimmings collection, and street sweeping are included with this service. Maximum increases for Fiscal Year 2007-2008 rates are listed below. Other Recycle Plus service rates for single-family properties will also be increased accordingly.

Single-Family Household Rates for Monthly Curbside Service	Current Monthly Rate for Curbside Service	Maximum Proposed Monthly Rate for Curbside Service FY 2007-2008	Maximum Monthly Increase (29%)
20-Gallon Garbage Cart	\$18.98	\$24.48	\$5.50
32-Gallon Garbage Cart	\$20.15	\$25.99	\$5.84
64-Gallon Garbage Cart	\$40.30	\$51.98	\$11.68
96-Gallon Garbage Cart	\$60.45	\$77.97	\$17.52

Single-Family On-Premises Collection Service Rates

Single-Family Household Rates for Monthly On-Premises Collection	Current Monthly Rate for On-Premises Collection	Maximum Proposed Monthly Rate for On-Premises Collection FY 2007-2008
20-Gallon Garbage Cart	\$28.47	\$96.48*
32-Gallon Garbage Cart	\$30.23	\$97.99*
64-Gallon Garbage Cart	\$60.45	\$123.98*
96-Gallon Garbage Cart	\$90.68	\$149.97*

* Rates based on a service charge of \$72 per household are added to the basic monthly curbside service rate.

Additional Rates

Additional Rates For Recycle Plus	Current Rate	Maximum Proposed Rate FY 2007-2008
Single-Family Large Item Collection (three items)	\$25.00	No Change*
Optional Yard Trimmings Cart	\$2.50	\$4.00
Pickup of Contaminated Recycling Cart Rate	New Rate	\$15.00
Excessive Lost or Stolen Cart Rate	New Rate	\$60.00

*There are no changes to this rate recommended for FY 2007-2008, however increases up to the maximum allowable increase of 10% may be considered in each of the following two fiscal years (FY 2008-2009 and FY 2009-2010).

Small Commercial Business Rates (Maximum 29% increase)

Small Commercial Business (SCB) Rates for Monthly Service	Current SCB Monthly Rate	Maximum Proposed SCB Monthly Rate FY 2007-2008
32-Gallon Garbage Cart	\$25.04	\$32.30
64-Gallon Garbage Cart	\$45.22	\$58.33
96-Gallon Garbage Cart	\$65.37	\$84.33

ATTACHMENT B
Small Commercial Business On-Premises Rates*

Small Commercial Business (SCB) Rates for Monthly On-Premises Collection	Current SCB Monthly Rate for On-Premises Collection	Maximum Proposed SCB Monthly Rate for On-Premises Collection FY 2007-2008
32-Gallon Garbage Cart	\$37.56	\$104.30
64-Gallon Garbage Cart	\$67.83	\$130.33
96-Gallon Garbage Cart	\$98.06	\$156.33

* On-Premise rates include a service charge of \$72.00 per location added to the monthly small commercial business rate.

Shared Cart Rates for Multi-Family Complexes*

Shared Cart Service	Current Rates	Projected FY 2007-2008 Rate
One 96-gallon cart	\$52.11	\$67.00
Two 96-gallon carts	\$77.52	\$100.00
<i>On-Premise - One 96-gallon cart</i>	<i>\$78.17</i>	<i>\$139.00</i>
<i>On-Premise - Two 96-gallon carts</i>	<i>\$116.28</i>	<i>\$244.00</i>

*Per San Jose Municipal Code, shared cart service is limited to multi-family complexes that utilize carts (rather than bins) for garbage collection services. This service is not available for single family households. On-Premises rates include a service charge of \$72.00 per garbage cart per location added to the monthly shared-cart rate.

Multi-Family Service Rates (Maximum 10% increase)

Recycle Plus multi-family service rates are based on the number and volume of garbage bins and their frequency of collection. Recycling, yard trimmings collection, and street sweeping are included with this service. Maximum increases for Fiscal Year 2007-2008 for the most common rates are listed below. Other Recycle Plus service rates for multi-family properties also would be increased accordingly.

Multi-Family Dwelling Monthly Service Rates	Current Monthly Rate	Maximum Proposed Monthly Rate FY 2007-2008	Maximum Monthly Increase (10%)
One 2-Cubic-Yard Bin serviced once per week	\$118.32	\$130.15	\$11.83
One 3-Cubic-Yard Bin serviced once per week	\$158.29	\$174.11	\$15.82
One 3-Cubic-Yard Bin serviced twice per week	\$295.39	\$324.92	\$29.53
25-ft. Push once per week	\$17.46	\$19.20	\$1.74
MFD Large Item Collection	\$55.50	No Change*	N/A

*There are no changes to this rate recommended for FY 2007-2008, however increases up to the maximum allowable increase of 10% may be considered in each of the following two fiscal years (FY 2008-2009 and FY 2009-2010).

Administrative Rates for Delinquency Payment Services (29% Increase)

Administrative Rates For Delinquency Payment Services	Current Rate	Maximum Proposed Rate FY 2007-2008
Administrative Charges for (Delinquency) Collections Processing	\$58.00	\$74.82
Minimum Late Payment Charge	\$5.00	\$6.45
Returned Check Fee	\$42.00	\$46.20*
Notice of Intent to Lien Fee	\$15.00	\$19.35
Special Assessment Charge	\$5.00	\$6.45

*The Returned Check Fee will be increased by a maximum of 10% in FY 2007-2008.

ATTACHMENT C RECYCLE PLUS SPECIAL RATES

In addition to the general Recycle Plus rate increases, certain rates will be increasing by more than the maximum increases detailed in the Proposition 218 rate notice. These additional rate changes include increases to Recycle Plus delinquency charges, and one-time adjustments to the yard trimmings subscription cart rate and subscription on-premises service rates needed to bring these services to cost recovery.

Yard Trimmings Cart Subscription Increase

The yard trimmings cart subscription rate (and the on-premises collection rates discussed below) must be brought to cost recovery. Proposition 218 legislation prohibits charging one property owner for services provided to another property owner. Therefore, rates charged for regular curbside service cannot include the costs for premium services provided to another customer. The yard trimmings cart option and on-premises collection are premium services, and their costs must be borne by those who benefit from the service.

Despite general increases to Recycle Plus rates, the yard trimmings subscription rate has remained unchanged since the last increase in Fiscal Year 2004-2005. Approximately 42,000 SFD households subscribe to this optional service Citywide. Increasing yard trimmings cart rates from \$2.50 per month to \$4.00 per month (a 60% increase) will achieve cost recovery for this service, will resolve equity issues by recovering the additional expenditure for yard trimmings cart collection only from those who benefit from the service, and will help control rate increases needed to keep the IWM Fund balance at appropriate levels. The adjusted yard trimmings subscription rate will be subject to the maximum general rate increases noticed for Fiscal Years 2008-2009 and 2009-2010.

Some residents may choose to cancel their cart subscriptions so as not to incur the rate increase. Residents who cancel their subscriptions will continue to have access to unlimited loose-in-the-street yard trimmings collection service. In areas where parking congestion prevents on-street collection of yard trimmings, residents receive one yard trimmings cart per household at no charge. The proposed yard trimmings cart rate increase will not affect this no-charge service.

On-Premises Collection Rate Increase

On-premises collection is the collection of solid waste carts from areas other than at the curb (such as backyard collection). This service is offered to residents with a qualifying disability at no additional cost to the resident, and at no additional cost to the City, from the Recycle Plus haulers. However, some residents without disabilities choose to subscribe to this premium service, at an additional cost. The current subscription on-premises rate is 1.5 times the regular garbage rate. As an example, for a typical 32-gallon

garbage cart, the on-premise monthly rate is \$30.23.

The Recycle Plus haulers are paid an additional amount for providing subscription on-premises service. With the new Recycle Plus contracts beginning in July 2007, the average contractor payment for subscription on-premises service will increase by 115%. Following Council direction that programs operate at cost recovery, the on-premises rates were evaluated and a new rate structure with significantly higher customer rates will be recommended to Council at the May 8, 2007 public hearing. The new rate structure for this premium service will be based on a \$72.00 on-premises charge added to the customer's base rate. Projected on-premises rates for Small Commercial Businesses (SCB's) will increase similarly. Approximately 129 SFD and 5 SCB's subscribe to this premium service Citywide. The adjusted on-premises rates will be subject to the maximum general rate increases noticed for Fiscal Years 2008-2009 and 2009-2010. Table 1 below highlights on-premises rate adjustments that will appear in the proposed rate notice.

TABLE 1 – Projected On-Premises Rate Increases

On-Premise Service	Current Rate	Projected FY 2007-2008 Rate	% Increase
20-gallon	\$28.47	\$96.48	239%
32-gallon	\$30.23	\$97.99	224%
64-gallon	\$60.45	\$123.98	105%
96-gallon	\$90.68	\$149.97	65%
SCB 32-gallon	\$37.56	\$104.30	178%
SCB 64-gallon	\$67.83	\$130.33	92%
SCB 96-gallon	\$98.06	\$156.33	59%

Although hauler costs will increase significantly under the new Recycle Plus contracts, on-premises collection for residents with disabilities will continue to be provided at no cost to the City. Such qualifying residents will continue to receive on-premises service at no additional charge.

Additionally, a small number (approximately 52) of multi-family complexes that utilize carts to collect garbage have been receiving on-premises service at no charge. This no-charge rate was carried-over from the multi-family contract in 2002 when these properties were transitioned into the SFD contract and was limited to complexes where the driver had to walk less than 25 feet to service the cart. Although under the previous multi-family Recycle Plus contract the hauler was not paid for providing this service, current single-family contract parameters dictate that the contractor is compensated. Because there is a cost to the City, the customer will now be charged accordingly for this service. The Proposition 218 notice will include information about the elimination of this no-charge service beginning July 1, 2007, including the rate increases shown in Table 2

below. Because shared-cart service is provided by the single-family contractors, and these costs have increased significantly, it is subject to the maximum single-family rate increases of the Proposition 218 rate increase notice. Per San Jose Municipal Code, shared carts are only allowed at multi-family complexes, not single-family homes.

TABLE 2 – Projected On-Premises Shared Cart Rate Increases

On-Premise Service	Current Rates	Projected FY 2007-2008 Rate
1 96-gallon cart	\$52.11* / \$78.17	\$139.00
2 96-gallon carts	\$77.52* / \$116.28	\$244.00

*Current rates include rate for customers that receive qualifying on-premises service at no-charge.

Recycle Plus Delinquency Charge Increases

The Proposition 218 notice will include information on potential increases to the late charges for Recycle Plus payment delinquencies. The charges subject to increases are listed in Table 3 below, along with current rates and maximum rates for FY 2007-2008. Similar to the general Recycle Plus rate increases, the notice will include a maximum 29% increase in Fiscal Year 2007-2008, and 10% in both Fiscal Years 2008-2009 and 2009-2010 to cover increased costs for delinquency processing. The Finance Department will present final recommendations for increases to these fees and charges as part of the FY 2007-2008 budget process.

TABLE 3 – Maximum FY 2007-2008 Delinquency Charge Increases

Delinquency Charge	Current Rate	Maximum FY 2007-2008 Rate
Administrative charges for collection procedure	\$58.00	\$74.82
Minimum Late Payment Charge	\$5.00	\$6.45
Notice of Intent to Lien	\$15.00 per notice	\$19.35 per notice
Special Assessment Charge	\$5.00 per parcel	\$6.45 per parcel
Returned Check Fee	\$42.00 per returned check	\$46.20 per returned check*

*The Returned Check Fee will be increased by a maximum of 10% in FY 2007-2008.

New Rates for Contaminated Recycling Cart Collection and Excessive Lost or Stolen Cart Replacement Requests

As reported to Council on November 21, 2006, staff is proposing a fee that may be charged to a resident if the contents of a recycling cart have to be collected as garbage. This proposed rate of \$15.00 will cover the cost for Garden City Sanitation to collect a contaminated recycling cart plus administrative costs.

The current Rate Resolution includes a category to establish a customer rate for repeated cart replacement requests that may be unwarranted. This rate may be applied when the City determines that a resident is using the carts for unintended purposes and/or has been making repeated requests for free replacements. The Rate Resolution allows a charge of \$10.00 plus the actual container replacement cost, including delivery costs. For consistency in the application of this rate, it is recommended that this rate be set at \$60.00 in FY 2007-2008. This will cover the City's costs to deliver these replacement carts, plus a \$10.00 administrative charge.