



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson
John Stufflebean
Steve Ferguson

SUBJECT: APPROVE RECYCLE PLUS
BILLING SYSTEM EFFICIENCIES

DATE: November 8, 2010

Approved

Date

11/12/10

COUNCIL DISTRICT: City-Wide
SNI AREA: NA

RECOMMENDATION

It is recommended that the City Council:

- (1) Approve an Ordinance of the City of San José amending Sections 9.10.1100, 9.10.1200, and 9.10.1210 of Chapter 9.10 of Title 9 of the San José Municipal Code to limit the ability to establish residential solid waste service accounts to the owner and their agents; and
- (2) Accept a status report on the Healthy Neighborhood Venture Fund contribution option for City utility billing customers.

OUTCOME

Approval of staff's recommendation would enable the City to streamline the billing process and provide more efficient residential solid waste billing and customer service to San José residents.

BACKGROUND

On March 4, 2010, the Administration informed the City Council of significant issues related to the Integrated Billing System (IBS) and provided an overview of strategic decisions and future planning efforts. The IBS Technology Strategy focuses on identifying opportunities to streamline existing IBS business processes.

Staff has identified three opportunities to streamline business processes that the City can implement immediately: 1) limit billing for residential rental units' solid waste services to owners of rental properties and/or their property managers; 2) preclude tenants from establishing new residential solid waste service accounts; and 3) eliminate the Healthy Neighborhood Venture Fund bill payer contribution option.

ANALYSIS

Limit Billing to Owners and Property Managers for New Solid Waste Accounts

The San José Municipal Code (SJMC) requires the property owner to pay for mandatory residential solid waste service, and that unpaid charges for services can be recorded as a lien on the real property associated with the service. Since approximately 20% of single-family dwelling accounts are currently held in a tenant's name, payment delinquency by a tenant may result in a property lien for the owner. This situation often results in the expenditure of considerable staff time as the owner tries to resolve the delinquency status.

City Customer Service Representatives provide front-end service to all residential customers who establish a new account or close an existing account. Account Maintenance staff in Finance also services these customer accounts by processing adjustments, refunds, liens, pay-off demand requests and bill exceptions. The proposed ordinance to limit the opening, closing, or change of accounts for solid waste service to the owner of record for the real property will reduce the volume of transactions. For example, the Call Center currently processes approximately 5,000 account change transactions per month, with each transaction taking an average of 20 minutes, which results in an annual workload of 20,000 hours. Many of these transactions are due to changes in tenancies, creating a significant workload issue for the Call Center. In addition, owners are more likely to sign up for e-billing, which is less costly for the City compared to paper billing. The proposed ordinance would not affect the tenants' ability to request non-rate-related Recycle Plus services, including: report missed pickups, replace broken or missing carts, request used oil and filter containers, and request large item pickup services which tenants can pay for directly. These types of requests represent a substantial portion of all Recycle Plus customer service requests.

It is not uncommon for municipalities to limit the ability to establish or change an account to owners of properties. For example, the City of Oakland does not allow accounts to be opened in a tenant's name. It should be noted that the proposed ordinance would not limit the ability of a property management company or homeowners association from establishing an account on behalf of the owner of single-family residences or multi-family dwellings.

Accounts established prior to February 1, 2011 will be "grandfathered in" until such time as the tenant moves, their account falls into a delinquency status, or in the event that the City chooses to have the haulers perform billing, customer service, and other business functions currently

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handled by the City. The Administration anticipates that the benefits and savings to the Recycle Plus program will not be fully recognized until approximately 18 to 24 months after most of the tenant to owner account transfers have occurred. The workload for existing staff should decrease over time and allow for the reduction of staff. An informal assessment of the staffing needs will be conducted after sufficient time has been given to implement the efficiency measures.

Garbage Rate Assistance Programs

Under the proposed Municipal Code changes, qualified tenants and conservatees will still be able to apply and be granted Low Income Rate Assistance (LIRA) or any Garbage Rate Assistance (GRA) assistance by the City; however, the application will need to be filed by the owner based on specific City-defined program criteria and by providing required documentation for the tenant or conservatee.

The City of San José offers several different garbage rate assistance programs to eligible customers who receive single-family garbage service, including some mobile home parks or homeowners associations. GRA can specifically help residents living in low income households, or households with a disabled resident(s) that does not have an able-bodied person to assist with moving carts to the street, or who have qualified medical conditions that necessitate a larger cart. Qualified customers have applied for and been granted this assistance. Revenue collected through Recycle Plus late payment charges subsidizes this program.

There are currently 2,347 residential customers (approximately 1%) who receive GRA. A billing system query indicates that approximately 75% of GRA subscribers are either owners or residents in mobile home parks and homeowners associations that will not be impacted by this proposed change. The remaining 25% (586 or approximately one-third of one percent of all households) of GRA subscribers are tenants or conservatees.

Status - Healthy Neighborhood Venture Fund Contribution Option

In June 2000, the City established a special fund for the receipt and use of tobacco settlement funds resulting from a settlement agreement between the major U.S. tobacco companies and the attorneys general of most States (including California). In September 2000, Council approved an allocation plan, timeline criteria, and funding priorities for the use of these funds, referred to as the Healthy Neighborhood Venture Fund (HNVF).

Subsequently, Council requested that staff modify IBS to allow customers to make donations to the HNVF from their IBS bill based on an estimate that was presented through the HNVF Advisory Committee that this functionality would generate \$800,000 to \$1.6 million per year for HNVF programs. In December 2005, Council authorized a contract amendment with the City's IBS implementation consultant to implement this option for \$52,200 in system configuration costs.

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Public outreach efforts to inform San José residents of the HNVF donation program included bill inserts that were mailed out to all Recycle Plus rate payers, an advertisement on the back cover of the Spring 2007 Citywide Activity Guide, a webpage hosted by the City's Parks, Recreation and Neighborhood Services Department, bilingual bookmarks describing the program were distributed to City libraries and community centers, and a news release was issued about services provided by the Fund.

Despite these outreach efforts, the actual customer donations since 2006 have averaged approximately \$7,000 per year. As part of the Adopted 2010-2011 Operating Budget, the HNVF was transferred into the General Fund and is no longer designated as a special fund. As a result, staff has not been able transfer amounts donated to the appropriate program designated by the bill payer, and such a reconciliation would further exacerbate the significant administrative cost of this billing option.

The annual costs of administering the HNVF donation functionality by Information Technology and Finance Department staff well exceeds the total donations received. Moreover, any modifications, outreach, and administration of the option would have to be supported by the General Fund since utility rate payer funds are subject to Proposition 218 restrictions. For these reasons, the Administration proposes to discontinue the Healthy Neighborhood Venture Fund contribution option in the IBS bills to customers within the next two months.

PUBLIC OUTREACH/INTEREST

Staff will utilize the IBS bill message component, the City IBS Customer website, and direct mail to owners informing them of: 1) the transition to direct billing to owners of rental properties for residential solid waste service; and 2) that tenants may not establish a new solid waste account. Additionally, City Customer Service Representatives will provide information on the new owner-tenant process to residential customers as they start or stop solid waste garbage services.

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

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COORDINATION

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

CEQA

Not a project, File No. PP10-068, General Procedure & Policy Making.

/s/
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