



COUNCIL AGENDA: 6-15-04
ITEM: 10.4

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Carl W. Mosher

SUBJECT: SEE BELOW

DATE: 6-8-04

Approved

Date

6.10.04

COUNCIL DISTRICT: City-Wide

SUBJECT: ADOPTION OF RESOLUTIONS REVISING RECYCLE PLUS RATES AND COMMERCIAL FRANCHISE FEES AND AB939 FEES EFFECTIVE AUGUST 1, 2004, AND ELIMINATING COMMERCIAL FRANCHISE FEE EXEMPTIONS FOR HAULERS PROVIDING FRONT LOADER SERVICE EFFECTIVE JULY 1, 2004

RECOMMENDATION

It is recommended that the City Council:

1. Adopt a resolution revising Recycle Plus rates for integrated waste management services beginning August 1, 2004, increasing single-family and multi-family rates by 9% as approved in the FY 2003-04 Adopted Budget and as noticed to the public on April 11, 2003; and setting the optional yard trimmings cart subscription rate at \$2.50 per month effective August 1, 2004, to bring this service to cost recovery;
2. Adopt a resolution revising the Commercial Solid Waste Collection Franchise Fee for services performed on or after August 1, 2004, as follows:
 - a. For each uncompacted cubic yard collected, increase the Franchise Fee from \$3.24 to \$3.34 per cubic yard.
 - b. For each compacted cubic yard, increase the Franchise Fee from \$9.72 to \$10.02 per cubic yard.
 - c. Revise the exemption from the Franchise Fee from the first 21,600 to the first 20,900 cubic yards of uncompacted solid waste (or the equivalent of compacted solid waste) collected in any fiscal year (July 1 through June 30) for haulers that do not provide front loader service.

- d. Eliminate the yearly exemption from the Franchise Fee of the first 21,600 cubic yards of uncompacted solid waste (or the equivalent of compacted solid waste) collected in any fiscal year (July 1-June 30) for haulers providing front loader service effective July 1, 2004.
3. Approve revisions to the Commercial Solid Waste Source Reduction and Recycling (AB939) Fee (included in the Schedule of Fees and Charges) effective August 1, 2004, as follows:
 - a. For each uncompacted cubic yard collected, decrease the fee from \$0.60 to \$0.50 per cubic yard.
 - b. For each compacted cubic yard collected, decrease the fee from \$1.80 to \$1.50 per cubic yard.
 4. Direct staff to return to Council during the FY 2005-06 budget process with recommendations for a revised five-year rate strategy for Recycle Plus.

BACKGROUND

The City Council adopted a 5-Year Rate Strategy for the Integrated Waste Management Fund (IWM Fund) in the FY 2003-04 Adopted Budget.

Previous to that, Proposition 218 Public Notices were mailed to over 205,000 Single-Family (SFD) and Multi-Family (MFD) residential property owners advising them of the proposed rate increase for Fiscal Year 2003-04 and an additional proposed rate increase of up to 9% in Fiscal Year 2004-05.

Only 638 protest letters, representing less than approximately 0.3% of San Jose property owners, were received by the May 27, 2003, public hearing. Council approved the proposed rate increases on May 27, 2003, and they were adopted in the FY 2003-04 Budget. A table summarizing the protest letters received by category can be found in the Public Outreach section of this memorandum.

ANALYSIS

IWM FUND BALANCE

A revision of the 5-Year Rate Strategy previously approved by the City Council in the FY 2003-04 Adopted Budget is proposed in order to correct a declining ending fund balance in the IWM Fund.

The fund balance serves as a contingency reserve for the Integrated Waste Management Program, and should be sustained at a stable level so that it can be drawn on in case of service disruption or other emergencies. As discussed with Council beginning in FY 2002-03, a prudent level would be a fund balance of approximately \$3.5 to \$4 million – equal to approximately one month's operating expenditures for the Recycle Plus contracts.

Chart 1 below reflects revenue, expenditure and fund balance actuals and projections from FY 2000-01 through FY 2008-09 for the IWM Fund. Included are the 9% rate increases proposed in the two-year public hearing notice issued in 2003, as well as updated out-year projections.

This chart also indicates the current estimates of the rate increases that will be needed in the out-years (FY 2005-06 through 2008-09) to maintain a fund balance of approximately \$3.5 to \$4 million, necessary for the reasons cited above.

Three main factors are contributing to the decline in fund balance and necessitate the acceleration of the Recycle Plus (RP) rate increase strategy. These are summarized here, and described in greater detail in later sections of this memo:

General Fund Assistance: As proposed, additional assistance to the General Fund in FY 2004-05 is estimated at \$1.1 million, with the ongoing impact amounting to \$2.1 million annually (see Table 1, page 5). The fee shift adopted in FY 2003-04 was the second phase of a four-year plan to increase revenues to the General Fund. The third and final fee shift was planned for FY 2005-06. In view of the City's need to close another serious budget shortfall and concomitant need to close the gap in bringing Recycle Plus to full cost recovery, we are now proposing that this shift be accelerated to become effective in FY 2004-05. This accelerated fee shift will generate approximately \$290,000 for the General Fund, with a commensurate loss to the IWM Fund, and is contingent upon the approval of the proposed Recycle Plus rate increases, described later. Because of the fee shifts and other economic factors, AB939 revenue to the IWM Fund is projected to decrease by more than 50% by FY 2005-06, compared to FY 2001-02 levels.

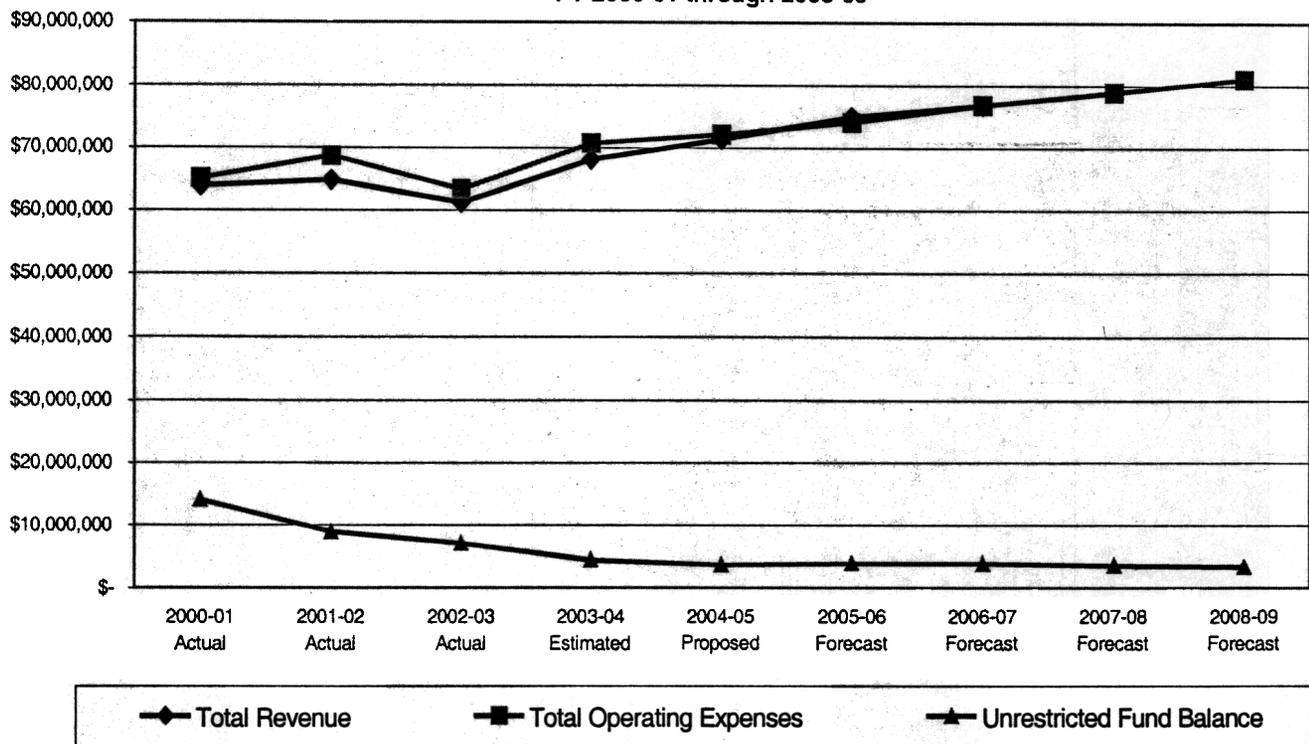
- Revenue Loss: The continuing economic downturn has caused a decline in both waste generation and disposal, resulting in lower than anticipated solid waste fee revenues in both the General Fund and the IWM Fund in FY 2003-04. Residents and property managers have downsized their garbage carts/dumpsters and, in the MFD sector, also reduced collection frequency, thus reducing revenues to the City. Therefore, revenue projections for FY 2004-05 have been reduced by \$443,000.

- Operating Costs: The annual cost-of-living adjustments (COLA) for the RP contracts that include labor, fuel, and certain other factors amount to about three percent or \$1.7 million.

The solutions being brought forward include a proposed 9% increase in SFD and MFD rates, a proposal to increase the optional subscription cost for yard trimmings carts up to the level at which cost recovery is achieved for this service, and program reductions. See the section "Recycle Plus Residential Program" for a more detailed explanation of these.

CHART #1

IWM Fund
Revenue, Expenditures and Unrestricted Fund Balance Projections
FY 2000-01 through 2008-09



HONORABLE MAYOR AND CITY COUNCIL

6-8-04

Subject: Adoption of Resolutions Revising Recycle Plus Rates, Commercial Franchise and AB939 Fees

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	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Estimate	2004-05 Modified Proposed	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast	2008-09 Forecast
SFD/MFD Rate Increases	0%	0%	3%/4%	9%	9%	5%	2%	2%	2%
Total Revenue	63,818,000	64,764,000	61,117,000	68,072,000	70,865,000	74,988,000	76,827,000	78,615,000	80,808,000
Total Operating Expenditures	65,059,000	68,674,000	63,276,000	70,712,000	72,117,000	74,061,000	76,850,000	78,930,000	81,046,000
Unrestricted Fund Balance + Contingency Reserve	14,074,000	8,949,000	7,110,000	4,471,000	3,218,000	3,958,000	3,935,000	3,619,000	3,382,000

GENERAL FUND ASSISTANCE

While maintaining Council approved programs and activities throughout FY 2003-04, the IWM Fund also made significant contributions to the General Fund. Contributions totaled approximately \$1.1 million (excluding overhead) and included the elimination of the direct transfer for the Low Income Rate Assistance program (\$450,000), shifting the AB939 revenue stream (\$550,000), and absorbing programs previously funded in the General Fund (\$57,000).

The table below illustrates the General Fund contributions from the IWM Fund for FY 2003-04, those now being proposed for FY 2004-05, and the cumulative annual impact of \$2.1 million. These additional revenue reductions and expenditure increases have made it difficult for the Recycle Plus program to meet fund balance objectives within the existing rate structure.

TABLE #1

General Fund Contribution Proposals			
Proposal Description	Approved FY 03-04	Proposed FY 04-05	On-Going Impact
Neighborhood Cleanup Bins	(57,000)	(231,000)	(288,000)
Civic YT Collection	N/A	(80,000)	(80,000)
Franchise Fee Shift	(550,000)	(290,000)	(840,000)
LIRA	(450,000)	On-going	(450,000)
Front Loader Exemption Elimination	N/A	(490,000)	(490,000)
Total Impact	(1,057,000)	(1,091,000)	(2,148,000)

The FY 2004-05 General Fund contribution proposals total \$1,091,000 and include:

- Neighborhood Cleanup Costs.* The dumpsters provided for Neighborhood Cleanup events are currently budgeted in the General Fund at \$231,558. These costs are proposed to be transferred to the IWM Fund and will be covered by non-service-related revenues within the Fund, specifically late fee payments or interest income. It is necessary to segregate the funding source for these additional costs because not every resident will have the opportunity to take advantage of a Neighborhood Cleanup and, therefore, should not have to pay for Cleanup costs through the RP rate base. These discretionary revenues have previously been used to offset ratepayer increases, and this transfer will impact the funding that would otherwise be available to cover RP program costs. The costs for these dumpsters are subject to annual cost of living increases and will increase in future years.
- City Facility Yard Trimmings Collection and Processing Costs.* The General Fund is currently funding yard waste collection at City facilities. A recent analysis of collections under the RP contracts, based on actual number of City sites serviced, indicates a reduction to the General Fund of \$80,000 per year with a corresponding increase to the IWM Fund is appropriate. The costs for City facility yard trimmings collection are subject to annual cost of living increases and will increase in future years.

- *Increased Commercial Franchise Fees.* A key component in the RP rate strategy continues to be the restructuring of Commercial solid waste fees from the IWM Fund (AB939 Fees) to the General Fund (Franchise Fees). As part of the FY 2002-03 budget process, the Council approved a phased shift to be implemented over a four-year period through FY 2005-06. Council approved the initial revenue shift on October 8, 2002. The third and final shift is now proposed to be accelerated to FY 2004-05 and is estimated to provide an additional \$290,000 to the General Fund. With this continuing loss of revenue to the IWM Fund, the recommended rate adjustments will be necessary to allow the RP program to become self-supporting.
- *Elimination of Commercial Franchise Fee Exemptions for Front Loader Service.* This accelerated proposal was approved by Council on May 4, 2004, and will provide an additional \$490,000 per year to the General Fund. Previously, all franchised commercial haulers were granted an annual exemption in Franchise Fees applied to the first 21,600 cubic yards of garbage collected each year. This exemption has now been eliminated for those haulers providing front loader service. Further details on this item can be found in the Commercial Solid Waste Collection Fee section of this memorandum.

RECYCLE PLUS RESIDENTIAL PROGRAM

As discussed above, although the rate increase in FY 2003-04 was designed to bring the Recycle Plus program closer to cost recovery, a number of factors have combined to affect the status of this goal as well as the IWM Fund Balance. Based on analyses of the current economic climate and the City's own budget shortfall crisis, rate increases greater than those previously projected will be required in future years.

A variety of solutions are being proposed in this year's budget process to reduce costs and increase revenues in order to offset revenue losses, contribute to the General Fund, and bring the garbage and recycling programs closer to cost recovery.

Program Reductions

To help offset the additional costs and revenue reductions to the IWM Fund described above, the following reductions have been proposed for consideration by the City Council.

- *Backyard Composting Program Reduction.* A one-time reduction of \$24,000 in FY 2004-05 will be proposed as a cost-saving effort in this program. The backyard composting program is a service of Recycle Plus that helps residents compost their organic waste and improve their soils and gardens at home. Savings will be achieved through reductions in event advertising, compost bin inventory, and bin storage expense. Reduced service to customers will be mitigated as much as possible through resource sharing with the County composting program and other cities in the County.

- *Marketing Communications Outreach Reduction.* This proposal reduces non-personal funding for marketing activities related to residential recycling outreach, generating on-going savings in the amount of \$68,000 per year in the Integrated Waste Management Fund. The department will undertake more targeted outreach to particular segments or neighborhoods in response to priorities while foregoing some broader, more generic outreach campaigns.

Yard Trimmings Cart Subscription Increase

Increasing yard trimmings cart rates from \$1.00 per month to \$2.50 per month will achieve cost recovery for this service, 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 positive.

The yard trimmings cart option is a premium service and its cost should be borne by those who benefit from the convenience it provides. Since the yard trimmings cart option is a subscription-based service, Proposition 218 noticing requirements are not applicable. Council may approve any rates for subscription-based services that are related to the recovery of program costs.

The proposed yard trimmings cart rate increase will result in a net increase in fund balance of approximately \$499,000 in the IWM Fund. Additional revenue is estimated at \$396,000, with a corresponding reduction in expenditures forecast at \$103,000, as some residents may choose to cancel their cart subscriptions so as not to incur the rate increase. Residents who cancel their subscriptions would 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 service.

Recycle Plus Rate Increase

A 9% increase in SFD and MFD rates will generate approximately \$5,400,000 in additional revenue in FY 2004-05. This increase in revenue will help bring the Recycle Plus Program closer to cost recovery and will also serve to bolster fund balances in the out-years. The ultimate goal is to maintain a fund balance of approximately \$3.5 to \$4 million (equal to approximately one month's operating expenditures for the Recycle Plus contracts).

For single-family dwellings, the proposed increase would amount to an additional \$1.50 per month for the standard 32-gallon garbage cart. The proposed rate of \$18.30 per month for 32-gallon service still places San Jose below the countywide average of \$18.65.

Rate Comparisons

San Jose's monthly service rates currently rank among the lowest in Santa Clara County. Even with a 9% rate increase, San Jose's proposed single-family rate of \$18.30 for 32-gallon garbage service will remain below the countywide average of \$18.65 per month based on a survey of Santa Clara County cities undertaken in December 2003. Similarly, even with a 9% increase in multi-family rates, the proposed rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) will be \$150.67, far lower than the countywide average of \$199.80 per month, based on a February 2004 survey prepared by the City of Santa Clara. Rate comparisons with other jurisdictions are detailed in Attachment A, while Attachments B and C reflect the actual rates for single- and multi-family service respectively.

Cost Recovery Projections

SFD and MFD revenues and expenditures are tracked separately to ensure that ratepayers are charged only for the services they receive.

Tables 2 and 3 below highlight projected cost recovery rates for each of the two programs through FY 2007-08. These program totals are for the Residential program only and do not include Commercial revenue streams or expenditures, or encumbrance reserve balances.

TABLE #2

**SFD Revenue, Expenditure, Fund Balance and Cost Recovery Projections
FY 2003-04 through 2007-08**

	2003-04 Estimate	2004-05 Proposed	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast
Proposed SFD Rate Increases	N/A	9%	5%	2%	2%
Total Revenue	50,163,000	54,257,000	57,412,000	58,756,000	60,059,000
Total Operating Expenditures	54,878,000	54,866,000	56,322,000	58,130,000	59,781,000
SFD Fund Balance	(4,715,000)	(609,000)	1,090,000	626,000	278,000
Cost Recovery	91%	99%	*100%	*100%	*100%
Balance Without Proposed Increases	(4,715,000)	(5,032,000)	(6,463,000)	(8,105,000)	(9,588,000)
Cost Recovery Without Increases	91%	91%	89%	86%	84%

* Cost recovery rates shown include funding for required contingency reserves.

TABLE #3

**MFD Revenue, Expenditure, Fund Balance and Cost Recovery Projections
FY 2003-04 through 2007-08**

	2003-04 Estimate	2004-05 Proposed	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast
Proposed MFD Rate Increases	N/A	9%	5%	2%	2%
Total Revenue	14,473,000	13,724,000	14,665,000	15,138,000	15,605,000
Total Operating Expenditures	13,035,000	14,232,000	14,520,000	14,946,000	15,327,000
MFD Fund Balance	1,438,000	(508,000)	145,000	192,000	278,000
Cost Recovery	*100%	96%	*100%	*100%	*100%
Balance Without Proposed Increases	1,438,000	(1,571,000)	(1,758,000)	(2,045,000)	(2,286,000)
Cost Recovery Without Increases	*100%	89%	88%	86%	85%

* Cost recovery rates shown include funding for required contingency reserves.

COMMERCIAL SOLID WASTE COLLECTION FEES

City fees for commercial solid waste collection include Commercial Franchise Fees that are paid to the General Fund and Commercial AB939 Fees that are paid to the IWM Fund. These combined fees have been set at \$3.84 per cubic yard since 1998 and are anticipated to remain at that level for FY 2004-05.

To provide an additional \$290,000 to the General Fund, a change in fee load distribution is proposed for FY 2004-05. This would be accomplished by increasing the Franchise Fee portion of the fee load from \$3.24 to \$3.34 per cubic yard, an increase of 3%. In tandem with this change, the AB939 Fee portion of the fee load would be decreased accordingly from \$0.60 per cubic yard to \$0.50 per cubic yard, a decrease of 17%. The proposed changes in the fees maintain the \$3.84 per cubic yard total fee load, but \$0.10 will shift from the AB939 Fee to the Franchise Fee.

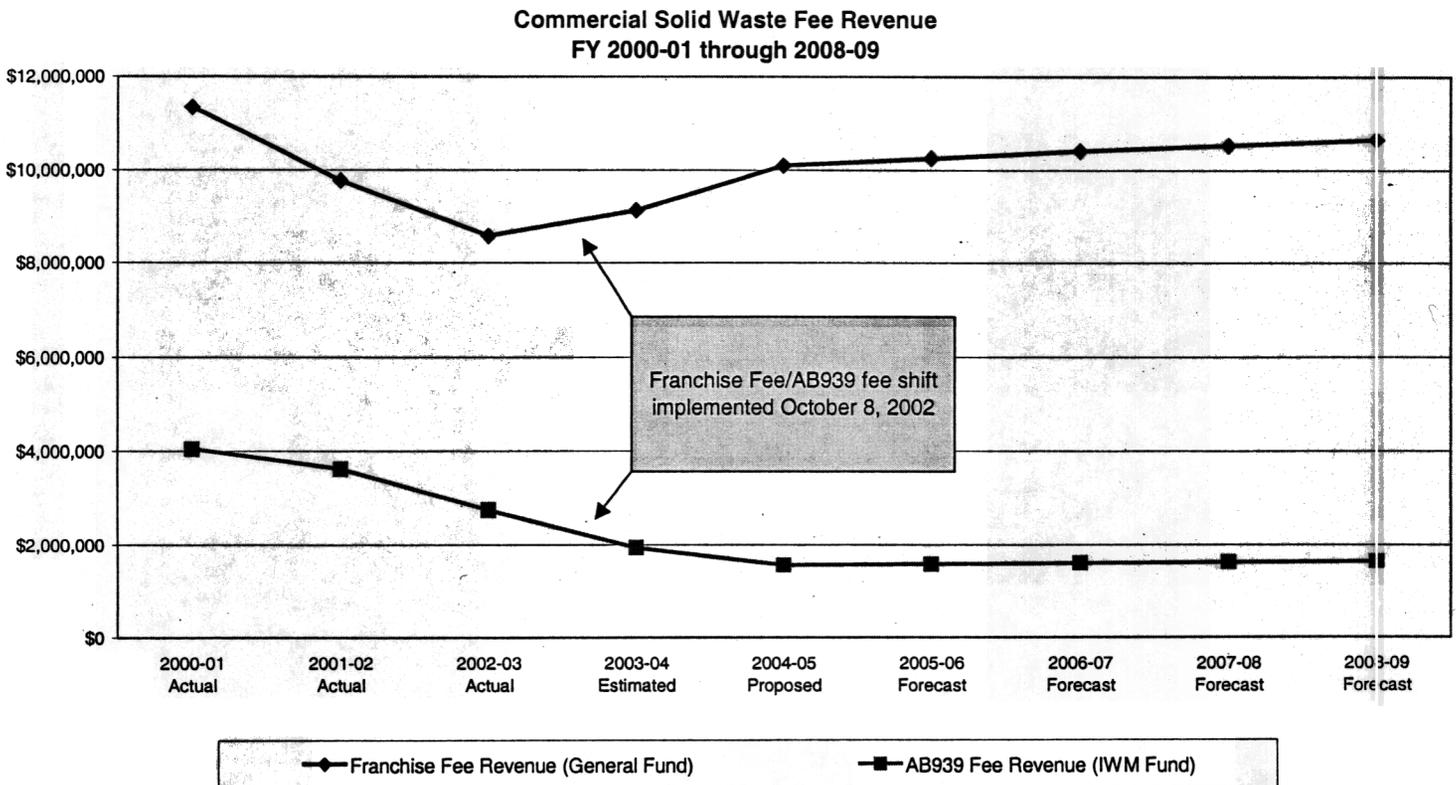
An accelerated proposal to eliminate the annual cubic yard exemption from Franchise Fees for haulers providing front loader service was approved by the City Council on May 4, 2004. Previously, all commercial solid waste haulers were able to exclude from Franchise Fees the first 21,600 cubic yards of garbage they collect each year, estimated at \$70,000 in exempted Franchise Fees per hauler.

The purpose of the exemption was to provide an economic incentive to level the playing field for small haulers who compete with the larger haulers in the City. This would, in turn, help to maintain competitive pricing for services in the commercial sector. Staff analysis, however, showed that companies providing front loader service are larger companies and their ability to do business in San Jose would not be affected by the elimination of this exemption. Removal of this exemption from all franchised haulers was not recommended, as many of the smaller companies, such as those with only one or two roll-off boxes, might not be able to remain competitive without it. The elimination of this exemption is for companies providing front loader service only, or for those providing front loader service in combination with other services. Companies that do not provide front loader collection will maintain their exemption.

Chart 2 below illustrates the impact of the revised three-year plan to reduce Commercial AB939 Fees, with a commensurate increase in Commercial Franchise Fees. The proposed change does not increase the total fee load currently paid by the commercial sector.

This chart also shows the results of the decline in waste generation brought about by the continuing downturn in the economy. The fee shift is intended to minimize the decrease in revenue to the General Fund resulting from the economic downturn and increased diversion.

CHART #2



	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Estimate	2004-05 Proposed	2005-06 Forecast	2006-07 Forecast	2007-08 Forecast	2008-09 Forecast
COMMERCIAL									
	\$2.84	\$2.84	\$2.98	\$3.24	\$3.34	\$3.34	\$3.34	\$3.34	\$3.34
	\$1.00	\$1.00	\$0.86	\$0.60	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84	\$3.84
GF Franchise Fee Revenue Inc. AB939 Shift and Exemption Reduction	\$11,345,724	\$9,773,870	\$8,583,242	\$9,127,000	\$10,075,000	\$10,254,000	\$10,410,000	\$10,535,000	\$10,563,000
AB939 Fee Shift Contribution to General Fund	N/A	N/A	\$491,161	\$1,240,000	\$1,531,000	\$1,580,000	\$1,603,000	\$1,622,000	\$1,641,000
AB939 Fee Revenue (Fund 423)	\$4,050,692	\$3,623,081	\$2,751,029	\$1,940,000	\$1,583,000	\$1,580,000	\$1,603,000	\$1,622,000	\$1,641,000

PUBLIC OUTREACH

Residential Outreach

Meetings with the Tri-County Apartment Association (TCAA)

ESD staff met with TCAA on May 3, 2004, to discuss the proposed multi-family rate increase and give them the opportunity to ask questions and comment on the proposed increase. These meetings have been used historically to allow TCAA to better respond to their members by being more fully briefed on the reasons for any proposed increases.

Prop. 218 Notifications

As reported last year, notices of the Recycle Plus rate increases for 2003-04 and 2004-05 were mailed to over 205,000 residential property owners on April 11, 2003. Property owners were advised in the notice that they could protest the proposed rate increases through the close of the public hearing on May 27, 2003. A notice was also placed in the Post Record on May 16, 2003, to further advise all San Jose residents of the impending hearing.

The table below shows the tabulation of protest letters received in response to the two-year rate notice for FY 2003-04 and 2004-05. The table shows that less than 1% of the 205,000 San Jose property owners protested the rate increases (638 letters). Also, fewer than 200 residents placed telephone calls to the City's Call Center or Recycle Plus Customer Service staff to protest either of the last two rate increases. Most calls were for the purpose of clarifying the impact of the new rates on their bills, rather than to protest the increase.

TABLE #4

FY 2003-04 & FY 2004-05 Rate Increase Protest Letters	Protest Category
350	General Protest – No specific reason given for protest
136	Economic downturn/hardship cited as reason for protest
66	We just <i>had</i> a rate increase
51	Poor service cited as reason for protest
29	9% is excessive
6	Reduce costs instead of increasing rates
638	
<1 %	% San Jose Property Owners Protesting Rate Increase

Commercial Outreach

Commercial solid waste exemption and fee shift changes for FY 2004-05 were discussed with commercial solid waste haulers at a meeting held on April 21, 2004. The haulers asked for clarification on some issues, but expressed neither support nor opposition to the proposed changes. The haulers were advised that the fee shift changes and elimination of the front loader exemption would likely to take effect in July 2004.

COORDINATION

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

COST IMPLICATIONS

IWM Fund

The proposed Recycle Plus rate increases will generate approximately \$5.4 million in additional revenue in the IWM Fund for FY 2004-05. This amount is \$500,000 lower than the projection contained in the Proposed Budget for FY 2004-05, which was based on an implementation date of July 1 anticipating accelerated action by Council along with certain other City programs this spring. When that proved infeasible, the new implementation date of August 1 was selected for the proposed rate increases and fee shifts.

This accommodates the City's bimonthly billing cycle and allows time for the franchised haulers to adjust their own customer billing systems to accommodate the fee shift.

The revenue projection includes \$396,000 generated from the yard trimmings cart subscription rate increase. A corresponding reduction in expenditures is estimated at \$103,000, as some residents may choose to cancel their cart subscriptions to avoid the rate increase. The resulting net impact on Fund Balance is estimated at \$499,000 for the yard trimmings cart rate increase.

Two benefits of the rate proposal are:

- Cost recovery would be enhanced for the SFD and MFD garbage and recycling programs (see Tables 2 and 3). This would reduce reliance on other funding sources and is consistent with Council policy that programs be self-supporting whenever possible.
- Businesses would not incur an increase in the total solid waste fee load. This plan will allow the continuation of a gradual reduction in Commercial AB939 Fees going to the Integrated Waste Management (IWM) Fund, with a commensurate increase in Commercial Solid Waste Franchise Fees going to the General Fund.

General Fund

The elimination of Commercial Franchise Fee exemptions for haulers offering front loader service will generate approximately \$490,000 annually to the General Fund. There are no cost implications to the IWM Fund associated with this action. The implementation of the proposed AB939 Fee/Franchise Fee shift on August 1, 2004, will result in a one-month loss of revenue to the General Fund of approximately \$26,000, with a commensurate benefit to the IWM Fund.

These proposals are consistent with Council policy that programs be self-supporting whenever possible. The proposed Commercial exemption elimination and RP program changes are in alignment with the Mayor's Budget Strategy guidelines calling for expenditure controls and the restoration of General Fund resources where possible.

HONORABLE MAYOR AND CITY COUNCIL

6-8-04

Subject: Adoption of Resolutions Revising Recycle Plus Rates, Commercial Franchise and AB939 Fees

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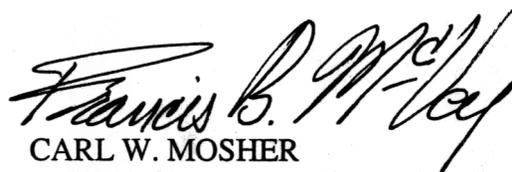
BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2004-2005 Proposed Operating Budget	Last Budget Action (Date, Ord. No.)
423	8150	Earned Revenue		\$71,336,869	N/A	Page XI-37	N/A
001	8040	Franchise Fees		\$32,162,000	N/A	Page VI-13	N/A

* The 2004-2005 Operating Budget is scheduled for approval by the City Council on June 22, 2004.

CEQA

Not a project.


CARL W. MOSHER
Director, Environmental Services Department

Attachments:

- (A) Rate Comparisons of Other Cities
- (B) SFD Rate Charts
- (C) MFD Rate Charts

ATTACHMENT A

RATE COMPARISONS

The table below compares typical single-family dwelling garbage and recycling rates with other Santa Clara County cities and agencies from a rate survey taken in December 2003.

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

Santa Clara County Cities	Monthly Rates
Los Altos Hills ¹	\$24.89
Milpitas ²	\$22.42
Los Altos ¹	\$22.06
Morgan Hill ^{1,2}	\$20.95
Gilroy	\$20.80
Monte Sereno	\$20.41
Sunnyvale	\$18.75
Countywide Average	\$18.65
San José (Proposed)	\$18.30
County – South/West San José ¹	\$18.23
County – East San José	\$18.06
Palo Alto	\$18.00
Saratoga	\$17.93
Cupertino ¹	\$17.66
Campbell	\$16.85
San José (Current)	\$16.80
Los Gatos	\$15.75
Santa Clara ³	\$14.05
Mountain View ¹	\$13.45
Other Northern California Cities	Monthly Rates
Fremont	\$22.41
Oakland	\$21.58
Sacramento	\$19.67
San Francisco	\$18.82
San José (Proposed)	\$18.30
San José (Current)	\$16.80

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

Cities Outside California Comparable to San José in Size and Systems	Monthly Rates
Tacoma (30-gallon service)	\$22.55
Phoenix (100-gallon service)	\$20.70
Portland (32-gallon service)	\$18.75
San José (32-gallon service, proposed)	\$18.30
San José (32-gallon service, current)	\$16.80
Seattle (32-gallon service)	\$16.10

¹ Recyclables are only collected every other week.

² Unlimited garbage service.

³ This rate is offset by a 15% General Fund subsidy and includes mandatory charges of \$3.30 per month for an annual Clean-Up Campaign, \$.55 per month for the HHW program, and charges for yard trimmings collection.

Note: Most cities larger than San José, with the exception of Phoenix, perform residential collection with municipal crews and, therefore, are not compared in the above table.

As shown above, San José's rates rank among the lowest based on annual surveys of Santa Clara County cities, other cities in Northern California, and cities outside of California with comparable size and types of garbage and recycling systems. San José's proposed single-family service rate of \$18.30 for 32-gallon garbage service is still below the Countywide average of \$18.65 per month. Similarly, multi-family rates have also remained far lower than the Countywide average. The rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) is proposed to be \$150.67 – far lower than the Countywide average of \$199.80 per month, based on a February 2004 survey prepared by the City of Santa Clara.

**ATTACHMENT B
RECYCLE PLUS SINGLE-FAMILY MONTHLY SERVICE RATES**

Effective August 1, 2004

Service Level	20-Gallon Garbage Cart	32-Gallon Garbage Cart	64-Gallon Garbage Cart	96-Gallon Garbage Cart	128-Gallon Garbage Cart (96+32)	160-Gallon Garbage Cart (96+64)	192-Gallon Garbage Cart (96+96)	224-Gallon Garbage Cart (96+96+32)	One 96-Gal. Shared Garbage Cart	Two 96-Gal. Shared Garbage Carts
Standard Service										
Current Rate	\$ 15.80	\$ 16.80	\$ 33.60	\$ 50.40	\$ 67.13	\$ 83.92	\$ 100.71	\$ 117.49	\$ 43.37	\$ 64.52
Increase	\$ 1.42	\$ 1.50	\$ 3.00	\$ 4.50	\$ 6.07	\$ 7.58	\$ 9.09	\$ 10.61	\$ 3.90	\$ 5.80
New Rate	\$ 17.22	\$ 18.30	\$ 36.60	\$ 54.90	\$ 73.20	\$ 91.50	\$ 109.80	\$ 128.10	\$ 47.27	\$ 70.32
On-Premises Collection (150% of Curbside Rate)										
Current Rate	\$ 23.70	\$ 25.18	\$ 50.36	\$ 75.54	\$ 100.71	\$ 125.88	\$ 151.07	\$ 176.24	\$ 65.06	\$ 96.79
Increase	\$ 2.13	\$ 2.27	\$ 4.54	\$ 6.81	\$ 9.09	\$ 11.37	\$ 13.63	\$ 15.91	\$ 5.85	\$ 8.69
New Rate	\$ 25.83	\$ 27.45	\$ 54.90	\$ 82.35	\$ 109.80	\$ 137.25	\$ 164.70	\$ 192.15	\$ 70.91	\$ 105.48
On-Premises Disabled (Equivalent to CR Rate)										
Current Rate	\$ 15.80	\$ 16.79	\$ 33.57	\$ 50.36	\$ 67.13	\$ 83.92	\$ 100.71	\$ 117.49	N/A	N/A
Increase	\$ 1.42	\$ 1.51	\$ 3.03	\$ 4.54	\$ 6.07	\$ 7.58	\$ 9.09	\$ 10.61	N/A	N/A
New Rate	\$ 17.22	\$ 18.30	\$ 36.60	\$ 54.90	\$ 73.20	\$ 91.50	\$ 109.80	\$ 128.10	N/A	N/A
LIRA (70%/50% of CR Rate)										
Current Rate	\$ 11.06	\$ 11.75	\$ 16.79	\$ 25.18	\$ 33.57	\$ 41.97	\$ 50.36	\$ 58.75	N/A	N/A
Increase	\$ 0.99	\$ 1.06	\$ 1.51	\$ 2.27	\$ 3.03	\$ 3.78	\$ 4.54	\$ 5.30	N/A	N/A
New Rate	\$ 12.05	\$ 12.81	\$ 18.30	\$ 27.45	\$ 36.60	\$ 45.75	\$ 54.90	\$ 64.05	N/A	N/A
LIRA - Large Family (75% of Curbside Rate)										
Current Rate	N/A	N/A	\$ 25.18	\$ 37.77	\$ 50.36	\$ 62.94	\$ 75.54	\$ 88.12	N/A	N/A
Increase	N/A	N/A	\$ 2.27	\$ 3.41	\$ 4.54	\$ 5.69	\$ 6.81	\$ 7.95	N/A	N/A
New Rate	N/A	N/A	\$ 27.45	\$ 41.18	\$ 54.90	\$ 68.63	\$ 82.35	\$ 96.08	N/A	N/A
Special Medical (CR Rate Minus 1 Svc Level)										
Current Rate	N/A	N/A	\$ 16.79	\$ 33.57	\$ 50.36	\$ 67.13	\$ 83.92	\$ 100.71	N/A	N/A
Increase	N/A	N/A	\$ 1.51	\$ 3.03	\$ 4.54	\$ 6.07	\$ 7.58	\$ 9.09	N/A	N/A
New Rate	N/A	N/A	\$ 18.30	\$ 36.60	\$ 54.90	\$ 73.20	\$ 91.50	\$ 109.80	N/A	N/A
Hardship - No Change	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A
Small Business										
Current Rate	N/A	\$ 20.85	\$ 37.64	\$ 54.41	\$ 71.20	\$ 87.98	\$ 104.77	\$ 121.56	N/A	N/A
9% Increase	N/A	\$ 1.87	\$ 3.38	\$ 4.89	\$ 6.40	\$ 7.91	\$ 9.42	\$ 10.94	N/A	N/A
New Rate	N/A	\$ 22.72	\$ 41.02	\$ 59.30	\$ 77.60	\$ 95.89	\$ 114.19	\$ 132.50	N/A	N/A

**ATTACHMENT B
ADDITIONAL SFD SERVICE RATES**

Effective August 1, 2004

Service	Current Rate	New Rate
Cart Exchanges	\$15.00 for each exchange in excess of once per fiscal year	No Change
Container charge for repeated cart requests or abuse of cart	\$10.00 plus the actual container replacement cost, including delivery costs	No Change
Yard Trimmings Cart	\$ 1.00 per month	\$ 2.50
Extra Garbage Stickers	\$ 4.20 per sticker	\$ 4.50
Large Item Collection	\$21.25 for each 3 items or 1 CRT	\$ 23.00
Missing/Stolen Carts	Free	No Change
Shared Cart Services:		
Contaminated Recycling Carts	\$29.14 per pick-up for one cart	\$ 31.76
	\$36.41 per pickup for two carts	\$ 39.68

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
Effective August 1, 2004

Garbage Bin Size (cu yd)	Standard Recycling Bin Size (cu yd)	Rates	Number of Collections Per Week (Recycling Collection Once Per Week)					Extra PickUp
			1	2	3	4	5	
1	1	Current Rate	\$ 68.04	\$ 123.22	\$ 178.42	\$ 233.62	\$ 288.81	\$ 29.27
		Increase	\$ 6.12	\$ 11.08	\$ 16.05	\$ 21.02	\$ 25.99	\$ 2.63
		New Rate	\$ 74.16	\$ 134.30	\$ 194.47	\$ 254.64	\$ 314.80	\$ 31.90
1.5	1.5	Current Rate	\$ 85.46	\$ 156.77	\$ 228.10	\$ 299.42	\$ 370.75	\$ 33.32
		Increase	\$ 7.69	\$ 14.10	\$ 20.52	\$ 26.94	\$ 33.36	\$ 2.99
		New Rate	\$ 93.15	\$ 170.87	\$ 248.62	\$ 326.36	\$ 404.11	\$ 36.31
2	2	Current Rate	\$ 103.33	\$ 190.78	\$ 278.24	\$ 365.70	\$ 453.15	\$ 37.38
		Increase	\$ 9.29	\$ 17.17	\$ 25.04	\$ 32.91	\$ 40.78	\$ 3.36
		New Rate	\$ 112.62	\$ 207.95	\$ 303.28	\$ 398.61	\$ 493.93	\$ 40.74
3	3	Current Rate	\$ 138.23	\$ 257.96	\$ 377.67	\$ 497.39	\$ 617.10	\$ 45.49
		Increase	\$ 12.44	\$ 23.21	\$ 33.99	\$ 44.76	\$ 55.53	\$ 4.09
		New Rate	\$ 150.67	\$ 281.17	\$ 411.66	\$ 542.15	\$ 672.63	\$ 49.58
4	4	Current Rate	\$ 173.15	\$ 325.13	\$ 477.10	\$ 629.08	\$ 781.06	\$ 53.60
		Increase	\$ 15.58	\$ 29.26	\$ 42.93	\$ 56.61	\$ 70.29	\$ 4.82
		New Rate	\$ 188.73	\$ 354.39	\$ 520.03	\$ 685.69	\$ 851.35	\$ 58.42
5	5	Current Rate	\$ 208.06	\$ 392.29	\$ 576.54	\$ 760.78	\$ 945.03	\$ 61.28
		Increase	\$ 18.72	\$ 35.30	\$ 51.88	\$ 68.47	\$ 85.05	\$ 5.51
		New Rate	\$ 226.78	\$ 427.59	\$ 628.42	\$ 829.25	\$ 1,030.08	\$ 66.79
6	6	Current Rate	\$ 242.97	\$ 459.47	\$ 675.97	\$ 892.47	\$ 1,108.99	\$ 69.81
		Increase	\$ 21.86	\$ 41.35	\$ 60.83	\$ 80.32	\$ 99.80	\$ 6.28
		New Rate	\$ 264.83	\$ 500.82	\$ 736.80	\$ 972.79	\$ 1,208.79	\$ 76.09
8	8	Current Rate	\$ 312.78	\$ 593.81	\$ 874.83	\$ 1,155.86	\$ 1,436.89	\$ 86.02
		Increase	\$ 28.15	\$ 53.44	\$ 78.73	\$ 104.02	\$ 129.32	\$ 7.74
		New Rate	\$ 340.93	\$ 647.25	\$ 953.56	\$ 1,259.88	\$ 1,566.21	\$ 93.76

- (1) For bins without wheels, the monthly service rates set out above are reduced by \$4.00 multiplied by the number of collections per week except for 6 and 8 cubic yard bins which include the deduction
- (2) Additional recycling capacity and/or collection frequency to be considered upon request

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
 Effective August 1, 2004

Customer Owned Bin Deduction or Bin Rental Fee

Rate	Bin Size (cubic yards)							
	1	1.5	2	3	4	5	6	8
Current Rate	\$ (11.33)	\$ (12.46)	\$ (14.01)	\$ (16.34)	\$ (18.67)	\$ (21.00)	\$ (23.34)	\$ (28.01)
No Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Compactor Service

Rate	Per Collection,
Current Rate	\$ 32.54
Increase	\$ 2.92
New Rate	\$ 35.46

(1) Package rate includes service for recycling compactor of equal size to garbage bin.

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
 Effective August 1, 2004

Bin Push Service

Rates include push of equal distance for recycling bin.

Distance (in feet)	Rates	Number of Pushes Per Week					Extra Pick-Up
		1	2	3	4	5	
Up to 25	Current Rate	\$ 15.25	\$ 30.50	\$ 45.74	\$ 60.99	\$ 76.23	\$ 9.45
	Increase	\$ 1.37	\$ 2.74	\$ 4.11	\$ 5.48	\$ 6.86	\$ 0.85
	New Rate	\$ 16.62	\$ 33.24	\$ 49.85	\$ 66.47	\$ 83.09	\$ 10.30
50	Current Rate	\$ 30.50	\$ 60.99	\$ 91.48	\$ 121.97	\$ 152.47	\$ 18.91
	Increase	\$ 2.74	\$ 5.48	\$ 8.23	\$ 10.97	\$ 13.72	\$ 1.70
	New Rate	\$ 33.24	\$ 66.47	\$ 99.71	\$ 132.94	\$ 166.19	\$ 20.61
75	Current Rate	\$ 45.74	\$ 91.48	\$ 137.22	\$ 182.97	\$ 228.70	\$ 28.36
	Increase	\$ 4.11	\$ 8.23	\$ 12.34	\$ 16.46	\$ 20.58	\$ 2.55
	New Rate	\$ 49.85	\$ 99.71	\$ 149.56	\$ 199.43	\$ 249.28	\$ 30.91
100	Current Rate	\$ 60.99	\$ 121.97	\$ 182.97	\$ 243.95	\$ 304.94	\$ 37.81
	Increase	\$ 5.48	\$ 10.97	\$ 16.46	\$ 21.95	\$ 27.44	\$ 3.40
	New Rate	\$ 66.47	\$ 132.94	\$ 199.43	\$ 265.90	\$ 332.38	\$ 41.21
125	Current Rate	\$ 76.23	\$ 152.47	\$ 228.70	\$ 304.94	\$ 381.17	\$ 47.26
	Increase	\$ 6.86	\$ 13.72	\$ 20.58	\$ 27.44	\$ 34.30	\$ 4.25
	New Rate	\$ 83.09	\$ 166.19	\$ 249.28	\$ 332.38	\$ 415.47	\$ 51.51
150	Current Rate	\$ 91.48	\$ 182.97	\$ 274.44	\$ 365.92	\$ 457.41	\$ 56.72
	Increase	\$ 8.23	\$ 16.46	\$ 24.69	\$ 32.93	\$ 41.16	\$ 5.10
	New Rate	\$ 99.71	\$ 199.43	\$ 299.13	\$ 398.85	\$ 498.57	\$ 61.82
175	Current Rate	\$ 106.73	\$ 213.45	\$ 320.19	\$ 426.91	\$ 533.64	\$ 66.17
	Increase	\$ 9.60	\$ 19.21	\$ 28.81	\$ 38.42	\$ 48.02	\$ 5.95
	New Rate	\$ 116.33	\$ 232.66	\$ 349.00	\$ 465.33	\$ 581.66	\$ 72.12
200	Current Rate	\$ 121.97	\$ 243.95	\$ 365.92	\$ 487.91	\$ 609.88	\$ 75.62
	Increase	\$ 10.97	\$ 21.95	\$ 32.93	\$ 43.91	\$ 54.88	\$ 6.80
	New Rate	\$ 132.94	\$ 265.90	\$ 398.85	\$ 531.82	\$ 664.76	\$ 82.42

- (1) For regular pushes greater than 200 feet, the monthly charge is \$16.62 multiplied by the number of 25 foot increments multiplied by the number of collections per week. Example: The monthly rate for a 276 foot push for a bin collected 3/week is figured as $12 * \$16.62 * 3 = \598.32 .
- (2) For extra pushes greater than 200 feet, the push charge is 0.62 times \$10.02 multiplied by the number of 25 foot increments

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
 Effective August 1, 2004

Cart Push Service

Distance (in feet)	Rates	Regular Push	Extra Push
up to 25	Current Rate	\$ -	\$ -
	Increase	\$ -	\$ -
	New Rate	\$ -	\$ -
26-50	Current Rate	\$ 15.25	\$ 9.45
	Increase	\$ 1.37	\$ 0.85
	New Rate	\$ 16.62	\$ 10.30
51-75	Current Rate	\$ 30.50	\$ 18.91
	Increase	\$ 2.74	\$ 1.70
	New Rate	\$ 33.24	\$ 20.61
76-100	Current Rate	\$ 45.74	\$ 28.36
	Increase	\$ 4.11	\$ 2.55
	New Rate	\$ 49.85	\$ 30.91
101-125	Current Rate	\$ 60.99	\$ 37.81
	Increase	\$ 5.48	\$ 3.40
	New Rate	\$ 66.47	\$ 41.21
126-150	Current Rate	\$ 76.23	\$ 47.26
	Increase	\$ 6.86	\$ 4.25
	New Rate	\$ 83.09	\$ 51.51
151-175	Current Rate	\$ 91.48	\$ 56.72
	Increase	\$ 8.23	\$ 5.10
	New Rate	\$ 99.71	\$ 61.82
176-200	Current Rate	\$ 106.73	\$ 66.17
	Increase	\$ 9.60	\$ 5.95
	New Rate	\$ 116.33	\$ 72.12

- (1) Push rates above apply to either 1 cart or to a set of 2 carts
- (2) For regular pushes greater than 200 feet, the monthly charge is \$16.62 multiplied by the number of 25 foot increments minus 1.
- (3) For extra pushes greater than 200 feet, the charge is 0.62 times \$16.62 multiplied by the number of 25 foot increments minus 1.

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
 Effective August 1, 2004

Contaminated Recycling Collection

Bins		
Bin Size (cu. yd.)	Rates	Pick-Up Charge
1	Current Rate	\$ 29.27
	Increase	\$ 2.63
	New Rate	\$ 31.90
1.5	Current Rate	\$ 33.33
	Increase	\$ 2.99
	New Rate	\$ 36.32
2	Current Rate	\$ 37.38
	Increase	\$ 3.36
	New Rate	\$ 40.74
3	Current Rate	\$ 45.50
	Increase	\$ 4.09
	New Rate	\$ 49.59
4	Current Rate	\$ 53.60
	Increase	\$ 4.82
	New Rate	\$ 58.42
5	Current Rate	\$ 61.27
	Increase	\$ 5.51
	New Rate	\$ 66.78
6	Current Rate	\$ 69.80
	Increase	\$ 6.28
	New Rate	\$ 76.08
8	Current Rate	\$ 86.02
	Increase	\$ 7.74
	New Rate	\$ 93.76

Carts		
Number of Carts	Rates	Pick-Up Charge
1	Current Rate	\$ 29.42
	Increase	\$ 2.64
	New Rate	\$ 32.06
2	Current Rate	\$ 36.77
	Increase	\$ 3.30
	New Rate	\$ 40.07
3	Current Rate	\$ 66.18
	Increase	\$ 5.95
	New Rate	\$ 72.13
4	Current Rate	\$ 73.52
	Increase	\$ 6.61
	New Rate	\$ 80.13
5	Current Rate	\$ 102.94
	Increase	\$ 9.26
	New Rate	\$ 112.20
6	Current Rate	\$ 110.30
	Increase	\$ 9.92
	New Rate	\$ 120.22
7	Current Rate	\$ 139.72
	Increase	\$ 12.57
	New Rate	\$ 152.29
8	Current Rate	\$ 147.07
	Increase	\$ 13.23
	New Rate	\$ 160.30
9+	Current Rate	\$ 18.39
	Increase	\$1.65/cart
	New Rate	\$20.04/cart

(1) Extra Pick-Up rates apply to the collection of recycling bins or carts which are contaminated with garbage

ATTACHMENT C
RECYCLE PLUS MULTI-FAMILY MONTHLY SERVICE RATES
 Effective August 1, 2004

Service	Current Rate		New Rate	
<u>Large Item Collection</u>				
Per-Item Charge (1-3):	\$ 55.50		No Change	
Each additional item:	\$ 18.50		No Change	
<u>Garbage Overflow</u>				
Delivery and Pick-Up of Bin	\$ 30.04		\$ 32.74	
Rental Rate	Regular monthly charge for bin service prorated to the number of weeks the overflow bin is requested			
<u>Lock Services</u>				
	<u>Bins</u>	<u>Carts</u>	<u>Bins</u>	<u>Carts</u>
Lock Installed, Plus Key	\$ 134.90	\$ 81.62	\$ 147.04	\$ 88.96
Lock 3 Carts Together	NA	\$ 81.62 /three	NA	\$ 88.96
Repaired, Including Lock	\$ 87.29	\$ 62.35	\$ 95.14	\$ 67.96
Repaired, Excluding Lock	\$ 73.68	\$ 49.88	\$ 80.31	\$ 54.36
Removed (damaged by customer)	\$ 99.76	\$ 81.62	\$ 108.73	\$ 88.96
Removed (requested by customer)	\$ 49.88	\$ 49.88	\$ 54.36	\$ 54.36
Special Services, Welding or Retrofit	\$ 49.42	\$ 49.42 /hour	\$ 53.86	\$ 53.86
<u>Other Services</u>				
Service Level Changes (bin or 2 carts) (in excess of once per year)	\$ 25.00	\$ 25.00	No Change	
Container Cleaning (bin or 2 carts) (in excess of once per year)	\$ 25.00	\$ 25.00	No Change	
Yard Trimmings Cart	NA	\$ 7.50	NA	\$ 8.17