

City of Sacramento

Legislation Text

File #: 2019-01376, **Version:** 1

Title:

Ordinance Amending City's Fee and Charge Report for Recycling and Solid Waste Utility Service Rates [Passed for Publication 10/22/2019; Noticed 10/11/2019 & 10/15/2019; Published 10/25/2019] {Continued from 11/05/2019}

File ID: 2019-01376

Location: Citywide

Recommendation:

Conduct a public hearing and upon conclusion, adopt an Ordinance amending the City's Fee and Charge Report to increase Recycling and Solid Waste rates, consisting of an increase of 7.43%, 7.47%, 7.49% and 7.51% for FY2019/20, FY2020/21, FY2021/22, and FY2022/23 respectively.

Contact: Jerome Council, Integrated Waste General Manager, (916) 808-4949; Janice Conerly-Coleman, Support Services Manager (916) 808-2683, Department of Public Works

Presenter: Jerome Council, Integrated Waste General Manager, (916) 808-4949, Department of Public Works

Attachments:

- 1-Description/Analysis
- 2-Ordinance
- 3-Exhibit A - Recycling and Solid Waste Rates (Clean)
- 4-Exhibit B - Recycling and Solid Waste Rates (Redline)
- 5-Exhibit C - Proposition 218 Protest Results
- 6-Exhibit D - Recycling and Solid Waste 2019 Rate Proposal Outreach Summary

Description/Analysis

Issue Detail: Current Recycling and Solid Waste (RSW) rates for garbage, recycling, and yard waste were set in 2015 for a three-year span through 2018 to align revenues with expenditures. RSW is into the second year without rate adjustments under the previous rates, and expenditures are exceeding revenues. The use of fund balance (prudent reserves) is helping to bridge the gap;

however, the fund balance will be depleted in FY2022/23 if rates are not adjusted.

Proposition 218 requires that a utility service provider must charge what it costs to provide service.

Below are summaries of the Solid Waste Fund without and with the proposed rate increase.

Table 1: Solid Waste Fund without Proposed Rate Increase

(\$ in 000s)	FY20 Proposed	FY21 Projection	FY22 Projection	FY23 Projection	FY24 Projection
Beginning Fund Balance	21,162	16,900	10,806	1,562	(9,552)
Revenue	64,357	64,991	65,632	66,279	66,932
Expenditures	68,619	71,085	74,876	77,392	83,666
Other Source/(Use)					
Ending Fund Balance	16,900	10,806	1,562	(9,552)	(26,286)
Days of Prudent Reserve	90	55	8	(45)	(115)

*Table 1: The table represents five-year forecast from FY2019/20 Approved Budget Book.

Table 2: Solid Waste Fund with Proposed Rate Increase

	FY20	FY21	FY22	FY23	FY24
Beginning Fund Balance	20,159*	15,630	14,035	15,333	20,730
Revenue	66,772	75,266	83,273	90,650	92,637
Expenditures	71,302	76,861	81,975	85,254	87,230
Other Source/(Use)					
Ending Fund Balance**	15,630	14,035	15,333	20,730	26,136
Days of Prudent Reserve	80	68	70	91	113

*Table 2: The table begins with the FY2019/20 fund balance used to prepare the rate model. This beginning fund balance was calculated in FY2017/18 and used throughout the Utility Rate Advisory Commission (URAC) approval process. The table shows the amended five-year forecast with the rate model applied.

**After the conclusion of the Utility Rate Advisory Commission (URAC) public hearings, funds were released to fund balance as a result of scrubbing several fleet projects increasing the FY19 fund balance by \$8.2 million. Moreover, additional information was received on the cost of organics processing indicating the cost will be \$6.5 million more than originally projected over the term of the rate adjustment. These changes do not affect the proposed rate increase and will change the ending fund balance and the days of prudent reserve nominally.

Staff is recommending that the City Council approve the three-and-one-half-year rate plan, beginning January 1, 2020, that aligns revenues and expenditures by June 30, 2023, and maintains a prudent level of 90-days of reserve in the fund as outlined in Table 2 above.

RSW is proposing the following rate adjustments that will increase the monthly bill of a typical customer using a 64-gallon container by \$12.33 a month by the end of the rate proposal period. Below are summary tables:

Recommended Rate Adjustment (Overall)

	FY2019/20	FY2020/21	FY2021/22	FY2022/23
% Increase based on 64-gal garbage container	7.43%	7.47%	7.49%	7.51%

Recommended Rate Adjustment by Container Size

	Current	FY2019/20	FY2020/21	FY2021/22	FY2022/23	Total
Garbage 32-gal	\$32.34	\$34.71	\$37.26	\$40.02	\$42.99	\$10.65
Garbage 64-gal	\$36.89	\$39.63	\$42.59	\$45.78	\$49.22	\$12.33
Garbage 96-gal	\$40.99	\$44.07	\$47.39	\$50.98	\$54.85	\$13.86

Rates includes garbage, recycle, yard waste, street sweeping, seasonal household junk pickups, seasonal loose in the street yard waste collection, and eWaste and appliance pickups.

Recommended Rate Adjustment by Month

	Garbage*	Recycle	Yard Waste	Street Sweeping	Total
FY2019/20 (6 months)	\$1.55	\$0.60	\$0.55	\$0.04	\$2.74
FY2020/21 (12 months)	\$1.68	\$0.66	\$0.58	\$0.04	\$2.96
FY2021/22 (12 months)	\$1.81	\$0.73	\$0.61	\$0.04	\$3.19
FY2022/23 (12 months)	\$1.96	\$0.80	\$0.64	\$0.04	\$3.44
					\$12.33

*Garbage rate is based on a 64-gallon container

Policy Considerations: On July 9, 2019, RSW mailed a notice to all affected property owners and tenants to provide notification of the proposed rate increase and that a public hearing with the Utilities Rate Advisory Commission (URAC) would be held on August 28, 2019. The California Constitution requires the notice to be mailed at least 45 days prior to the public hearing. The notice included instructions on protest procedures and informs customers that the proposed rate increase may not proceed if a majority of the affected property owners formally protest in writing or at the public hearing.

Economic Impacts: None

Environmental Considerations:

California Environmental Quality Act (CEQA): The adoption of recycling and solid waste rates is exempt from CEQA review under Public Resources Code Section 21080(b)(8).

Sustainability: Not applicable

Commission/Committee Action: On August 28, 2019, the URAC held the public hearing on the proposed recycling and solid waste rate changes. At the conclusion of the public hearing the URAC approved staff's recommendation by a 5-2 vote.

At the time of the public hearing, 136 written and public hearing protests were validated and reported to the URAC, representing less than one percent of the parcels that will be subject to the proposed rates. Attached as Exhibit C are the Proposition 218 protest results.

Adopting property-related fees or fee increases that require public notice before the URAC does not require Law and Legislation Committee review, pursuant to the Council Rules of Procedure (Chapter 13, section (B)(1)(b)(vi)).

Rationale for Recommendation: The proposed three-and-a-half-year rate adjustments for Fiscal Years (FY) 2020-FY2023 are necessary to achieve the following objectives:

1. Ensure Proposition 218 compliance that the rates charged cover the cost of providing services by closing the gap between revenues and expenditures by commodity;
2. Achieve a prudent reserve level of ninety (90) days; and
3. Avoid rate spikes over the cycle of the rate adjustment.

The proposed rate increases are necessary to fund:

- New costs associated with securing long-term yard waste and organics diversion. Senate Bill 1383 mandates food waste diversion from landfills starting in 2022. This mandate will likely double the current cost the City pays for yard waste processing.
- New recycling processing costs. China's National Sword Policy effectively banned recyclables from the United States. China's Policy in effect takes the City's recycling from being revenue producing to an anticipated processing expense of approximately \$2 million a year. The City is still required to divert recyclable materials from the landfill.
- Funding for the construction of a compressed natural gas (CNG) refueling station at the Meadowview City Service Center. Currently all CNG refuse vehicles are fueled off-site because the City does not own a CNG fueling station. The station is projected to cost \$3.7 million.
- The population growth the City has experienced since the last rate adjustment, anticipated future growth, and the need for additional routes. 4,000 new accounts have been added since 2015 and the City's Planning projects over 18,000 new housing units will be added in the next three to five years. Additional garbage, recycle, and yard waste routes will need to be added to maintain and improve the current service level.
- An increase in street sweeping service from every six weeks to monthly during the months of

February - October. In the recent citywide customer satisfaction survey customers expressed dissatisfaction with the current level of street sweeping service. The proposed rate increase will add an additional four cents a month to customers' monthly bills to increase the service to a monthly service.

- Increasing costs for solid waste operations such as vehicles, maintenance, fuel, disposal fees, labor costs, and landfill related expenses.
- Compliance with Department of Transportation (DOT) maximum weight limits for refuse vehicles. Not all refuse vehicles are equipped with scales that inform drivers when the maximum load capacity is reached. Moving forward, all new refuse vehicles will be equipped with scales to comply with DOT maximum weight limits and to improve the safety of our vehicles on city streets.

If the proposed rate increase is not approved, the City faces a number of potential consequences including:

- Insolvency of the Solid Waste Fund by FY2022/23
- Non-compliance with Senate Bill 1383 (organics)
- Service day interruptions
- Increased overtime costs

Financial Considerations: The rate proposal complies with the Proposition 218 mandate which requires the RSW Division to charge rates only in an amount sufficient to recover the costs of providing refuse collection and related services. Over 95% of revenues in the Solid Waste Fund are generated through user service fees collected for residential solid waste management services. The Solid Waste Fund does not receive General Fund or Measure U revenue for residential refuse collection services.

Local Business Enterprise (LBE): Not applicable