

Integrated Waste Management Fund

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T*o provide solid waste disposal and recycling services, collect fees for those services, and lead City efforts to encourage reduction, reuse, and recycling of solid waste. Services provided through this fund are:*

- *Oversight and management of the residential and commercial solid waste system;*
- *Management of the construction and demolition recycling program;*
- *Utility billing and customer service;*
- *Household hazardous waste services;*
- *Management of garbage and recycling services for City facilities and the public litter can collection program;*
- *Implement zero waste efforts for special events on City property;*
- *Implement Goal 5 of the City's Green Vision workplan;*
- *Implement public education and outreach;*
- *Support countywide solid waste planning and programming;*
- *Enforce solid waste municipal code provisions, franchises, and agreements;*
- *Set customer rates and monitor revenue;*
- *Oversee the Environmental Innovation Center; and*
- *Procure and implement grants.*

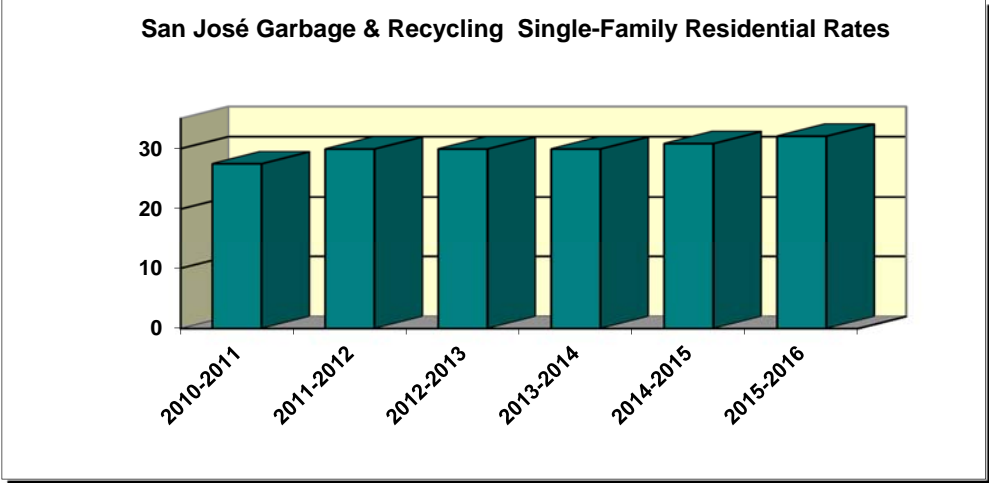
Integrated Waste Management Fund

Budget Summary

	2014-2015 Adopted	2015-2016 Adopted	% Change
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 120,915,228	\$ 118,588,627	(1.9%)
Accounting and Lien Collection	1,443,626	1,261,538	(12.6%)
City-Wide Disposal Contract Mgmt	8,098,000	7,005,248	(13.5%)

Budget Highlights 2015-2016

- In 2015-2016, the Integrated Waste Management Fund will continue to support garbage and recycling services, clean neighborhoods, enforce residential and commercial program parameters, and pursue energy conversion technologies.
- An ongoing goal for this fund in 2015-2016 is to maintain the Recycle Plus single-family and multi-family garbage and recycling programs as close to 100% cost recovery as possible. In order to accomplish this, rate increases of approximately 4.0% for single-family dwellings and 5.0% for multi-family dwellings were approved for 2015-2016.



San José Garbage & Recycling Monthly Single-Family Residential Rates
(32-Gallon Cart)

	2010- 2011 <u>Actual</u>	2011- 2012 <u>Actual</u>	2012- 2013 <u>Actual</u>	2013- 2014 <u>Actual</u>	2014- 2015 <u>Actual</u>	2015- 2016 <u>Actual</u>
Rate	\$27.50	\$29.95	\$29.95	\$29.95	\$30.84	\$32.07
Effective Date	7/1/2010	7/1/2011	8/1/2012	7/1/2013	7/1/2014	7/1/2015

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Fund Overview

The Integrated Waste Management (IWM) Fund provides for the collection, recycling, processing, and disposal of solid waste for the City's residential and commercial sectors, as well as these same services for the City's own facilities. One of the primary objectives within all of these tasks and services is the support and implementation of the City's Green Vision Goal #5: *Divert 100 percent of the waste from the City's landfill and convert waste to energy.*

All services for Single-Family Dwelling (SFD) and Multi-Family Dwelling (MFD) properties are managed by the Environmental Services Department's Recycle Plus program. This group manages the multiple vendors and contracts related to all garbage, recycling, yard trimmings, and street sweeping services. On September 17, 2013, the City Council approved a service delivery change to collect Recycle Plus payments for garbage and recycling services for all single-family residential households through the Santa Clara County Secured Property Tax Bill effective July 1, 2015. The City will continue to bill for multi-family services, mobile home parks, some homeowner associations, and government-owned properties using carts for solid waste services.

During 2014-2015, some of the more noteworthy achievements of Recycle Plus include the addition of funding for bulky item collections at multi-family properties to help reduce blight; the initial phase-in of back-end processing for SFD garbage; the creation of a partnership with GreenWaste Recovery and Goodwill of Silicon Valley to recycle mattresses and create jobs for disadvantaged persons in San José; and the implementation of a three-year partnership with the San José Earthquakes and Santa Clara County to educate audiences at games and promote aspects dealing with household hazardous waste and bulky goods as well as practices that lead to greater source reduction and diversion of solid waste from landfills.

Commercial solid waste services are managed by the Business-Civic group of the Environmental Services Department (ESD), which is primarily responsible for the management of the exclusive franchise agreement with Republic Services. Other activities include the management of construction debris services, the Environmental Innovation Center, and grant-related activities for the conversion of waste to energy.

The exclusive Republic Services franchise agreement allows for a comprehensive strategy whereby all commercial entities are serviced by one solid waste provider that enables a full spectrum of services, including solid waste collection, processing, recycling, and disposal services for most of the City's commercial waste. This aspect is critical in that it has allowed for the City to convert to a collection of solid waste from businesses using a "wet" and "dry" bin strategy that allows for highly efficient processing of wastes that can be converted to compost or recycled. Completing its third year of this agreement on July 1, 2015, Republic Services and the City, by way of this exclusive wet/dry system, have achieved a diversion rate of over 70% of waste from the landfill, resulting in San José's commercial sector attaining one of the highest recycling rates for any major city in the United States.

Construction and Demolition Debris (CDD) and residential cleanout materials are collected through non-exclusive franchised haulers. The CDD program continues to divert the single largest component of the City's waste stream. Currently, there are 26 non-exclusive haulers. To promote waste diversion, construction and demolition projects in San José are subject to one of two tracks,

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depending on criteria in the Building Code. The CDD deposit is still required for some addition and alteration building permits; however, as of January 1, 2014, new construction, demolition, and non-residential additions greater than 1,000 square feet in size, non-residential alterations greater than \$200,000 in value, and residential additions and/or alterations that increase a building's area/volume, are subject to the CALGreen Building Code, for which a non-refundable flat fee is paid in lieu of a deposit. All applicants must demonstrate that a certain amount of construction and demolition waste was diverted from landfills before their deposit is returned or before they obtain final occupancy for projects subject to the CALGreen mandatory measures. Deposits that are abandoned or not eligible to be returned to the depositor are credited to City funds and support a variety of City activities. Transfers of CDD returns to the General Fund totaled \$300,000 for 2014-2015. The Department intends to end the deposit-based CDD program over the next several years and rely solely on the CALGreen program with a flat fee that captures all administrative costs.

Across all solid waste activities, ESD maintains a group of environmental inspectors. This group reviews compliance and monitors, as needed, specific residential areas to address blight or other relevant issues, including illegal dumping and recyclables contamination. Within the commercial sector, these inspectors continue to ensure that the cost of the new system is distributed appropriately among the approximately 8,000 businesses covered by the exclusive franchise agreement, thus reducing the risk of rate increases. The inspectors also ensure that franchisees are collecting waste per the terms of their agreements and are meeting requirements for the quality of services to the customer.

The Environmental Innovation Center (EIC) on Las Plumas Avenue opened in May 2014. The EIC promotes and advances many of the City's Green Vision goals, and includes a flexible laboratory and office space for members of Prospect Silicon Valley (Prospect SV) to test and demonstrate emerging technologies in energy, building, and transportation; a conference space for environmental workshops and job trainings; a Habitat for Humanity ReStore that sells discounted new and like-new furniture, appliances, and building materials that would otherwise be rendered to a local landfill; and a new permanent Household Hazardous Waste (HHW) drop-off facility, which opened in September 2014 and provides for convenient and safe disposal location of items prohibited from solid waste collection carts.

With completion and occupancy of the EIC, the City will commence with the collection of tenant contributions and begin annual payments of the Master Lease Agreement to the entity created to oversee the New Market Tax Credit Agreement, the primary financing vehicle for the EIC. Additional revenues offsetting ESD's lease payment and operational costs are the interest payments from the investors within the New Market Tax Credit Agreement for the funds provided by the City towards the project.

ESD continues to partner with Zero Waste Energy Development Company (ZWEDC) to divert commercial organics for bio-methane production through dry anaerobic digestion. ZWEDC completed its first full year of operation in December 2014 and continues to support the processing of commercial organics collected as part of the exclusive commercial franchise agreements. The City is also proceeding to complete the Gasification Demonstration Project. This project consists of

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Fund Overview

a small demonstration-size unit that will be temporarily located at the Regional Wastewater Facility. Both of these projects will further the City's Green Vision Zero Waste goals.

To divert materials from the landfill, the Zero Waste Event Program, in conjunction with the multi-departmental City-wide Event Team, provides technical assistance and resources to the event planning community for waste prevention and reduction, recycling, and composting at large, public, outdoor events held in the City. Resources include workshops, recycling equipment loans, and free waste and recycling collection and processing services. The program also administers in-kind garbage and recycling collection services from contractors, including the San Jose Conservation Corps, to help offset additional costs associated with producing green events. The program conforms to California's Assembly Bill 2176 (PRC 42648), which sets guidelines for waste management at events and promotes Green Vision Goal #5, which is to reach zero waste by 2022.

The pilot conducted during the summer and fall of 2014 in which the San Jose Conservation Corps took on a more comprehensive role in managing and diverting wastes from special events has become the new program model, providing Corps members with more diverse work experience and allowing City staff to service more events. Diversion rates have continued to increase.

Fund Summary

	2013-2014 Actual 1	2014-2015 Adopted 2	2015-2016 Adopted 3	% Change (2 to 3)
Dollars by Sources				
Beginning Fund Balance	\$ 13,021,915	\$ 18,976,591	\$ 18,045,462	(4.9%)
Operating Revenues	126,720,672	126,216,148	124,390,140	(1.4%)
Interest and Transfers	112,524	49,363	51,767	4.9%
Total	\$ 139,855,111	\$ 145,242,102	\$142,487,369	(1.9%)
Dollars by Uses				
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 114,377,438	\$ 120,915,228	\$118,588,627	(1.9%)
Accounting and Lien Collection	1,188,428	1,443,626	1,261,538	(12.6%)
City-Wide Disposal Contract Management	9,009,068	8,098,000	7,005,248	(13.5%)
Ending Fund Balance	15,280,177	14,785,248	15,631,956	5.7%
Total	\$ 139,855,111	\$ 145,242,102	\$142,487,369	(1.9%)

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Overview

Activities in this budget category ensure the achievement of City objectives related to waste management and the reduction of solid waste. The Garbage and Recycling Services unit oversees and manages the garbage and recyclables collection contracts for San José residents and the franchises and agreements for services to businesses. This unit also designs, evaluates, and implements programs to reduce waste generated by the City, provides policy and technical analysis, promotes programs such as the State of California's Recycling Market Development Zone in order to develop markets, and ensures compliance with environmental laws and permits. Administrative Services include support services provided by various City departments, overhead to the General Fund, and Workers' Compensation Claims costs.

In order to ensure adequate funding for the Recycle Plus contracts, rates will increase by 4.0% for SFD and 5.0% for MFD properties in 2015-2016 compared to 2014-2015. The rate increases include general increases to Recycle Plus rates to cover contractually required cost of living adjustments as well as program improvements, including a pilot program for enhanced single-family large item collections in 2015-2016, and the expansion of the SFD back-end processing program, which sorts and processes waste materials to further the City's recycling goals. An SFD increase of 4.0% amounts to an additional \$1.23 per month for the standard 32-gallon garbage cart and increases the rate from \$30.84 to \$32.07. The estimated countywide weighted average for a 32-gallon garbage cart for 2015-2016 is \$31.57 per month. A 5.0% increase in MFD rates increases the rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) to \$222.19. San José would still rank below the Santa Clara County average of \$281.37 with the multi-family increase.

Large item collection rates increase according to an annual adjustment that is contractually required between the City and the service provider. The single-family large item program is managed by the Recycle Plus recycling haulers with customers paying the collection rate directly to their respective recycling hauler; however, with the enhanced single-family large item collection pilot program mentioned above, single-family garbage rates include one large item collection at no additional cost for the fiscal year. Multi-family garbage rates include bulky item collections, thereby streamlining the ordering process for property managers. Rate increases are evaluated through the annual budget process, based on the growth in indices that drive the garbage hauling contractual increases. Because some residents do not sort recyclables from waste properly, and due to the presence of organics in the waste stream, the 2015-2016 Adopted Budget includes funding of \$2.5 million for "back-end" sorting and processing of solid waste for an additional 20% of single-family customers.

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary

Garbage and Recycling Services, Public Outreach, and Administrative Services	2013-2014 Actual 1	2014-2015 Adopted 2	2015-2016 Adopted 3	% Change (2 to 3)
Garbage and Recycling Services	\$ 105,647,080	\$ 110,040,772	\$ 111,355,230	1.2%
Public Outreach	305,348	277,788	277,788	0.0%
Administrative Services	8,425,010	10,596,668	6,955,609	(34.4%)
Total	\$ 114,377,438	\$ 120,915,228	\$ 118,588,627	(1.9%)

The following changes have been adopted for 2015-2016 in the Garbage and Recycling Services, Public Outreach, and Administrative Services allocations:

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
Garbage and Recycling Services	\$110,040,772	\$111,355,230	\$1,314,458

Base Adjustments

(One-time Prior Year Expenditures Deleted/Technical Adjustments to Costs of Ongoing Activities):

• Multi-Family Recycle Plus	Contractual increase to multi-family garbage and recycling contract	\$373,696
• Single-Family Recycle Plus	Contractual increase to single-family service contracts	\$205,503
• City Facilities Recycle Plus	Contractual increase to City Facilities garbage contract	\$20,000
• Capital Program and Public Works Department Support Costs	Capital Program and Public Works Costs for Solar Project at the Environmental Innovation Center	\$18,000
• Household Hazardous Waste Las Plumas Facility	Elimination of one-time funding associated with the construction of the Household Hazardous Waste Facility	(\$2,873,000)
• Environmental Services Department (ESD) Non-Personal/ Equipment	Elimination of billing system conversion funding and prior year base correction adjustments	(\$1,342,435)
• Yard Trimmings/Street Sweeping	One-time contractual decrease to the yard trimmings and street sweeping contract to reflect previous agreements	(\$451,100)

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
Garbage and Recycling Services			
• Various Departments Personal Services and Non-Personal/ Equipment	Salary/benefit changes, position eliminations, and other changes		(\$215,141)
• ESD SFD Processing	One-time contractual decrease to the processing contract to reflect previous agreements		(\$118,640)
	Subtotal Base Adjustments		(\$4,383,117)
<u>Budget Proposals Approved</u>			
• Household Hazardous Waste Las Plumas Facility	Rebudget: Household Hazardous Waste Las Plumas Facility		\$2,800,000
• ESD SFD Processing	Incorporate back-end processing to a portion of District A as the second phase of sorting residential solid waste		\$2,500,000
• Single-Family Large Item Collection Pilot	Funding for limited, free-of-charge, on-call curbside collection of large items for SFDs for one year		\$850,000
• EIC (Miscellaneous Funding Sources)	Rebudget: EIC (Miscellaneous Funding Sources)		\$255,000
• ESD Personal Services	Salary Program		\$238,222
	Elimination of Garbage Rate Assistance Program administration		(\$100,434)
	Fund shift to General Fund for Water Conservation Staffing		(\$7,675)
• ESD Non-Personal/ Equipment	Funding for an ESD Safety Review for OSHA compliance		\$15,000
	Elimination of Late Fees as a source of funds for solid waste services at City Facilities due to conversion to tax roll billing		(\$19,000)
• Planning, Building and Code Enforcement Department Personal Services	Salary Program		\$4,763
• Various Departments Personal Services and Non-Personal/ Equipment	Reduction of funding for blight reduction services with the loss of Late Fee revenues		(\$193,301)
• City Facilities Recycle Plus (Late Fees)	Elimination of Late Fees as a source of funds for solid waste services at City Facilities due to conversion to tax roll billing		(\$645,000)
	Subtotal Budget Proposals Approved		\$5,697,575
Total Garbage and Recycling Services			\$1,314,458

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
Public Outreach	\$277,788	\$277,788	\$0
Total Public Outreach			\$0
Administrative Services	\$10,596,668	\$6,955,609	(\$3,641,059)

Base Adjustments

(One-Time Prior Year Expenditures Deleted/Technical Adjustments to Costs of Ongoing Activities):

• Overhead	Net change in overhead reimbursement resulting from staffing changes	\$22,030
• Customer Information System Transition	Conversion of billing system to tax-roll billing one-time project costs offset by ongoing costs	(\$884,312)
• California Energy Commission Grant: Biomass to Energy Technology	Reduction of one-time project grant funding	(\$1,600,000)
• Transfer to General Fund for Human Resources/ Payroll/ Budget Systems Upgrade	Net change in funding for Human Resources/Payroll/Budget Systems Upgrade	\$29,756
• Various Departments Personal Services	Salary/benefit changes, position reallocations, and other changes	(\$97,153)
• Transfer to the City Hall Debt Service Fund	Decreased City Hall Debt Service allocation	(\$70,478)
• Various Departments Non-Personal/ Equipment	Miscellaneous Non-Personal/Equipment changes	(\$2,701)
• EIC QALICB Lease Payment	Net increase in annual scheduled payment	\$3,000
Subtotal Base Adjustments		(\$2,599,858)

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
Administrative Services			
<u>Budget Proposals Approved</u>			
• Customer Information System Transition	Rebudget: Customer Information System Transition		\$200,000
• Information Technology Department (ITD) Personal Services	Salary Program		\$50,918
• Public Works Department Personal Services	Salary Program		\$3,621
• Office of Economic Development Personal Services	Salary Program		\$2,701
• City Attorney's Office Personal Services	Salary Program		\$1,605
• Human Resources Department Personal Services	Salary Program		\$771
• City Auditor Personal Services	Salary Program		\$506
• ITD Personal Services/Non-Personal/Equipment	Position reductions as a result of billing conversion project		(\$1,069,014)
• Overhead	Net changes in overhead reimbursement resulting from staffing changes		(\$232,309)
	Subtotal Budget Proposals Approved		(\$1,041,201)
Total Administrative Services			(\$3,641,059)
Total Garbage and Recycling Services, Public Outreach, and Administrative Services	\$120,915,228	\$118,588,627	(\$2,326,601)

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Budget Category: Accounting and Lien Collection

Budget Category Overview

This category provides accounting and delinquency collection services for the residential Recycle Plus program, including the Garbage Lien unit. Program staff reconcile revenue, expenditures, and accounts receivable.

Budget Category Summary

Accounting and Lien Collection	2013-2014 Actual 1	2014-2015 Adopted 2	2015-2016 Adopted 3	% Change (2 to 3)
Accounting and Lien Collection	\$ 1,188,428	\$ 1,443,626	\$ 1,261,538	(12.6%)
Total	\$ 1,188,428	\$ 1,443,626	\$ 1,261,538	(12.6%)

The following changes have been adopted in 2015-2016 for the Accounting and Lien Collection allocation:

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
Accounting and Lien Collection	\$1,443,626	\$1,261,538	(\$182,088)

Base Adjustments

(One-Time Prior Year Expenditures Deleted/Technical Adjustments to Costs of Ongoing Activities):

• Finance Personal Services	Salary/benefit changes, position eliminations, and other changes	(\$38,039)
Subtotal Base Adjustments		(\$38,039)

Budget Proposals Approved

• Finance Personal Services	Salary Program	\$36,372
	Position reductions as a result of the billing conversion project	(\$180,421)
Subtotal Budget Proposals Approved		(\$144,049)

Total Accounting and Lien Collection	(\$182,088)
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Total Accounting and Lien Collection	\$1,443,626	\$1,261,538	(\$182,088)
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Budget Category: City-Wide Landfill Disposal Contract Management

Budget Category Overview

This category manages the City-Wide Landfill Disposal Agreement and pays the costs of the disposal of residential waste delivered to the Newby Island Landfill.

Budget Category Summary

City-Wide Disposal Contract Management	2013-2014 Actual 1	2014-2015 Adopted 2	2015-2016 Adopted 3	% Change (2 to 3)
City-Wide Disposal Contract Management	\$ 9,009,068	\$ 8,098,000	\$ 7,005,248	(13.5%)
Total	\$ 9,009,068	\$ 8,098,000	\$ 7,005,248	(13.5%)

San José entered into an agreement with IDC (International Disposal Corporation of California, Inc.) in 1985 for City waste disposal services. The City successfully negotiated changes to the agreement in 2009 and the term was extended through 2020. The City and IDC also agreed to provide for an additional extension of this agreement, should the life of the landfill extend beyond December 31, 2020.

The residential disposal costs paid from the IWM Fund for the IDC contract cover the cost for disposing of waste that is collected by the City's Recycle Plus contractors from single-family and multi-family dwellings. Multi-family garbage is first processed by another contractor. The residue is then hauled to Newby Island Landfill, as are the residues from processing recyclables from single-family and multi-family residences and the debris from Neighborhood Cleanups. To take advantage of the remaining diversion opportunities in the residential sector, the 2015-2016 Adopted Budget includes funding for a second phase of sorting and processing garbage from approximately 20% of single-family residents, with an end goal to phase in all single-family tonnage over the next five years. This action requires an increase in contractual services for the processing contractor and results in a reduction in disposal costs of approximately \$1.0 million.

The City's payments for residential waste delivered to the Newby Island Landfill consist of the following: an annually adjusted base rate for each ton of residential waste delivered to the landfill; fees and taxes that IDC must pay back to the City, County, and State on each ton of waste received (disposal surcharges); and regulatory rate payments for the City's share of costs resulting from changes to laws and regulations made after January 1, 2009.

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Budget Category: City-Wide Disposal Contract Management

Budget Category Summary

The following changes have been adopted in 2015-2016 for the City-Wide Disposal Contract Management allocation:

Adopted Allocation	2014-2015 Adopted	2015-2016 Adopted	Change
City-Wide Disposal Contract Management	\$8,098,000	\$7,005,248	(\$1,092,752)
<u>Base Adjustments</u>			
• IDC Disposal Contract	Increase in higher indexed prices and volume		\$8,248
	Subtotal Base Adjustments		\$8,248
<u>Budget Proposals Approved</u>			
• IDC Disposal Contract	Net result of the action to expand back-end processing in the residential solid-waste program, which results in less solid waste rendered to the landfill and therefore less IDC costs		(\$1,000,000)
	Elimination of Fund 423 Late Fees as a source of funds for solid waste services at City Facilities due to conversion to tax roll billing		(\$101,000)
	Subtotal Budget Proposals Approved		(\$1,101,000)
Total City-Wide Disposal Contract Management	\$8,098,000	\$7,005,248	(\$1,092,752)
Total City-Wide Disposal Contract Management	\$8,098,000	\$7,005,248	(\$1,092,752)

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