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Date	Ver.	Action By	Action	Result
5/21/2019	1	Council and Authorities Concurrent Meeting	Approved	Pass
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REPORT TO COUNCIL

SUBJECT

Public Hearing: Adoption of a Resolution Setting Rates for Overall Solid Waste Services, Annual Clean-up Campaign, and Household Hazardous Waste in the Exclusive Franchise Area

BACKGROUND

In November 1996, California voters approved Proposition 218, which amended the state Constitution to establish a new category of fees and charges referred to as “property-related fees and charges” and created new procedural requirements for their adoption. Under these requirements, water, sewer, and solid waste service fees or charges are subject to a written notice of proposed increases, public hearing on proposed fees or charges not less than 45 days after the mailing of the notice, and majority protest procedure for their approval. At the public hearing, all protests against the proposed fees or charges are tabulated and if the number of protests are presented by a majority of owners (50 percent plus 1) the fees or charges cannot be imposed. If there is not a majority of owners protesting the proposed fees or charges, Council can make and act on a motion to approve increases.

The Proposed FY 2019/20 Solid Waste Fund budget is \$28,034,000. Programs funded by the Solid Waste budget include garbage, Clean Green, residential recycling, household hazardous waste collection, disposal and processing; the Clean-up Campaign; street sweeping; and landfill post-closure maintenance. Garbage, Clean Green, Residential Recycling, Clean-up Campaign, and Household Hazardous Waste rates charged to customers fund these programs.

The following existing agreements with three (3) companies contain provisions for annual rate

increases based on an adjustment formula that is primarily tied to the San Francisco-Oakland-Hayward Consumer Price Index (CPI):

- Mission Trail Waste Systems (MTWS) for the collection of garbage, commercial recycling, and Clean Green in the exclusive franchise area, which consists of all properties except for those with an “Industrial” use zoning designation, which is tied to the average change to the CPI from February to February;
- Recology to provide residential single-stream recycling, which is tied to the change to the CPI from December to December; and
- International Disposal Corporation/Browning Ferris Industries (IDC/BFI) to provide solid waste disposal at Newby Island Landfill and composting services at the Recyclery, which is tied 80 percent to the change to the CPI from February to February, 10 percent to the Employment Cost Index which tracks the changes in costs of labor to businesses, and 10 percent to the Gross National Product Implicit Price Deflator which tracks the change in the measure of the level of prices of all new, nationally produced, final goods and services in an economy.

Costs associated with salaries, benefits, materials, services, supplies, and overhead will increase in FY 2019/20. Due to these anticipated increases, the proposed solid waste rate increases as specified in Table A of the Resolution (Attachment 1) are necessary to enable the Solid Waste Fund to achieve full cost recovery.

DISCUSSION

At the May 21, 2019 Public Hearing on the proposed rates, Council will open the Public Hearing and hear any oral protests. In addition, the Public Hearing will be the last opportunity for solid waste customers to return written protests. At the close of the Public Hearing, the protests will be tabulated. If a majority of solid waste customers protest the proposed rates, Council will be unable to raise the solid waste rates. If there is not a majority protest of the rates, Council may increase the solid waste rates as specified in Table A of the Resolution.

The proposed solid waste rate increases will result in increases to single-family home customers ranging from \$2.44 per month to \$4.45 per month. The summary below shows the impact of the rate increases on each service level for single-family home customers that receive garbage, Clean Green, recycling, Clean-up Campaign, and household hazardous waste services.

<u>Service Level</u>	<u>Current Charge</u>	<u>Proposed Charge</u>	<u>Difference</u>	<u>Percent Change</u>
20-Gallon Supersaver	\$ 26.60	\$ 29.04	\$ 2.44	+ 9.2%
Small Cart (32-gallon)	\$ 33.74	\$ 36.59	\$ 2.85	+ 8.4%
Medium Cart (64-gallon)	\$ 47.45	\$ 51.10	\$ 3.65	+ 7.7%
Large Cart (96-gallon)	\$ 61.16	\$ 65.60	\$ 4.45	+ 7.3%

Santa Clara’s total charges for residential and commercial solid waste services will remain lower than the average for comparable services in Santa Clara County, except for debris bin services. This comparison is primarily based on the FY 2018/19 charges from County agencies. Staff anticipates that these agencies have to similarly increase rates. Table I (Attachment 2) provides a comparison of solid waste rates for residential collection services in Santa Clara County. Table II (Attachment 3) provides a comparison of solid waste rates for commercial collection services in Santa Clara County. The proceeding sections provide details on each solid waste service rate.

A. Garbage Collection Charges:

Customer garbage charges are projected to generate approximately \$20,196,000 of revenue in FY 2019/20. These revenues fund garbage collection and disposal, utility billing services, street sweeping, garbage program administration, and transfers to the Solid Waste Capital Improvement Project Fund to pay for All Purpose Landfill post-closure operations and solid waste financial management system projects.

Rates for single-family residential, commercial front-load bin, and drop-body debris box garbage services are proposed to increase by 5.8 percent. Rates for commercial business single-stream and food scraps recycling services, push/pull service, lock jam installations, and bin cleaning will increase by 4.0 percent.

The primary factor for increasing garbage rates is the contractually obligated increases to collection and disposal agreements. In accordance with its exclusive franchise agreement for refuse collection, MTWS will receive a 4.0 percent increase that is effective July 1, 2019. The disposal and composting rates paid to IDC/BFI will also increase on July 1, 2019 by an estimated 4.5 percent.

Other factors contributing to the garbage rate adjustments include increased costs to process food scraps generated from both commercial and residential properties; the Solid Waste program's contribution to the replacement of the financial management system; and the addition of one (1) Staff Analyst I position as recommended in the Proposed Biennial FY 2019/20 and FY 2020/21 which will be responsible for expanding other sustainability efforts in addition to implementing the Short-Lived Climate Pollutant (SLCP) regulations, expanding the City's Adopt-a-Spot community beautification program, growing the City's participation in the Countywide Green Business Program, and administering new successor agreements for the solid waste collection services that will include organics waste diversion programs.

B. Clean Green Program Charge: \$11.24/month (Increase of \$0.48/month)

The monthly Clean Green program charge will increase from \$10.76 per month to \$11.24 per month (+ 4.5 percent). Effective July 1, 2019, MTWS will receive an increase of 4.0 percent to its Schedule of Tariffs in accordance with the terms of its exclusive franchise agreement with the City. The City's agreement with IDC/BFI for composting of green waste materials at the Recyclery also contains a cost of living adjustment that is projected to be 4.5 percent. The monthly Clean Green program charge will generate an estimated \$2,564,000, which will enable full cost recovery for services.

C. Residential Recycling Program Charge: \$4.40/month (Increase of \$1.55/month)

The proposed monthly residential recycling charge will increase from \$2.85 per month to \$4.40 per month (+ 54 percent). The primary reason for the increase is because of the depressed recyclables commodities market as a result of China's 2018 National Sword policy, which restricts imports of recyclable commodities. On January 19, 2019, Council approved an Amendment with Recology to increase the monthly tariff for residential recycling services from \$2.98 to \$4.34. Customer rates were held flat at the outset of the Amendment. The proposed residential recycling program charge for FY 2019/20 fully incorporates the approved tariff adjustment in the Amendment.

The original agreement to implement a residential single-stream recycling program stipulates that Recology is to receive an annual cost-of-living adjustment that is based exclusively on the change in the CPI. Effective July 1, 2019, the amount paid to Recology will increase from \$4.34 to \$4.54 per month (+ 4.5 percent) based on the CPI change from December 2017 to December 2018.

Staff estimates that the proposed recycling charge will generate \$2,453,000 in FY 2019/20. There are two other funding sources for the residential recycling program that help reduce customer rates. A portion of the AB 939 implementation fee, set at \$1.50 per ton of waste disposed at a landfill, is collected at the landfills; paid to the County of Santa Clara; and then directed back to the City to fund landfill diversion programs. This fee is projected to generate approximately \$230,000 in FY 2019/20. The City also expects to receive a \$30,000 used beverage container recycling grant from CalRecycle in FY 2019/20. The proposed monthly residential recycling charge in combination with AB 939 implementation fee revenue and used beverage container funding will generate sufficient revenues to maintain full cost recovery for the residential recycling program.

D. Clean-up Campaign Charge: \$5.67/month (No Change)

The Clean-up Campaign (CUC) charge will remain at \$5.67 per month. The current charge does not need to be increased to cover the full projected \$2,215,000 cost of the program.

E. Household Hazardous Waste Charge: \$0.30/month (No Change)

The monthly Household Hazardous Waste charge to residents will remain at \$0.30 per month, which generates about \$167,000 annually. The HHW component of the AB 939 implementation fee, which is set at \$2.60 per ton disposed at landfills, is projected to generate \$160,000 in FY 2019/20 after the County of Santa Clara withholds sufficient funds to cover the City's participation in the Countywide HHW Program. These combined revenues are sufficient to cover annual curbside collection costs of motor oil, filters and compact fluorescent bulbs.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has not potential for resulting in either a direct physical change in the environment, or as a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

In total, the solid waste customer charges combined with the AB 939 implementation fee and beverage container recycling grant revenues will generate approximately \$28,034,000. The revenue from the proposed rates will enable the Solid Waste Fund to achieve full cost recovery in FY 2019/20.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a

Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

A notice, as required by Article XIII D of the California Constitution, was mailed to all 26,371 solid waste customers (garbage, Clean Green, recycling, Clean-up Campaign, and household hazardous waste) on April 4, 2019 describing proposed increases to solid waste rates. The notice was sent out more than 45 days prior to the Public Hearing to give customers the opportunity to submit written protests against the proposed rates.

The proposed solid waste rate changes were communicated to the public through multiple electronic outreach tools. A web banner on the City's homepage and a separate utility rate webpage (SantaClaraCA.gov/utilityrates) was developed. A write-up about proposed rate increases was included in the City Manager's Biweekly Blog covering the period of April 8 to April 19. Information on the proposed rate increases was distributed via two (2) social media posts on Twitter and Nextdoor.

ALTERNATIVES

1. Adopt a Resolution setting the overall rates to be charged to customers for the collection and disposal of garbage, refuse, Clean Green, recycling, annual Clean-up Campaign, and household hazardous waste in the exclusive franchise area, effective for the utility bills issued for services rendered on and after July 1, 2019; or
2. Do not adopt a Resolution to increase the proposed rates to be charged to customers for collection and disposal of garbage, refuse, Clean Green, recycling, Annual Clean-up Campaign, and household hazardous waste in the exclusive franchise area and subsidize FY 2019/20 expenditures with funds from the General Fund.

RECOMMENDATION

Alternative 1:

Adopt a Resolution setting the overall rates to be charged to customers for the collection and disposal of garbage, refuse, Clean Green, recycling, annual Clean-up Campaign, and household hazardous waste in the exclusive franchise area, effective for the utility bills issued for services rendered on and after July 1, 2019.

Reviewed by: Craig Mobeck, Director of Public Works

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution
2. Table I - Monthly Residential Refuse Service Rates in Santa Clara County
3. Table II - Commercial/Industrial Debris Box Refuse Service Rates in Santa Clara County