

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 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.*

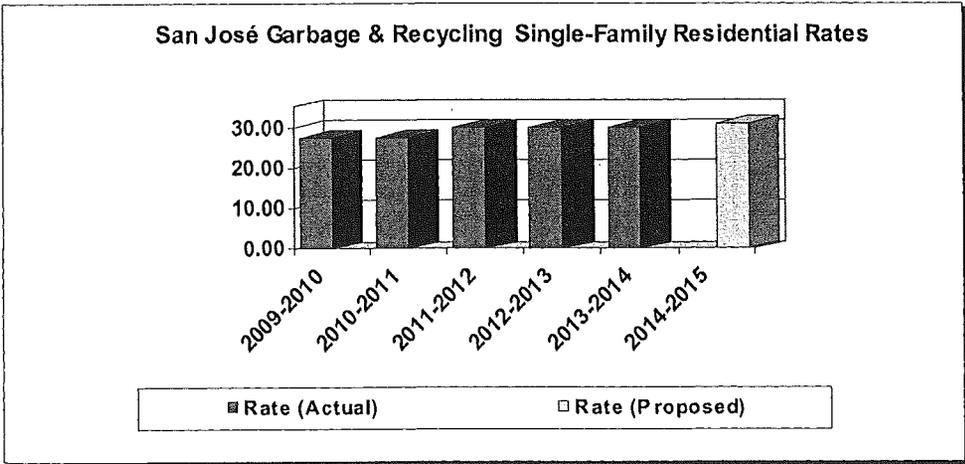
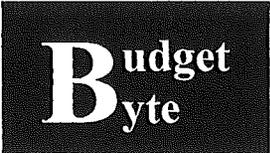
Integrated Waste Management Fund

Budget Summary

	2013-2014 Adopted	2014-2015 Proposed	% Change
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 118,939,914	\$ 116,228,367	(2.3%)
Accounting and Lien Collection	\$ 1,354,874	\$ 1,413,673	4.3%
City-Wide Disposal Contract Mgmt	\$ 9,041,000	\$ 8,098,000	(10.4%)
Other	0	0	
Total	\$ 129,335,788	\$ 125,740,040	(2.8%)

Budget Highlights 2014-2015

- In 2014-2015, the Integrated Waste Management Fund will continue to support garbage and recycling services, reduce neighborhood blight, enforce residential and commercial program parameters, and pursue energy conversion technologies.
- An ongoing goal for this fund in 2014-2015 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 3% for single-family and 5% for multi-family are proposed.



San José Garbage & Recycling Monthly Single-Family Residential Rates						
	2009- 2010 <u>Actual</u>	2010- 2011 <u>Actual</u>	2011- 2012 <u>Actual</u>	2012- 2013 <u>Actual</u>	2013- 2014 <u>Actual</u>	2014- 2015 <u>Proposed</u>
Rate	\$27.50	\$27.50	\$29.95	\$29.95	\$29.95	\$30.84
Effective Date	7/1/2009	7/1/2010	7/1/2011	8/1/2012	7/1/2013	7/1/2014

Integrated Waste Management Fund

Fund Overview

The Integrated Waste Management (IWM) Fund supports residential, commercial, and City facility and operations solid waste disposal, including administration of various agreements for collection, processing, and disposal. The fund also supports the implementation of Green Vision Goal #5: *Divert 100 percent of the waste from the City's landfill and convert waste to energy.*

The residential services group manages Recycle Plus garbage, recycling, yard trimmings, and street sweeping service contracts for single-family dwelling (SFD) and multi-family dwelling (MFD) properties. On September 17, 2013, the City Council approved a service delivery strategy to collect Recycle Plus payments for garbage and recycling services for all single-family residential households through the Santa Clara County Secured Property Tax Roll effective July 1, 2015. The City will continue to bill for multi-family services, mobile home parks, and government residential services.

Notable residential projects completed in 2013-2014 include the addition of bulky expanded polystyrene (EPS) as an accepted recyclable material at Neighborhood Clean-Up events, creation of the third annual ReSources newsletter, redesign of program signage found on 184 Recycle Plus collection vehicles, and the introduction of 34 new CNG vehicles to the single-family residential collection fleet. The Environmental Inspectors continue to perform compliance work and monitoring in residential areas to address city-wide blight and compliance issues, including illegal dumping, recyclables contamination, and early setout of yard trimmings.

On July 1, 2013, Republic Services completed their first year of providing solid waste collection, recyclables processing, and disposal services for most of the City's commercial waste. The exclusive wet/dry system continues to divert 70% of waste from landfill, garnering the 2013 Governor's Economic and Environmental Leadership Award and the Excellence Award from the Solid Waste Association of North America (SWANA). City Environmental Inspectors continue to ensure that the cost of the new system is distributed appropriately among the 8,000 businesses covered by the franchise, 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. Considerable interest has been shown in the new system; San José staff has discussed it with colleagues in 14 cities in 8 states as well as cities in Canada and India.

Construction and demolition debris (CDD) and residential cleanout materials are collected through non-exclusive franchises certified to take CDD. The CDD program continues to divert the single largest component of the City's waste stream. Currently, there are 24 non-exclusive haulers and 3 hauler applications pending. To promote waste diversion, construction and demolition projects in San José are subject to one of two tracks 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, 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 and a non-refundable flat fee is paid in-lieu of a deposit. Currently, all applicants must demonstrate that a certain amount of construction and demolition waste was diverted from landfills before either their deposit is returned, or they can't obtain final occupancy for projects subject to the CALGreen mandatory measures. Deposits which are abandoned, or which are not eligible to be

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returned to the depositor, support a variety of City activities. Transfers of CDD revenue to the General Fund total \$300,000 for 2014-2015. It is anticipated that this funding will diminish in the next few years as more projects fall under the CALGreen program.

The Environmental Innovation Center (EIC) on Las Plumas Avenue will open in late May 2014 after completing the construction which began in September 2011. The EIC advances many of the City's Green Vision goals, with a new permanent Household Hazardous Waste (HHW) drop-off facility for the convenient and safe disposal of common toxic items; flexible laboratory and office space for members of Prospect Silicon Valley (Prospect SV) to test and demonstrate emerging technologies in energy, building, and transportation; conference space for environmental workshops and job trainings; and a Habitat for Humanity ReStore that will sell discounted new and like new furniture, appliances, and building materials that would likely otherwise be landfilled.

With completion and occupancy of the EIC, the Department 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 the Department'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.

The Environmental Services Department (ESD) is implementing a conversion project that will divert commercial organics to biomethane production. In addition, the ZWED Anaerobic Digestion Facility will support processing of commercial organics collected as part of the new exclusive franchise agreements that started on July 1, 2012. The Anaerobic Digestion facility construction was completed, and the facility began receiving materials in December 2013.

The Department is also proceeding with a new technology vendor, who will partner with the City to complete the Gasification Demonstration Project. This California Energy Commission grant funded project consists of a small demonstration size unit that will be temporarily located at the Water Pollution Control Plant (Plant). Over the course of a year, the demonstration will study the effectiveness of gasification for processing hard to manage wastes, including biosolids (sludge) from the Plant, which are currently being used as alternative daily cover at local landfills; and woody biomass from the residential yard waste collection program, which are currently trucked to the Central Valley and burned as boiler fuel. Operation of the demonstration unit is scheduled to begin in summer 2014. 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 Citywide 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 José 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

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and promotes the Green Vision goal #5 to reach zero waste by 2022. After conducting stakeholder focus groups in the summer 2013, ESD designed a streamlined program that expands the role for our partner organizations, increases public education, and utilizes technology more effectively, including an online map tool.

Fund Summary

	2012-2013 Actual 1	2013-2014 Adopted 2	2014-2015 Proposed 3	% Change (2 to 3)
Dollars by Sources				
Beginning Fund Balance	\$ 11,622,133	\$ 14,615,688	\$ 16,103,591	10.2%
Operating Revenues	122,470,596	128,664,679	126,216,148	(1.9%)
Interest and Transfers	63,045	68,661	49,363	(28.1%)
Total	\$ 134,155,775	\$ 143,349,028	\$ 142,369,102	(0.7%)
Dollars by Uses				
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 110,854,566	\$ 118,939,914	\$ 116,228,367	(2.3%)
Accounting and Lien Collection	1,352,214	1,354,874	1,413,673	4.3%
City-Wide Disposal Contract Management	8,686,181	9,041,000	8,098,000	(10.4%)
Other *	240,899	0	0	0.0%
Ending Fund Balance	13,021,915	14,013,240	16,629,062	18.7%
Total	\$ 134,155,775	\$ 143,349,028	\$ 142,369,102	(0.7%)

* These are miscellaneous items paid for from this fund on a one-time basis and offset by miscellaneous or unrestricted revenues.

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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, as well as Workers' Compensation Claims costs.

In order to ensure adequate funding for the Recycle Plus contracts, a 3% increase for Single-Family Dwelling (SFD) and 5% increase for Multi-Family Dwelling (MFD) properties are proposed. The rate increases include general increases to Recycle Plus rates to cover contractually-required cost-of-living adjustments as well as program improvements. An SFD increase of 3% would amount to an additional \$0.89 per month for the standard 32-gallon garbage cart, and would increase the rate from \$29.95 to \$30.84. The estimated countywide weighted average for a 32-gallon garbage cart for 2013 was \$29.00 per month. A 5% rate increase in MFD rates will increase the rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) to \$211.61. A survey conducted by staff in April 2014 demonstrated that San José would still rank below the Santa Clara County average with the multi-family increase.

Proposed rate increases will be evaluated through the annual budget process, based on the growth in indexes that drive the garbage hauling contractual increases. Because some residents do not sort waste properly, the proposed budget includes funding for sorting and processing approximately twenty percent of the single-family garbage waste stream. It also includes funding for two bulky item collections in the multi-family garbage rate, thereby streamlining the ordering process for property managers.

Large item collection rates increase according to an annual adjustment that is required contractually between the City and the service provider. The large item program is managed by the Recycle Plus recycling haulers with customers paying the large item collection rate directly to the haulers.

Integrated Waste Management Fund

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

Budget Category Summary

Garbage and Recycling Services, Public Outreach, and Administrative Services	2012-2013 Actual 1	2013-2014 Adopted 2	2014-2015 Proposed 3	% Change (2 to 3)
Garbage and Recycling Services	\$ 103,724,923	\$ 108,886,579	\$ 108,911,106	0.0%
Public Outreach	0	277,788	277,788	0.0%
Administrative Services	7,129,643	9,775,547	7,039,473	(28.0%)
Total	\$ 110,854,566	\$ 118,939,914	\$ 116,228,367	(2.3%)

The following changes are included for 2014-2015 in the Garbage and Recycling Services, Public Outreach, and Administrative Services allocations:

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
Garbage and Recycling Services	\$108,886,579	\$108,911,106	\$24,527

Base Adjustments

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

• Environmental Services Department (ESD) Non-Personal/Equipment	Restoration of funds previously redirected for costs associated with the Environmental Innovation Center, as well as miscellaneous Non-Personal/Equipment changes	\$596,341
• Yard Trimmings/Street Sweeping	Contractual increase to the yard trimmings and street sweeping contract	\$392,077
• Multi-Family Recycle Plus	Contractual increase to the multi-family dwelling garbage and recycling contract	\$318,047
• ESD Personal Services	Salary/benefit changes, position reallocations, and other changes	\$294,741
• City Facilities Recycle Plus	Contractual increase to the City Facilities garbage contract	\$17,235
• Various Departments Personal Services	Salary/benefit changes, position reallocations, and other changes	\$30,388
• Planning, Building and Code Enforcement Non-Personal/Equipment	Miscellaneous Non-Personal/Equipment changes	\$51
• Household Hazardous Waste Las Plumas Facility	Elimination of one-time funding associated with the construction of the Household Hazardous Waste Facility	(\$4,701,886)

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

Budget Category Summary

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
Garbage and Recycling Services			
• EIC AB939/CDDD Late Fees	Elimination of one-time funding associated with the construction of the Environmental Innovation Center		(\$1,519,290)
• Single-Family Recycle Plus	Reconciliation of annual contractual increases to better reflect expenditures throughout all districts within the single-family service area		(\$201,145)
• Capital Program and Public Works Department Support Costs	Decrease in Capital Program and Public Works Costs (Completion of Environmental Innovation Center)		(\$110,000)
	Subtotal Base Adjustments		(\$4,883,441)
Budget Proposals Recommended			
• Yard Trimmings/Street Sweeping	Incorporation of back-end processing in Districts 1 and 6, as the first phase of sorting residential solid waste		\$2,500,000
• CEC Grant: Biomass to Energy Technology Project	Grant to conduct feasibility studies and develop a demonstration facility for a gasification technology that will convert urban wood waste and biosolids into biomethane for use as a transportation fuel		\$1,600,000
• Multi-Family Recycle Plus	Additional collection services		\$410,000
• EIC QALICB Master Lease Payment	Ongoing expenditure for Environmental Innovation Center financing costs		\$407,000
• ESD Non-Personal/Equipment	Miscellaneous Non-Personal/Equipment changes		\$17,400
• ESD Personal Services	Position eliminations and other changes		(\$26,432)
	Subtotal Budget Proposals Approved		\$4,907,968
Total Garbage and Recycling Services			\$24,527

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

Budget Category Summary

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
Public Outreach	\$277,788	\$277,788	\$0
Total Public Outreach			\$0
Administrative Services	\$9,775,547	\$7,039,473	(\$2,736,074)

Base Adjustments

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

• Various Departments Personal Services	Salary/benefit changes, position reallocations, and other changes	\$85,684
• Transfer to the City Hall Debt Service Fund	Increased City Hall Debt Service allocation	\$48,311
• Transfer to the General Fund – Human Resources/ Payroll System Upgrade	One-time General Fund transfer for Human Resources/Payroll System Upgrade	\$15,563
• Various Departments Non-Personal/ Equipment	Miscellaneous Non-personal/Equipment changes	\$13,569
• IBS Commercial Paper Payment	Integrated Billing System commercial paper repayment	(\$2,049,442)
• Transfer to the General Fund - CDDD	Reduced transfer to General Fund of Construction Demolition Debris Deposits	(\$300,000)
• Workers' Comp Claims	Decreased allocation for Worker's Compensation Claims	(\$40,000)
• Safe Routes to Schools Creative (SRTC) Grant	End of Safe Routes to School program funded by the Metropolitan Transportation Commission	(\$25,400)
• Transfer to the General Fund – Downtown Association	Elimination of one-time funding for the Downtown Association	(\$20,000)
• Overhead	Net change in overhead reimbursement resulting from staffing changes, compensation, and overhead rate adjustments	(\$14,716)
Subtotal Base Adjustments		(\$2,286,431)

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

Budget Category Summary

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
Administrative Services			
<u>Budget Proposals Recommended</u>			
• Information Technology Personal Services	Customer Contact Center staffing		(\$377,808)
• Overhead	Net change in overhead reimbursement resulting from staffing changes		(\$71,835)
	Subtotal Budget Proposals Recommended		(\$449,643)
Total Administrative Services			(\$2,736,074)
Total Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 118,939,914	\$116,228,367	(\$2,711,547)

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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	2012-2013 Actual 1	2013-2014 Adopted 2	2014-2015 Proposed 3	% Change (2 to 3)
Accounting and Lien Collection	\$ 1,352,214	\$ 1,354,874	\$ 1,413,673	4.3%
Total	\$ 1,352,214	\$ 1,354,874	\$ 1,413,673	4.3%

The following changes are included in 2014-2015 for the Accounting and Lien Collection allocation:

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
Accounting and Lien Collection	\$1,354,874	\$1,413,673	\$58,799
Base Adjustments			
(One-Time Prior Year Expenditures Deleted/Technical Adjustments to Costs of Ongoing Activities):			
• Finance Personal Services	Salary/benefit changes, position reallocations, and other changes		\$58,799
	Subtotal Base Adjustments		\$58,799
Total Accounting and Lien Collection	\$1,354,874	\$1,413,673	\$58,799
Total Accounting and Lien Collection	\$1,354,874	\$1,413,673	\$58,799

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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	2012-2013 Actual 1	2013-2014 Adopted 2	2014-2015 Proposed 3	% Change (2 to 3)
City-Wide Disposal Contract Management	\$ 8,686,181	\$ 9,041,000	\$ 8,098,000	(10.4%)
Total	\$ 8,686,181	\$ 9,041,000	\$ 8,098,000	(10.4%)

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 the waste that is collected by the City's Recycle Plus contractors from single-family dwellings and multi-family dwellings. Multi-family garbage is first processed by another contractor. The residue is then hauled to Newby Island, as are the residue 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 Proposed Budget includes funding for an initial phase of sorting and processing approximately twenty percent of the single-family garbage waste stream, with an end goal to phase in all single-family tonnage over the next seven years. This proposal requires an increase in contractual services for the processing contractor of \$2.5 million, and results in a reduction in disposal costs of \$1.0 million, for a net cost of approximately \$1.5 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, State and County 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.

The only base change in this category is an increase to the IDC agreement, due to higher indexed prices, especially diesel fuel.

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Budget Category: City-Wide Disposal Contract Management

Budget Category Summary

The following changes are included in 2014-2015 for the City-Wide Disposal Contract Management allocation:

Proposed Allocation	2013-2014 Adopted	2014-2015 Proposed	Change
City-Wide Disposal Contract Management	\$9,041,000	\$8,098,000	(\$943,000)
<u>Base Adjustments</u>			
• IDC Disposal Contract	Increase is a result of higher indexed prices		\$50,000
• IDC Disposal Contract (Late Fees)	Increase is a result of higher indexed prices		\$7,000
Subtotal Base Adjustments			\$57,000
<u>Budget Proposal Recommended</u>			
• IDC Disposal Contract	Net result of the proposal to introduce back-end processing to the residential solid-waste program, which results in less solid waste rendered to the landfill and therefore less IDC costs		(\$1,000,000)
Subtotal Budget Proposal Recommended			(\$1,000,000)
Total City-Wide Disposal Contract Management	\$9,041,000	\$8,098,000	(\$943,000)
Total City-Wide Disposal Contract Management	\$9,041,000	\$8,098,000	(\$943,000)

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