

# REPORT

City of Santa Clara

## Fiscal Year 2025-26 Solid Waste Rate Study

*Submitted electronically: April 18, 2025*



R3

April 18, 2025

Mr. Dave Staub  
Deputy Director of Public Works, City of Santa Clara  
1700 Walsh Avenue  
Santa Clara, CA 95050  
*submitted via email: dstaub@santaclaraca.gov*

**Subject: Fiscal Year 2025-26 Solid Waste Rate Study**

Dear Mr. Staub,

R3 Consulting Group, Inc. (R3) was engaged by the City of Santa Clara (City) to conduct a solid waste rate study (Study) for solid waste rates to be effective July 1, 2025. This report describes the methodology used for preparing the Study and recommends adjustments to the City's solid waste rates which will meet the projected costs of the City's solid waste services for the coming fiscal year (FY) 2025-26. Study findings and recommendations include:

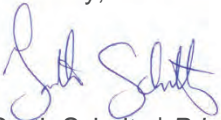
- » Current solid waste service rates and revenues are not sufficient to cover projected costs of solid waste service in FY 2025-26. Adjustments to maximum solid waste service rates are necessary to cover contractually escalating costs for solid waste services, including costs for collection services provided by Mission Trail Waste Systems (MTWS) and Recology, costs for post-collection recovery and disposal services provided by GreenWaste Recovery (GWR), and the City's costs to manage and administer other solid waste programs (including but not limited to the annual Clean-up Campaign) and solid waste's proportionate share of the City's utility billing costs.
- » Recommended adjustments to maximum solid waste service rates are fair and equitable, with costs for provision of solid waste services being allocated fairly and proportionately among solid waste service customers. Recommended maximum adjustments will not recover more revenue than necessary to meet the City's costs of providing solid waste services.

The results of this Study indicate that the City's solid waste service rates should be adjusted as follows:

- » 2.01% to 2.20% increase in the solid waste rates for garbage cart collection and disposal.
- » 3.54% to 5.43% increase in solid waste rates for garbage bin collection and disposal.
- » 8.1% increase in solid waste rates for residential yard trimming cart collection and composting.
- » 4.6% to 5.0% increase in solid waste rates for recycling collection, processing, and marketing.
- » 0.5% increase solid waste rates for the City's residential Clean-up Campaign.

Note that the recommended adjustments are to individual components of overall solid waste rates. Taken altogether, residential solid waste rates will increase by 2.2% to 4.1% and commercial garbage rates will increase by 3.54% to 5.43%. R3 greatly appreciates the opportunity to work with you and your team and to be of service to the City. If you have questions, please contact me via the methods shown below.

Sincerely,



Garth Schultz | *Principal*

**R3 Consulting Group, Inc.**

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# 1. EXECUTIVE SUMMARY

## Purpose

The purpose of this Study was to determine whether the City's solid waste rates meet the cost-of-service and proportionality requirements of Proposition 218 (Prop. 218) and to recommend adjustments to maximum solid waste rates for FY 2025-26.

R3 has been actively engaged as the City's solid waste contracting and rate consultant since December 2018 and assisted the City in successfully completing contract negotiations and cost projections for its solid waste contracts with Mission Trail Waste Systems (MTWS), Recology South Bay (Recology), and GreenWaste Recovery (GWR). R3 also recently assisted the City in its request for proposals (RFP) competitive solicitation for residual landfill waste disposal services and clean green waste composting services which resulted in contract award to GWR for those services.

Costs for services provided by these service providers comprise 78% of the City's costs for solid waste services, with the remaining 22% being for City provided programs including solid waste's proportionate share of utility billing services, the City's Clean-up Campaign (CUC), and the City's management, administration, and direct provision of other solid waste-related services.

## Methodology

The City sets its own solid waste service rates and conducts billing and collection of solid waste rate revenues from most solid waste customers (with the exceptions being certain types of solid waste services, which are directly billed to customers by MTWS and all customers in the City's Industrial Zone, which are subject to a separate set of Council-approved solid waste agreements and billing mechanisms which are not included in this Study).

Revenues from solid waste service rates are the primary source of funding for the City's solid waste system – while other very minor revenue sources such as grants periodically fund small special projects, rates are the primary source of ongoing revenues to fund solid waste system operations, covering 98 to 99% of all operational costs. The City's solid waste rates fall into several categories:

- » Rates for collection of garbage in carts (provided by MTWS) and processing, recycling, composting, and residual disposal of the contents (provided by GWR).
- » Rates for collection of garbage in bins (provided by MTWS) and processing, recycling, composting, and residual disposal of the contents (provided by GWR).
- » Rates for collection of residential recycling (provided by Recology) and processing and recycling of the contents (provided by GWR).
- » Rates for collection of residential yard trimmings (not applicable to town homes and provided by MTWS) and composting of the contents (provided by GWR)
- » Rates for the City's Clean-up Campaign (CUC and applicable to eligible residential units, and provided by a combination of the City, MTWS, and GWR).
- » Rates for collection of commercial recycling and commercial food scraps (provided and billed separately by MTWS).

In completing the Study, R3 conducted a detailed review of the City's projected solid waste service costs for MTWS, Recology, GWR, and the City's own solid waste programs. This analysis was completed in collaboration with City staff, with adjustments being made over multiple revisions to ensure that projected expenses were as accurate as possible. Expense projections include the following cost categories, which are wholly funded by the City's solid waste service rates:

- » Costs for MTWS' provision of garbage collection in carts and bins, which is calculated based on per unit tariff compensation amounts set and adjusted annually per the City's Council-approved agreement with MTWS.
- » Costs for Recology's provision of recycling collection in carts, which is calculated based on annual stipulated sum compensation amounts set and adjusted annually per the City's Council-approved agreement with Recology.
- » Costs for MTWS's provision of yard trimmings collection in carts, which is calculated based on annual stipulated sum compensation amounts set and adjusted annually per the City's Council-approved agreement with MTWS.
- » Costs for GWR's provision of garbage processing, recycling, composting and residual disposal services for garbage collected in carts and bins, which is calculated based on the per ton rates and the estimated number of tons projected to be delivered by MTWS to GWR, as per the City's Council-approved agreement with GWR.
- » Costs for GWR's provision of recyclables processing services for recyclables collected in carts which is calculated based on the per ton rates and the estimated number of tons projected to be delivered by Recology to GWR, as per the City's Council-approved agreement with GWR.
- » Costs for GWR's provision of yard trimmings composting services for yard trimmings collected in carts and bins, which is calculated based on the per ton rates and the estimated number of tons projected to be delivered by MTWS to GWR, as per the City's Council-approved agreement with GWR.
- » Costs for GWR's provision of CUC solid waste processing, recycling, composting and disposal services for solid waste collected during the CUC which is calculated based on the per ton rates and the estimated number of tons projected to be delivered by the City MTWS to GWR, as per the City's Council-approved agreement with GWR.
- » The City's own solid waste program costs for direct provision, administration, and management of solid waste programs including but not limited to street sweeping services, leaf-vacuuming and Christmas tree collection services, closed landfill maintenance services, household hazardous waste acceptance services, compliance with Senate Bill (SB) 1383, interdepartmental transfers set by the City's cost allocation plan, management and administrative staffing and consulting costs, the solid waste system's proportionate share of the City's utility billing costs.
- » Franchise fees collected on garbage rates which fund the solid waste system's use of the public right-of-way for solid waste collection services.

After thorough analysis of the projected costs of solid waste services for FY 2025-26 R3 calculated recommended adjustments to solid waste service rates necessary to fund the City's increased costs of providing solid waste services. Calculations of rate adjustments take into account current and projected amounts of compensation due to the City's solid waste service contractors, the City's projected solid waste budget, the City's current solid waste service rates.

Rates of change in compensation paid by the City to the contractors are calculated and then proportionately applied to the City's solid waste service rates in order to arrive at the recommended FY 2025-26 solid waste service rates. All calculations and assumptions included in this Study have been discussed and affirmed in collaboration with City staff.

## Findings

The City's FY 2025-26 solid waste rates have been calculated to meet the costs of solid waste services including operating contracts and services with MTWS, Recology, and GWR, the City's solid waste operations, the City's proportionate costs for solid waste utility billing, and solid waste franchise fee revenues. The primary findings from this Study are:

***The primary findings from this Study are:***

- » Solid waste services provided by the City (including collection of refuse, recycling, and organics) are critical services and are required for health and safety as well as compliance with State laws, including SB 1383.
- » The City's solid waste collection operations are well-managed and well-run, and with available cost-efficiency measures already being implemented where feasible.
- » Current solid waste service rates and revenues are not sufficient to cover projected costs of solid waste service in FY 2025-26. Adjustments to maximum solid waste service rates are necessary to cover escalating costs for providing solid waste services.
- » Recommended adjustments to maximum solid waste service rates are fair and equitable, with costs for provision of solid waste services being allocated proportionately among solid waste service customers. Recommended maximum adjustments will not recover more revenue than necessary to meet the City's costs of providing solid waste services.

**Recommended Adjustments to Maximum Rates**

Adjustments to the City's maximum solid waste service rates are necessary to fund the projected costs of the City's solid waste system. Revenues at current FY 2024-25 rates are not sufficient to cover the projected costs of providing services overall, and adjustments to rates for each account category are necessary, as listed below. The FY 2025-26 solid waste rates will be not be more than sufficient to meet the City's costs for providing solid waste services. After a period of higher-than-normal adjustments to solid waste service rates that started in FY 2020-21, and in response to Senate Bill (SB) 1383, the City's solid waste rates have stabilized; going forward, adjustments to solid waste rates will solely be in response to index-adjusted changes to compensation for MTWS, Recology, and GWR and any changes to the City's own solid waste service operations.

The results of this Study indicate that the City's solid waste service rates should be adjusted as follows, with the ranges being based on the variety of subscription types for each solid waste service element:

- » 2.01% to 2.20% increase in the solid waste rates for garbage cart collection and disposal. Recommended adjustments to garbage cart rates are lower than for bin rates because of an updated tonnage allocation identified during performance of this Study. Adjustments to garbage cart rates are inclusive of a 5% tariff compensation adjustment to MTWS, an approximate 1.5% reduction in garbage processing, recycling, composting and residual disposal costs (a result of the updated allocation referenced above), and a 1.8% increase in allocated City program costs (which is lower than for bins also as a result of an updated allocation identified during performance of this Study).
- » 3.54% to 5.43% increase in solid waste rates for garbage bin collection and disposal. Recommended adjustments to garbage bin rates are higher than for cart rates because of the aforementioned updated tonnage allocation identified during performance of this Study. Adjustments to garbage bin rates are inclusive of a 5% tariff compensation adjustment to MTWS, an approximate 2.6% increase in garbage processing, recycling, composting and residual disposal costs (a result of the updated allocation referenced above), and a 9.2% increase in allocated City program costs (which is higher than for carts also as a result of an updated allocation identified during performance of this Study).
- » 8.1% increase in solid waste rates for residential yard trimming cart collection and composting. This recommended adjustment is due to a 5% increase in the tariff compensation due to MTWS and an expected one-time larger than normal increase in the cost for composting yard trimmings. The composting cost increase had been anticipated by the City for many years given that the prior composting costs were known to be lower than market. Upon expiration of the prior composting contract, the City conducted a competitive RFP for yard trimmings collection services (GWR) with the award being based on GWR's provision of the most cost-competitive rate.

- » 4.6% to 5.0% increase in solid waste rates for recycling collection, processing, and marketing. This recommended adjustment is based on the contractual adjustment methodology for compensation to Recology of 5% based on CPI as well as other minor adjustments for changes in the number of containers collected by Recology. It is important to note that the costs for processing and marketing for recycling are included in the City's recycling program costs, and that these costs can vary widely with changes in the economy and changes in international trade. Projected recyclables costs included in this Study do not take into account changes in cost that could potentially result from current uncertainty in national and international economies.
- » 0.5% increase solid waste rates for the City's residential Clean-up Campaign (CUC), which is based on the changes in the City's projected costs for administration of the CUC. Costs and rates for the CUC program have remained relatively flat in recent years, with the CUC component of the solid waste rates being subject to very little change in recent history. The recommended change for FY 2025-26 is modest and necessary to keep up with changing costs.

R3 prepared recommendations for FY 2025-26 rates by account category, the complete results of which are included in the City's recommended FY 2025-26 solid waste rates sheets provided by City staff based on R3's detailed calculations. **Table 1**, below, provides a summary of recommended total bundled (meaning inclusive of all applicable solid waste rate elements) residential solid waste service rates.

**Table 1: Summary of FY 2025-26 Monthly Residential Solid Waste Rates**

Cart Size	Garbage Collection	Recyclable Collection	Yard Trimming Collection	Clean-up Campaign	Total Bundled Rate
<b>Super Saver (20-gallon) Garbage Cart Charge</b>	\$20.90	\$8.39	\$16.37	\$6.62	\$52.28
<b>Small (32-gallon) Garbage Cart Charge</b>	\$28.92	\$8.39	\$16.37	\$6.62	\$60.30
<b>Medium (64-gallon) Garbage Cart Charge</b>	\$53.75	\$8.39	\$16.37	\$6.62	\$85.13
<b>Large (96-gallon) Garbage Cart Charge</b>	\$78.46	\$8.39	\$16.37	\$6.62	\$109.84

The rate adjustments in **Table 1** are recommended in that rate revenue projections cover the overall costs of providing solid waste services in total, without generating excess rate revenues or reliance on outside funding sources or rate reserves. Given recommended solid waste rates, revenues and solid waste system costs are projected to be balance and are not more than necessary to cover the costs of providing solid waste services.

Overall, the total net result of the recommended adjustments to the City's residential solid waste service rates are increases ranging from 3.0% to 4.1% for single family residents (which receive yard trimmings service) and 2.2% to 2.4% for town homes (which do not receive yard trimmings service), as shown in **Table 2** and **Table 3**, on the following page.



**Table 2: Single Family Residential Monthly Bundled Rate (Includes garbage, yard trimmings, recycling, CUC, and household hazardous waste charges)**

Cart Size	Current FY 2024-25 Rates	FY 2025-26 Proposed Rates	Proposed Increase (Percent)	Proposed Increase (Dollars)
Super Saver (20-gallon) Garbage Cart Charge	\$50.20	\$52.28	4.1%	\$2.08
Small (32-gallon) Garbage Cart Charge	\$58.10	\$60.30	3.8%	\$2.20
Medium (64-gallon) Garbage Cart Charge	\$82.42	\$85.13	3.3%	\$2.71
Large (96-gallon) Garbage Cart Charge	\$106.64	\$109.84	3.0%	\$3.20

**Table 3: Townhouse Residential Monthly Bundled Rate (Includes garbage, recycling, CUC, and household hazardous waste charges)**

Cart Size	Current FY 2024-25 Rates	FY 2025-26 Proposed Rates	Proposed Increase (Percent)	Proposed Increase (Dollars)
Super Saver (20-gallon) Garbage Cart Charge	\$35.06	\$35.91	2.4%	\$0.85
Small (32-gallon) Garbage Cart Charge	\$42.96	\$43.93	2.3%	\$0.97
Medium (64-gallon) Garbage Cart Charge	\$67.28	\$68.76	2.2%	\$1.48
Large (96-gallon) Garbage Cart Charge	\$91.50	\$93.47	2.2%	\$1.97

## Limitations

Projections included in this report are based on information provided to R3 by the City and its contractors. There will naturally be variances between projections made herein and the City's actual expenses and revenues based on variations in subscription levels and tonnages. Additionally, variations in projections to actuals should be expected as this report includes assumptions regarding residual percentages and other factors.



## 2. BACKGROUND

### Santa Clara's Solid Waste Services

The City's Public Works Department provides critical solid waste programs and services to residents and businesses in the City. All of the funding for solid waste services is from payment of solid waste charges billed primarily to customers by the City on their utility bills (some customers are billed directly for services by MTWS). Solid waste utility expenses are comprised of the following categories.

#### Collection Costs

- » **Garbage Collection** – Garbage collection services in carts and bins are provided by MTWS via the Agreement for Services between MTWS and City commencing July 1, 2020. The City pays MTWS per unit compensation tariffs which are set and CPI adjusted annually per the Agreement and based on the quantity of solid waste services billed by the City through its utility bills. MTWS pays the City a 5% franchise fee for the use of the public right-of-way for the collection of collection containers and also pays the City a 5% billing fee for solid waste's proportionate share of the City's utility billing costs.
- » **Recycling Collection** – Recycling collection services in carts are provided by Recology via the Agreement for Services between Recology and the City commencing July 1, 2020. The City pays Recology an annual stipulated compensation which is set and CPI adjusted annually per the Agreement and includes small adjustments for changes in the number of recycling containers serviced by Recology.
- » **Yard Trimmings Collection** – Yard trimmings collection services in carts are provided by MTWS via the same Agreement for Services between MTWS and City commencing July 1, 2020. The City pays MTWS per unit compensation tariffs which are set and CPI adjusted annually per the Agreement and based on the quantity of yard trimmings services billed by the City through its utility bills. MTWS pays the City a 5% franchise fee for the use of the public right-of-way for the collection of collection containers and also pays the City a 5% billing fee for solid waste's proportionate share of the City's utility billing costs.
- » **Commercial Recycling and Food Scrap Organics Collection** – Recycling and food scrap organics collection services are provided to commercial businesses by MTWS via the same Agreement for Services between MTWS and City commencing July 1, 2020. MTWS bills customers directly for such services, with the billings being equal to the per unit compensation tariff for those services set by the Agreement plus the 5% franchise fee for the use of the public right-of-way for the collection of collection containers, which MTWS collects and pays directly to the City, plus 5% for MTWS' performance of billing services for these accounts. Because such rates are set via formulas in the Agreement and are not charged to customers by the City, such rates are not addressed via this Study.
- » **Roll-off and Compactor Collection** – Roll-off and compactor collection services are provided to commercial businesses by MTWS via the same Agreement for Services between MTWS and City commencing July 1, 2020. MTWS bills customers directly for such services, with the billings being equal to the per unit compensation tariff for those services set by the Agreement plus the 5% franchise fee for the use of the public right-of-way for the collection of collection containers, which MTWS collects and pays directly to the City, plus 5% for MTWS' performance of billing services for these accounts. Because such rates are set via formulas in the Agreement and are not charged to customers by the City, such rates are not addressed via this Study.

## Post-Collection Costs

- » **Garbage Processing, Recycling, Composting, and Residual Disposal** – These services are provided by GWR per the Agreement for Services between GWR and the City commencing January 1, 2021. The City pays GWR per ton compensation amounts which are set and CPI adjusted annually per the Agreement and based on the quantity of garbage tons delivered by MTWS to GWR as collected in carts and bins. Effective January 1, 2025, services provided by GWR now include disposal of residual garbage remaining after processing, recycling, and composting of recoverable waste from garbage.
- » **Recyclables Processing and Marketing** – These services are provided by GWR per the Agreement for Services between GWR and the City commencing January 1, 2021. The City pays GWR per ton compensation amounts which are set based on market conditions and are adjusted monthly in accordance with commodity values and rates of contamination and are charged based on the quantity of recyclables tons delivered by Recology to GWR.
- » **Yard Trimmings Composting** – These services are provided by GWR per the Agreement for Services between GWR and the City commencing January 1, 2025. The City pays GWR per ton compensation amounts which are set and CPI adjusted per the Agreement and are charged based on the quantity of yard trimming tons delivered by MTWS to GWR.

## City Costs

- » **Clean-up Campaign** – The City provides an annual clean-up campaign (CUC) to eligible residents in the City. Costs for the CUC include collection costs for City crews, contractors, and MTWS as well as post-collection costs for garbage processing and disposal with GWR.
- » **City Solid Waste Programs** – The City provides solid waste programs in the City including street sweeping services, leaf-vacuuming and Christmas tree collection services, closed landfill maintenance services, household hazardous waste acceptance services, compliance with SB 1383, interdepartmental transfers set by the City's cost allocation plan, and management and administrative staffing and consulting costs.
- » **City Utility Billing** – The City's Finance Department provides utility billing services for City-billed solid waste accounts, which are funded by the solid waste rates and which are paid via transfer of funds from solid waste budgets to the City's Finance Department.

Taken together, payments to MTWS, Recology and GWR are projected to comprise 78% of solid waste service expenses in FY 2025-26. The remaining 22% of solid waste service rate revenues fund the City's solid waste management, administration, compliance, reporting, outreach and education services (provided by the Public Works Department), and utility billing services (provided by the City Finance Department).

### 3. EXPENSE PROJECTIONS

#### FY 2025-26 Projected Expenses

R3 analyzed financial information collected by the City in current FY 2024-25 as well as financial information provided by the City in prior years during prior solid waste rate adjustment studies. Specific information reviewed by R3 included the City's current FY 2024-25 solid waste rates charged to customers, current FY 2024-25 tariff compensation amounts paid to MTWS, current FY 2024-25 costs for MTWS, Recology, and GWR's solid waste services, contractually stipulated FY 2025-26 adjustments to the compensation amounts paid by the City to MTWS, Recology, and GWR, as well as the City's solid waste budget projections for FY 2025-26.

R3's analysis, which was reviewed and confirmed with City staff, results in projected costs for solid waste services in FY 2025-26 as shown in Table 4, below.

**Table 4: FY 2025-26 Projected Solid Waste Service Expenses by Category**

Expense Category	Projected FY 2025-26 Expenses
MTWS Garbage Collection Costs (Carts)	\$4,415,170
MTWS Garbage Collection Costs (Bins)	\$8,199,601
MTWS Yard Trimmings Collection Costs	\$3,063,021
MTWS Clean-up Campaign Costs	\$587,960
Recology Recycling Collection Costs	\$4,338,561
Green Waste Recovery Mixed Waste Recovery Tipping Costs (Carts)	\$3,451,436
Green Waste Recovery Mixed Waste Recovery Tipping Costs (Bins)	\$6,568,926
Green Waste Recovery Recycling Tipping Costs	\$365,600
Green Waste Recovery Yard Trimmings Tipping Costs	\$662,150
Green Waste Recovery Clean-up Campaign Tipping Costs	\$540,205
City Garbage Program Costs (Carts)	\$3,585,548
City Garbage Program Costs (Bins)	\$4,076,198
City Recycling Program Costs	\$52,543
City Yard Trimmings Program Costs	\$6,418
City Clean-up Campaign Program Costs	\$1,429,069
<b>Total</b>	<b>\$41,342,406</b>

Table 5 and Table 6, on the following page, demonstrate the information shown in Table 4 in summary categories by solid waste service type and service provider type, respectively.

Table 5: FY 2025-26 Projected Solid Waste Service by Service Type

Service Type	Projected FY 2025-26 Expenses
Total Garbage in Carts	\$11,452,154
Total Garbage in Bins	\$18,844,725
Total Recycling	\$4,756,704
Total Yard Trimmings	\$3,731,589
Total Clean-up Campaign	\$2,557,234
<b>Total</b>	<b>\$41,342,406</b>

Table 6: FY 2025-26 Projected Solid Waste Service Expenses by Provider Type

Provider Type	Projected FY 2025-26 Expenses
MTWS	\$16,265,752
Recology	\$4,338,561
GWR	\$11,588,317
City Programs and CUC	\$9,149,776
<b>Total</b>	<b>\$41,342,406</b>

## FY 2025-26 City Program Cost Allocations

As described earlier in this Study report, the City's solid waste rates fund the City's direct provision, management and administration of solid waste programs, including utility billing. These programmatic costs include operating supplies, utilities, conferences and trainings, contractual services, staffing costs, street sweeping, franchise fees, transfers to other funds, and the City's Cost-Allocation-Plan (CAP). City program costs are allocated to garbage rates, recycling rates, yard trimming rates, and clean-up campaign rates based on the City's budgets.

Budgeted amounts for the City's program costs for recycling, yard trimmings and the clean-up campaign are included in their entirety for those specific rate elements, while budgeted amounts for the City's program costs for garbage are allocated between cart and bin customers based on the following allocations:

- » **Street Sweeping** – 72% carts and 28% bins, based on proportion of street sweeping miles. This allocation has remained the same since 2021.
- » **Leaf-Vac and Christmas Tree Campaigns and Household Hazardous Waste (HHW)** – 59% carts and 41% bins, based on California Department of Finance's 2020 figures for the number of Santa Clara housing units that are under 5 units vs. 5 units and over. This allocation has remained the same since 2021.
- » **Franchise Fees** – 38% carts and 62% bins, based on projected FY 2025-26 annual garbage revenues.

- » **Landfill Post-Closure Maintenance Costs** – 35% carts and 65% bins, based garbage tonnages in first half of FY 2024-25.
- » **Administrative and Internal Costs and Management and Billing Costs and SB 1383 Compliance** – 43% carts and 57% bins based on the weighted average of:
- Number of accounts (92.5% carts vs. 7.5% bins) – 10% weighting (weighting revised from prior value of 15% during the course of this Study based on assumption that number of accounts is not as significant of a cost factor as garbage tonnages).
  - Tonnage of garbage collected in the first half of FY 2024-25 (35.17% carts vs. 64.83% bins) – 30% weighting (weighting revised from prior value of 25% to account for greater significance of garbage tonnage as a cost factor).
  - Projected FY 2025-26 annual garbage revenues (37.8% carts vs. 62.2% bins) – 60% weighting (weighting unchanged).

Projected and allocated FY 2025-26 City program costs for garbage based on the above allocations are shown in **Table 7**, below. Note that updated allocations between carts and bins are not materially different than they were in the City's most recent prior rate study. As a result of allocation changes, allocated City program costs for carts are projected to increase by 1.84% compared to FY 2024-25 and allocated City program costs for bins are projected to increase by 9.23% compared to FY 2024-25. Overall total City program costs are increasing by 5.64% compared to FY 2024-25.

**Table 7: Allocations of City Program Costs for Garbage Rates**

Category	Garbage Carts	Garbage Bins	Total
Street Sweeping	\$837,592	\$325,730	\$1,163,322
Leaf-Vac and Trees	\$100,300	\$69,700	\$170,000
Admin and Internal	\$1,330,946	\$1,802,073	\$3,133,019
Management and Billing	\$631,380	\$854,876	\$1,486,256
Franchise Fees	\$329,232	\$541,757	\$870,988
Landfill Post-Closure	\$195,729	\$360,771	\$556,500
HHW	\$145,425	\$101,058	\$246,483
SB 1383 Compliance	\$14,944	\$20,233	\$35,177
<b>Total</b>	<b>\$3,585,548</b>	<b>\$4,076,198</b>	<b>\$7,661,745</b>

## Cost-of-service Allocations by Container Size

It should be noted that resultant solid waste rates by container size are not linearly proportional to container volume (e.g., a 32-gallon garbage cart is not one half of the cost of a 64-gallon cart and similarly not one third of a 96-gallon cart). This is due to the fact that the City's current rate methodology, established during the FY 2020-21 rate study, allocated City program 33% via fixed costs that are the same irrespective of container size and 67% volumetrically based on container size. This allocation approach was necessary and appropriate in that it is known that the costs for City programs do not always scale in direct proportion to solid waste container size. In order to maintain existing relationships between rates by container type (and therefor rate stability for solid waste customers) this allocation methodology was maintained and not adjusted during this FY 2025-26 Study.

## 4. METHODOLOGY & FINDINGS

As discussed in prior sections of this report, adjustments to solid waste service rates are necessary to fund the projected costs of the City's solid waste system. Revenues at current FY 2024-25 rates are not sufficient to cover the projected costs of providing services overall, and adjustments to rates for each account category are necessary to cover the City's costs of providing solid waste services.

### Garbage Cart Rates

#### Garbage Cart MTWS Costs

MTWS provides collection of garbage carts in the City. Projected FY 2025-26 costs for garbage cart collection were developed based on City's payment to MTWS's at current subscription levels multiplied by the 5% contractually owed CPI escalation in MTWS's per unit compensation effective July 1, 2025. This amount is projected to be **\$4,415,170** in FY 2025-26. The MTWS tariff components of the garbage cart rates are therefore recommended to be adjusted by 5%.

#### Garbage Cart Allocated City Costs

Projected City program costs attributed to garbage cart are **\$3,585,548** as show in Table 7. The portion of City program costs allocated to the garbage cart rates are increasing by 1.84%, and therefore this component of the garbage cart rate is recommended to be adjusted by that same 1.84%.

#### Garbage Cart Processing, Recycling, Composting and Residual Disposal Costs

For FY 2025-26, the cost for processing, recycling, composting and residual disposal of garbage collected in carts is based on garbage tonnage reported by GWR to the City. Based on actual tons collected, R3 projects 16,010 tons of garbage in carts collected in FY 2025-26 (which is slightly lower than projections in prior years, with the reduction being due to the City now having more accurate information regarding garbage tons collected in carts). Taking this amount multiplied by the projected FY 2025-26 GWR tip fee of \$215.58 per ton for garbage in carts yields an annual cost of garbage cart processing of **\$3,451,436**. The garbage cart processing costs are decreasing by 1.51% compared to FY 2024-25, and therefore this component of the garbage cart rate is recommended to be adjusted downward by that same 1.51%.

#### Garbage Cart Total Projected Costs and Rate Adjustment

Projected total costs for garbage carts in FY 2025-26 is the sum of MTWS costs (\$4,415,170), allocated City costs (\$3,585,548), and GWR processing costs (\$3,451,436), yielding \$11,452,154 in projected total costs in FY 2025-26. Taken altogether, the total rate adjustment for residential garbage carts ranges from 2.01% to 2.20%, as shown in **Table 8**, on the following page. Variances in the percentage changes are due to rounding to the nearest cent.



**Table 8: Residential Garbage Cart Rate Adjustment**

Cart Size	MTWS Tariff FY (Less Billing and Franchise Fee)	Processing and Disposal	City Program Costs	Total FY 2025-26 Garbage Rate	Total FY 2024-25 Garbage Rate	FY 2025-26 Percentage Adjustment in Rate
<b>20 Gallon</b>	\$8.39	\$5.15	\$7.36	<b>\$20.90</b>	\$20.45	2.20%
<b>32 Gallon</b>	\$11.23	\$8.23	\$9.46	<b>\$28.92</b>	\$28.35	2.01%
<b>64 Gallon</b>	\$22.22	\$16.48	\$15.05	<b>\$53.75</b>	\$52.67	2.05%
<b>96 Gallon</b>	\$33.08	\$24.72	\$20.66	<b>\$78.46</b>	\$76.89	2.04%

For commercial garbage carts, the total rate adjustment ranges from 2.06% to 2.10%, as shown in **Table 9**, below. Variances in the percentage changes are due to rounding to the nearest cent.

**Table 9: Commercial Garbage Cart Rate Adjustment**

Cart Size	MTWS Tariff FY (Less Billing and Franchise Fee)	Processing and Disposal	City Program Costs	Total FY 2025-26 Garbage Rate	Total FY 2024-25 Garbage Rate	FY 2025-26 Percentage Adjustment in Rate
<b>32 Gallon</b>	\$11.67	\$8.23	\$9.46	<b>\$29.36</b>	\$28.76	2.09%
<b>64 Gallon</b>	\$23.07	\$16.48	\$15.05	<b>\$54.60</b>	\$53.48	2.09%
<b>96 Gallon</b>	\$34.45	\$24.72	\$20.66	<b>\$79.83</b>	\$78.19	2.10%

## Garbage Bin Rates

### Garbage Bin MTWS Costs

MTWS provides collection of garbage bins in the City. Projected FY 2025-26 costs for garbage bin collection were developed based on City's payment to MTWS's at current subscription levels multiplied by the 5% contractually owed escalation in MTWS's per unit compensation effective July 1, 2025. This amount is estimated to be **\$8,199,601** in FY 2025-26.

### Garbage Bin Allocated City Costs

Projected City program costs attributed to garbage bins are **\$4,076,198** as shown in **Table 7**.

### Garbage Bin Processing, Recycling, Composting and Residual Disposal Costs

For FY 2025-26, the cost for processing, recycling, composting and residual disposal of garbage collected in bins is based on garbage tonnage reported by GWR to the City. Based on actual tons collected, R3 projects 29,510 tons of garbage in bins collected in FY 2025-26 (which is slightly higher than projections in prior years, with the increase being due to the City now having more accurate information regarding garbage tons collected in bins). Taking this amount multiplied by the projected FY 2025-26 GWR tip fee of \$222.60 per ton for garbage in bins yields an annual cost of garbage bin processing of **\$6,568,926**. The



garbage bin processing costs are increasing by 2.59% compared to FY 2024-25, and therefore this component of the garbage bin rate is recommended to be adjusted by that same 2.59%.

### Garbage Bin Total Projected Costs and Rate Adjustment

Projected total costs for garbage bins in FY 2025-26 is the sum of MTWS costs (\$8,199,601), allocated City costs (\$4,076,198), and GWR processing costs (\$6,568,926), yielding **\$18,844,725** in projected total revenue need in FY 2025-26. Taken altogether, the total rate adjustment for garbage bins ranges from 3.54% to 5.43%. A sample of commercial bin rates are shown in **Table 10**, below.

**Table 10: Commercial Garbage Bin Rate Adjustment**

	MTWS Tariff FY (Less Billing and Franchise Fee)	Processing and Disposal	City Program Costs	Total FY 2025-26 Garbage Rate	Total FY 2024-25 Garbage Rate	FY 2025-26 Percentage Adjustment in Rate
<b>1 Cubic Yard 1/week</b>	\$77.67	\$50.04	\$56.02	<b>\$183.73</b>	\$174.30	5.41%
<b>3 Cubic Yards 1/week</b>	\$216.26	\$150.13	\$100.31	<b>\$466.70</b>	\$444.92	4.90%

## Recycling Rates

### Recology Recycling Costs

Recology provides collection of residential recyclables in the City,<sup>1</sup> with the City charging customers for this service and paying Recology contractually owed compensation. Recology's compensation set per contract is **\$4,338,561** for FY 2025-26, which is a set per contract and is inclusive of all of Recology's services, including separate push-pull charges. This is a 5% CPI increase over FY 2024-25, inclusive of a small adjustment for increasing amounts of recycling services.

### City Recycling Program Costs

The City incurs expenses related to the provision of recycling programs, primarily for staffing to manage the City's recycling programs. The City's FY 2025-26 budget for these expenses is **\$52,543**, including \$198,990 in revenue offsets from AB 939 fees collected in Santa Clara County and returned to the City.

### Recyclables Processing Costs

Starting January 1, 2022, the City became responsible for the cost of processing recyclable materials collected by Recology. Based on recent tonnage information provided by Recology to the City, R3 estimates annual recycling tonnages of approximately 9,140 tons, based on reports from GWR. The conservatively estimated (midrange contamination and market conditions) GWR recyclables processing

<sup>1</sup> Note that MTWS provides collection of commercial recyclables, but directly charges customers for that service via rates that are set based on MTWS's agreement (and as a result recycling expenses for commercial customers are not the responsibility of the City).

tipping fee for FY 2025-26 is \$40 per ton. Multiplying the 9,140 tons of projected recyclable tons times \$40 per ton yields **\$365,600** in recyclables processing costs. There is no separate residual disposal cost associated with recycling tons.

## Recycling Total Projected Costs and Rate Adjustment

Projected total costs for recycling in FY 2025-26 are the sum of Recology costs (\$4,338,561), City costs (\$52,543), and processing costs (\$365,600), yielding **\$4,756,704** in projected total revenue need in FY 2025-26 (\$4,735,068 when push/pull charges are not included). There are currently 47,046 recycling collection and billing units in the City. To arrive at the monthly recycling rate, the total costs of \$4,756,704 are divided by 12 months and then divided by the 47,046 recycling collection and billing units, resulting in a monthly rate of \$8.39, which is an increase of 4.6% compared to the FY 2024-25 amount of \$8.02 per unit. By individual component, the amounts are:

- » **Recology Collection** – Cost paid to Recology for collection of recycling, divided by the projected number of billing units divided by 12 months, yielding \$7.65 per unit per month.
- » **Processing Costs** – Projected processing cost divided by the number of billing units, divided by 12 months, yielding \$0.64 per month.
- » **City Program Costs** – City expenses of divided by the number of billing units, divided by 12 months, yielding \$0.10 per month.
- » **Total Recycling Rate** – Sum of the above, yielding \$8.39 per unit-lift per month.

## Yard Trimming Rates

### Yard Trimmings MTWS Costs

MTWS provides collection of yard trimmings in the City. Projected FY 2025-26 costs for yard trimmings collection were developed based on City's payment to MTWS's multiplied by the 5% contractually owed escalation in MTWS's per unit compensation effective July 1, 2025. This amount is estimated to be **\$3,063,021** for FY 2025-26.

### City Yard Trimmings Program Costs

The City incurs expenses related to the provision of yard programs. The City's initial FY 2025-26 budget for these expenses is **\$6,418**.

### Yard Trimmings Processing Costs

Yard trimmings are now directed to GWR for composting, effective January 1, 2025. will continue to be Based on tonnage information provided by the City, it is estimated that there will be 9,500 tons of yard trimmings collected for composting in FY 2025-26. The per ton rate for composting with GWR is \$69.70. Based on these figures, projected disposal of bin residual is **\$662,150**.

## Yard Trimmings Total Projected Costs and Rate Adjustment

Projected total costs for yard trimmings in FY 2025-26 are the sum of MTWS costs (\$3,063,021), City costs (\$6,418) and processing costs (\$662,150), yielding **\$3,731,589** in projected total revenue need in FY 2025-26. To arrive at the monthly yard trimmings collection rate, the total costs of \$3,731,589 are

divided by 12 months and then divided by the approximately 19,000 yard trimmings collection and billing units, resulting in a monthly rate of \$16.37, which is an increase of 8.1% compared to the FY 2024-25 amount of \$15.14 per unit. By individual component, the amounts are:

- » **MTWS Tariff** – Less 10% paid to City for billing and franchise fees, \$13.47 per month.
- » **Processing Costs** – Projected processing cost divided by the number of yard trimmings billing units, divided by 12 months, yielding \$2.90 per month.
- » **City Program Costs** – Too small to yield a result.
- » **Total Yard Tripping Rate** – Sum of the above, yielding \$16.37 per month.

## Clean-up Campaign Rates

### MTWS Costs

MTWS provided support to the City in conducting the annual Clean-up Campaign. It is estimated that the City's costs for MTWS's service in support of the Clean-up Campaign in FY 2025-26 will be **\$587,960**, based on prior amounts paid and per unit compensation to MTWS set by contract.

### City Costs

The City incurs expenses related to the provision of the Clean-up Campaign, primarily for labor and overhead costs, trucking costs, staffing costs, equipment rental, and technical services for the campaign. The City's initial FY 2025-26 budget for these expenses is **\$1,429,069**.

### Disposal Costs

It is estimated that there will be 6,000 tons of clean-up campaign materials in FY 2025-26. The per ton rate for processing for recovery and residual disposal with GWR is \$87.13. Based on these figures, projected disposal of bin residual is **\$522,780**.

### Clean-up Campaign Total Projected Costs and Rate Adjustment

Projected total costs for the Clean-up Campaign in FY 2025-26 are the sum of MTWS costs (\$587,960), City costs (\$1,429,069), and disposal costs (\$522,780), yielding **\$2,557,234** in projected total costs in FY 2025-26. To arrive at the monthly yard trimmings collection rate, the total costs of \$2,557,234 are divided by 12 months and then divided by the 32,194 CUC billing units, resulting in a monthly rate of \$6.62, which is an increase of 0.5% compared to the FY 2024-25 amount of \$6.59 per unit.

## Franchise Fee

### Methodology

R3 reviewed and analyzed information provided by the City pertaining to the 5% franchise fee collected by the City which covers property use charges for the solid waste service providers' use of the public right-of-way for collection of solid waste collection containers. In addition, the City collects a 5% billing fee which covers the solid waste system's proportionate share of the City's utility billing costs. R3 evaluated the cost-recovery basis for the franchise fee, which is transferred to the City's General Fund; this Study

assumes that the City already retains a cost-recovery basis for the City's billing fee, which is transferred to the City's Utility Billing Department.

R3 calculated the annual franchise fee for property use charges based on:

- » The setout area used for collection of solid waste containers (in square feet).
- » The amount of time that the area is used.
- » The market value for use of the public right-of-way (in dollars per square foot).
- » The number of solid waste subscribers setting out collection containers in the public right-of-way.

Using these values, we calculated the market value for the use of government property in the City.

### Setout Area

Standard residential solid waste collection services provided by MTWS include two solid waste collection containers, usually carts with wheels and lids, with one each for garbage and organics waste streams. The setout area needed for placement of these containers is inclusive of the width of each container (typically two feet) as well as minimum required space between the containers and other objects such as cars (minimum of one foot). The set-out area also takes up available parking space and is, thus, assumed to extend six feet out from the curb. Taken altogether, the area for residential setouts is calculated as three containers that are each two feet wide, plus one foot between each container and other objects, for a total area seven feet wide times six feet in depth. The result is 42 square feet of setout area per serviced single-family residential property.

The amount of area used for commercial setouts (in this Study, use of the term commercial also always includes multi-family) can vary widely, as there is no standard commercial subscription size profile – each commercial solid waste subscriber can select from a range of container sizes, with most of them being larger than the containers used in residential areas. Given this complexity, this Study assumes that the average commercial setout area is twice that of the residential setout area, for 84 square feet. This estimate is likely lower than the average setout area needed in commercial areas and is, therefore, conservative.

### Setout Time Usage

Standard residential solid waste collection is performed once weekly. Most residential containers are set out the evening prior to collection and are removed from the public right-of-way the following afternoon. Thus, for the purposes of this Study, we assume that collection containers are in the public right-of-way for an average of 18 hours per day, one day per week, which amounts to approximately 10.71% of the time (18 hours divided by 24 per day divided by 7 days per week). Commercial solid waste subscription setout times can vary widely – just as there is no standard commercial subscription size profile, likewise there is no standard collection frequency. Commercial solid waste subscribers can select collection frequency between once and six times per week, and with different frequencies for different waste streams. Given this complexity, this Study assumes that the average commercial collection frequently is twice weekly, for 21.42% of the time. As with the setout area, this estimate is likely lower than the average commercial collection frequency and is, therefore, conservative.

### Market Value for Use of Public Right-of-Way

To establish the market value for use of the public right-of-way, R3 conducted an online survey of recent purchases of bare land in the City and locally in Santa Clara County. R3 sampled 23 recent sales of bare land in the City, which were sold for a median value of \$116.73 per square foot. To that value, R3 added the per square foot value of the City's street pavement, which is calculated as a function of the total replacement value of the City's streets (\$463,470,000) divided by the area of the streets in square feet

(56,191,388). The resultant value of the street improvements is \$8.25 per square foot, which, when added to the \$116.73 market value of bare land, yields \$124.98 per square foot.

This value is then divided by a rental realization rate of 12.11, which is based on the difference between the \$124.98 market value and an median rental rate of 20 parking rentals of \$10.32 per square foot. The resultant total annual per square foot use charge for the public right-of-way of \$10.32. R3 believes this value to be conservative – other methodologies that could have been applied and would have resulted in a higher estimated market value for the use of the public right-of-way. For example, had this Study used “parklet rental fee” charges established in other California communities, with an approximate average annual per square foot value of \$15.00 per square foot, the results from this Study would be higher than estimated herein.

### Number of Subscriptions Setting Out Containers

There are approximately 25,000 residential and 1,985 commercial solid waste service subscribers in the City. However, not all subscribers set out their containers in the public right-of-way for collection all the time. To account for non-setouts (either because subscribers don’t have waste materials to set out or because they receive on-premises service) we assume that only 90% of residential solid waste subscribers set out containers on a regular basis, for a resulting total of 22,500 average residential setouts. This 90% assumption is informed by our work overseeing solid waste collection operations for local governments throughout California; from that experience, we know that almost all residential solid waste customers set out their solid waste containers for collection each week (with the exceptions being when residents are on vacation or generate exceptionally low amounts of waste). MTWS provides weekly collection of solid waste containers to all residents.

It is also understood that most commercial subscribers do not set out containers in the public right-of-way, and therefore we conservatively assume that only 5% of commercial subscribers set out containers on a regular basis, for a resulting total of 99 average commercial setouts. The assumed 5% set-out rate for commercial customers is almost certainly low – were one to take field observations for these values, we believe that the actual rates of set-out would be higher than used for the purposes of this Study. However, we use the 5% set-out assumption for commercial subscribers in this Study as data regarding use of the public right-of-way by commercial subscribers in the City is not available.

### Analysis and Total Annual Property Use Charges

Calculating the total annual property use charges using the variables, estimates, and assumptions from the prior section is a function of multiplication, as shown in **Table 11**, below. Note that the resultant total is higher than the amount of total franchise fees shown in Table 7, indicating that the City’s franchise fee is not more than necessary to recover charges for the use of the public right-of-way for solid waste container collection.

**Table 11: Calculation of Total Annual Property Use Charges**

Variable Category	Residential	Commercial	Grand Total Annual Property Use Charge
Setout Area	42 SF	84 SF	
Setout Time Usage	10.71%	21.42%	
Annual Use Charge	\$10.32 per SF	\$10.32 per SF	
Number of Setouts	22,500	99	Grand Total Annual Property Use Charge
<b>Total Annual Property Use Charges</b>	<b>\$1,044,900</b>	<b>\$18,390</b>	