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April 24, 2020

Mr. Dave Staub  
Deputy Director of Public Works  
City of Santa Clara Public Works Department  
1700 Walsh Avenue  
Santa Clara, CA 95050

**Subject: Recommended Santa Clara Solid Waste Rates Effective July 1, 2020**

Dear Mr. Staub:

This letter serves as confirmation by R3 Consulting Group, Inc. (R3) that the recommended solid waste rates for the City of Santa Clara (City) have been calculated to meet the projected costs of the City's solid waste services for the coming fiscal year (FY) 2020/21. R3 has been actively engaged as the City's solid waste contracting and rate consultant since December 2018, and since has assisted the City in successfully completing contract negotiations and cost projections for three of its largest four solid waste contracts (Mission Trail Waste Systems, Recology South Bay, and GreenWaste Recovery) all of which are set to start in FY 2020/21. Costs for services provided by these three service providers, as well as costs for landfilling and composting services at the Newby Island Landfill and Recyclery (under a separate contract that expires at the end of 2024), comprise the vast majority of the City's costs for solid waste services. The City's costs for all four contracts are projected to increase in coming fiscal years primarily as a result of changes required by State regulations under SB 1383, dramatic changes in the marketplace for recyclable commodities, adjustments for cost-of-living increases, and other new programs and services.

**Summary of Findings**

During the course of recent contract negotiations, and again once they were completed, R3 developed detailed Excel-based models of the changes in compensation due from the City to the services providers – and, consequently, the City's needs for solid waste rate revenue – based on several factors. Our analysis included but was not limited to: new contract terms and conditions for compensation each for Mission Trail Waste Systems (MTWS), Recology South Bay (Recology), GreenWaste Recovery (GWR) and Newby Island Landfill and Recyclery (Newby); and, likely changes in costs relating to implementation of new programs, especially the new mixed waste processing and organics composting services with GWR and disposal of residual from processing and composting. R3's modeled projections of increased contract costs and needed rate revenues have been cited in prior City staff reports and presentations to Council, demonstrating projected increases of approximately 58% over three years, and over 23% in FY 2020/21.

R3's recommendations for the City's FY 2020/21 residential solid waste (Table 1, following page) are in keeping with prior projections, are based on the Council-approved contracts with the City's solid waste service providers, and are further supported by R3's recent (February 2020) review of the City's current solid waste rate revenues, proposed FY 2020/21 solid waste budget, and solid waste revenues and expenses from prior years.

**Table 1: Summary of Recommended FY 2020/21 Monthly Residential Solid Waste Rates**

	Garbage Collection	Recyclable Collection	Yard Trimming Collection	Total Rate	HHW	Clean-up Campaign	Total Bundled Rate
Super Saver (20-gallon) Garbage Cart Charge	\$ 12.50	\$ 5.30	\$ 11.80	<b>\$ 29.60</b>	\$ 0.30	\$ 5.90	<b>\$ 35.80</b>
Small (32-gallon) Garbage Cart Charge	\$ 20.80	\$ 5.30	\$ 11.80	<b>\$ 37.90</b>	\$ 0.30	\$ 5.90	<b>\$ 44.10</b>
Medium (64-gallon) Garbage Cart Charge	\$ 38.60	\$ 5.30	\$ 11.80	<b>\$ 55.70</b>	\$ 0.30	\$ 5.90	<b>\$ 61.90</b>
Large (96-gallon) Garbage Cart Charge	\$ 56.50	\$ 5.30	\$ 11.80	<b>\$ 73.60</b>	\$ 0.30	\$ 5.90	<b>\$ 79.80</b>

### Cost of Service

Each of the rate elements noted above have been calculated to meet the increasing costs of solid waste services in FY 2020/21, based on the aforementioned cost projections and review of the City’s solid waste financial information (which, it must be noted, is based on historical information regarding solid waste subscriptions, and subject to change). The resulting increases are between 20%-23% for single-family residential customers, 25%-35% for townhome customers, and approximately 23% for commercial customers. These increases mirror projections shared with the City Council in December 2019, with the exception that the charge for the single-family residential Super Saver (20-gallon) garbage cart needed to be increased by a greater percentage than the other rate classes because the prior Super Saver rate was not sufficient to cover the projected costs of providing solid waste collection and processing and disposal services. That stated, actual increases to the Super Saver rates (\$6.76 per month) are lower than the other rate classes (\$7.51 to \$14.19 per month) with the Super Saver still providing the lowest-cost option to ratepayers.

Overall, while the recommended FY 2020/21 solid waste rates will be sufficient to meet the City’s costs for providing solid waste services in the next fiscal year, such rates will not meet the cost of service in future years. The City’s costs for private solid waste services via the four contracts will continue to increase in FY 2021/22 and FY 2022/23, with other future cost increases also possible in later years. Current projections indicate the need for additional rate increases in future years, and proposed rates are not projected to generate excess revenues that could be used to pay those increased costs. Given these findings, R3 recommends that the City of Santa Clara adopt the recommended FY 2020/21 solid waste rates to ensure the ongoing viability and sustainability of the City’s solid waste services.

R3 appreciates the opportunity to be of service to the City. Should you have any questions or need any additional information please contact me by phone at (510) 292-0853 or by email at [gschultz@r3cgi.com](mailto:gschultz@r3cgi.com).

Sincerely,

**R3 CONSULTING GROUP**

Garth Schultz | Principal