

ENVIRONMENTAL SERVICES DEPARTMENT

Impact Analysis Report

OVERVIEW

The Environmental Services Department (ESD) administers two fee programs as part of the Integrated Waste Management Program: Source Reduction and Recycling Fees and Franchise Application Fees. The programs funded by these fees are described in Exhibit A. In addition to this, ESD administers two fees as part of the Silicon Valley Energy Watch Tool Lending Library Program.

Source Reduction and Recycling Fees

There are several fees in the Source Reduction and Recycling category: two Commercial Solid Waste fees, a Landfill Waste Disposal fee, a Disposal Facility Operator Integrated Waste Management Fee, and two Waste Diversion Compliance Review fees. The Commercial Solid Waste Fees and Landfill Waste Disposal Fee are also commonly referred to as AB 939 fees.

A new Commercial Solid Waste Fee for Commercial Solid Waste collected by exclusive franchisees is established for 2012-2013. This fee, which will also be presented for City Council consideration in a May 15, 2012 memorandum, is set at \$3.8 million for 2012-2013, to be paid by an exclusive franchisee. The exclusive franchise with Allied Waste Services of Santa Clara County (now known by the name of their parent company, Republic Services) was approved by the City Council on June 21, 2011, and replaces the non-exclusive franchise system for most types of commercial garbage hauling, effective July 1, 2012. The

existing Commercial Solid Waste fee collected by non-exclusive franchisees is set at \$0.89 per uncompacted cubic yard collected and \$2.67 per compacted cubic yard collected to be paid by generators. Since the City has implemented an exclusive franchise system for commercial garbage hauling, only certain types of construction and demolition debris and residential cleanout haulers will be eligible for non-exclusive franchises. It is expected that all material collected by the non-exclusive franchisees will be recycled; therefore no fees will apply. However, if the material hauled by the non-exclusive franchisees contains more than 20% contamination, or is landfilled for another reason, the Commercial Solid Waste fee for non-exclusive franchisees would apply to that tonnage.

The Landfill Waste Disposal fees will remain unchanged for 2012-2013. The Landfill Waste Disposal fee charged at landfills and transfer/processing stations remains at \$4.10 per ton of disposed waste. Pursuant to agreements between the City of San José and Santa Clara County, \$1.50 per ton of this fee is distributed to the City for activities related to recycling, and \$2.60 is used by the County and participating cities for Household Hazardous Waste programs. In the event the City elects to collect its own Landfill Waste Disposal fee, the City may collect \$4.10 per ton of disposed waste to fund activities related to recycling, however, San José would then no longer be eligible to participate in the County-run Household Hazardous Waste program.

Projected revenues of \$4.7 million for the Landfill Waste Disposal and Commercial Solid Waste fees in 2012-2013

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OVERVIEW

represent an increase of \$1.5 million from the 2011-2012 Adopted level of \$3.3 million. This increase reflects the change in the Commercial Solid Waste fee. The projected cost recovery for both the Commercial Solid Waste and Landfill fees has improved compared to the 2011-2012 Adopted cost recovery estimate. The estimated cost recovery for Commercial Solid Waste fees is increasing from 97.9% to 100% and the estimated cost recovery for Landfill Waste Disposal fees is increasing from 57.8% to 71.9%. The increase in cost recovery of the Commercial Solid Waste fees is due to the implementation of the new fee for exclusive franchisees, which is calculated on a different basis than the fee for non-exclusive franchisees. The increase in cost recovery for the Landfill Waste Disposal fee is due to a realignment of support department costs among the various fee programs.

A Disposal Facility Operator Integrated Waste Management Fee is included in this report. This fee is not currently collected by the City because the City has an agreement with the County to collect the Landfill Waste Disposal Fee. The revenue from this fee remains with the County to be used for solid waste programs that benefit the City of San José.

The Waste Diversion Compliance Initial Review fee is proposed to increase by \$15, to \$115, to reflect the time and resources required to process the program's applications. The Waste Diversion Compliance Additional Review fee is revised from \$100 per hour to \$62.53 per hour, to reflect a recalculation of estimated staff costs required for one hour of additional review.

Franchise Application Fee

The Franchise Application Fees will remain at \$390 for 2012-2013. Due to the fact that the City has moved to an exclusive franchise system for commercial solid waste hauling and only a limited number of haulers will be eligible for non-exclusive franchises, no applications are anticipated in 2012-2013.

Miscellaneous Fees

ESD administers two fees as part of the Silicon Valley Energy Watch Tool Lending Library Program to recover the cost of damaged or lost power-meters rented out to the public through the library. The fee for damaged material and the fee for lost material will remain at \$25.00 in order to recover 100% of the costs of the meter. In addition, when a power meter is lost or damaged, a handling fee of \$20.00 will be charged by the Library Department to the borrower. This fee can be found in the Library Department's section of this report.

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

A new Commercial Solid Waste AB939 Fee for commercial solid waste collected by exclusive franchisees is established for 2012-2013. This fee is set at \$3.8 million AB939 fees is due to the restructuring of the fee. The Waste Diversion Compliance Initial Review fee increase of \$15 per review will allow the Department to recover 100% of the costs associated with these initial reviews. A reduction to the Waste Diversion Compliance Additional Review fee from \$100 per hour to \$62.53 per hour is

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

proposed to reflect revised staff costs required for one hour of review. No impact on revenues is expected as a result of the Waste Diversion Compliance Additional Review fee revision, because very few additional reviews are expected to take place. A new Disposal Facility Operator fee is included in this report to reflect fees collected through the County for solid waste programming.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 4, 2012, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 15, 2012, at 7:00 p.m. and Monday, June 11, 2012, at 7:00 p.m. in the Council Chambers.

***SOURCE REDUCTION AND RECYCLING ELEMENT PROGRAMS
FUNDED FROM AB939 FEES***

General Solid Waste Management

Provides development, administration, evaluation, and coordination of all Source Reduction and Recycling Element programs and activities.

Source Reduction

Provides public information and education, samples public opinion to determine attitudes about source reduction issues, and evaluates various educational approaches, including back yard composting programs. Works with Non-Profit Recyclers and other organizations to promote source reduction and reuse.

Commercial Recycling

Provides outreach, technical assistance, and franchise enforcement for the commercial sectors of the City. Also manages exclusive and non-exclusive hauling franchises and the Construction and Demolition Recycling and Public Litter Can Programs. Develops and implements programs to reach the City's waste reduction and diversion goals.

Evaluation Component

Provides evaluation of the effectiveness of, and participation rates for, the department's recycling programs, and makes recommendations for improving programs.

Market Development

Provides policy and technical analysis, program promotion, contingency planning, legislative advocacy, expansion of local recycling manufacturing activities, and expansion of City procurement of recycled products.

Civic Recycling

Provides storage containers, training, and recycling services for public areas, parks, and other City facilities and venues. Administers City/County funding from CalRecycle (State of California) for beverage container recycling. Coordinates with City departments and outside agencies for demonstration and pilot projects.

Special Events Recycling

Provides technical assistance and resources to the event planning community to "green" events and incorporate zero waste planning into procedures and processes. Resources include workshops, recycling equipment loans, recycling collection services, and a certification program to encourage participation and high recycling rates. Administers a grant program to help off-set costs of producing green events.

Go Green Schools

Provides resources and technical assistance to promote environmental education and environmental action projects in San Jose's K-12 schools.

Zero Waste Planning

Provides development of a Zero Waste Plan for the City, including planning for long-term and local recycling processing infrastructure, disposal capacity, emerging regulatory requirements, and recovery of energy from non-recyclable wastes.

DEPARTMENTAL FEES AND CHARGES

ENVIRONMENTAL SERVICES

| Service | 2011-2012 Adopted Fee | 2011-2012 % Cost Recovery | 2012-2013 Proposed Fee | 2012-2013 Estimated Cost | 2012-2013 Estimated Revenue | | 2012-2013 % Cost Recovery | |
|---------|--------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee |

ENVIRONMENTAL SERVICES FEES - CATEGORY I

1. Franchise Application Fees

| | | | | | | | | |
|--|-----------------------|--|-----------|--|--|--|--|--|
| 1 Commercial Solid Waste Application Fee | \$390 per application | | No Change | | | | | |
|--|-----------------------|--|-----------|--|--|--|--|--|

Sub-total Franchise Application Fees

SUB-TOTAL ENVIRONMENTAL SERVICES FEES - CATEGORY I

ENVIRONMENTAL SERVICES FEES - CATEGORY I (GENERAL FUND)

1. Miscellaneous Fees

| | | | | | | | | |
|--|------|--|-----------|--|--|--|--|--|
| 1 Damaged Power Meter Fee | \$25 | | No Change | | | | | |
| Note: In addition to the fee listed here, the Library will charge a handling fee for damaged material. This fee is described in the Library Department section of this report. | | | | | | | | |

| | | | | | | | | |
|---|------|--|-----------|--|--|--|--|--|
| 2 Lost Power Meter Fee | \$25 | | No Change | | | | | |
| Note: In addition to the fee listed here, the Library will charge a handling fee for lost material. This fee is described in the Library Department Section of this report. | | | | | | | | |

Sub-total Miscellaneous Fees

SUB-TOTAL ENVIRONMENTAL SERVICES FEES - CATEGORY I (GENERAL FUND)

DEPARTMENTAL FEES AND CHARGES

ENVIRONMENTAL SERVICES

| Service | 2011-2012 Adopted Fee | 2011-2012 % Cost Recovery | 2012-2013 Proposed Fee | 2012-2013 Estimated Cost | 2012-2013 Estimated Revenue | | 2012-2013 % Cost Recovery | | |
|--|--|---------------------------------|---|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|--------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee | |
| ENVIRONMENTAL SERVICES FEES - CATEGORY II | | | | | | | | | |
| 1. Source Reduction and Recycling | | | | | | | | | |
| 1 Commercial Solid Waste Note: Beginnig in 2012-2013, applies only to non-exclusive franchisees | \$0.89/uncompacted cubic yard collected; \$2.67/compacted cubic yard collected (paid by generators); and \$14.83 per ton collected from City facilities in rolloff boxes | 97.9% | No Change | | 2,100,000 | | | | |
| 2 Commercial Solid Waste collected by exclusive franchisees Note: San José will receive only \$3.3 million of this fee; \$500,000 will be retained by hauler per the franchise agreement approved by the City Council on June 21, 2011 for waste processing costs | | | \$3,800,000 per fiscal year (paid by franchisee with both geographic collection district franchises) | 3,800,000 | | 3,800,000 | | | 100.0% |
| 3 Disposal Facility Operator Integrated Waste Management Fee Note: San José does not receive revenue from this fee at this time. Revenue is retained by the County for solid waste programming. | | | \$4.10 per ton of solid waste; revenue is collected through the County | | | | | | |
| 4 Landfill - Waste Disposal Note: San José receives only a portion of these fees collected by the County based on surplus available from the County after administration of the Household Hazardous Waste Program. | \$4.10 per ton (\$1.50 per ton San José portion - fee collected by County; \$2.60 per ton - fee collected by the County for Household Hazardous Waste Programs) | 57.8% | No Change | 1,251,923 | 900,000 | 900,000 | 71.9% | 71.9% | |

DEPARTMENTAL FEES AND CHARGES

ENVIRONMENTAL SERVICES

| Service | 2011-2012 Adopted Fee | 2011-2012 % Cost Recovery | 2012-2013 Proposed Fee | 2012-2013 Estimated Cost | 2012-2013 Estimated Revenue | | 2012-2013 % Cost Recovery | |
|--|--------------------------|---------------------------------|----------------------------|--------------------------------|--------------------------------|------------------|------------------------------|-----------------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee |
| ENVIRONMENTAL SERVICES FEES - CATEGORY II | | | | | | | | |
| 1. Source Reduction and Recycling | | | | | | | | |
| 5 Waste Diversion Compliance Additional Review | \$100 per hour of review | | \$62.53 per hour of review | | | | | |
| 6 Waste Diversion Compliance Initial Review | \$100 per review | | \$115 per review | 20,010 | 17,400 | 20,010 | 87.0% | 100.0% |
| Sub-total Source Reduction and Recycling | | 82.1% | | 5,071,933 | 3,017,400 | 4,720,010 | 59.5% | 93.1% |
| SUB-TOTAL ENVIRONMENTAL SERVICES FEES - CATEGORY II | | 82.1% | | 5,071,933 | 3,017,400 | 4,720,010 | 59.5% | 93.1% |
| TOTAL DEPARTMENT - GENERAL FUND | | | | | | | | |
| TOTAL DEPARTMENT - NON-GENERAL FUND | | | | | | | | |
| TOTAL DEPARTMENT - Category I | | | | | | | | |
| TOTAL DEPARTMENT - Category II | | | | | | | | |
| TOTAL DEPARTMENT | | | | | | | | |