



## Legislation Details (With Text)

<b>File #:</b>	20-695	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	Public Hearing/General Business	<b>Status:</b>		Agenda Ready	
<b>File created:</b>	7/7/2020	<b>In control:</b>		Council and Authorities Concurrent Meeting	
<b>On agenda:</b>	7/14/2020	<b>Final action:</b>			
<b>Title:</b>	Adoption of a Resolution Setting Rates for Overall Solid Waste Services, Annual Clean-up Campaign, and Household Hazardous Waste in the Exclusive Franchise Area; Report responding to Councilmember Chahal's Analysis; and Consideration of Council Action on a Rate Assistance Program, including Budget Amendment action [Council Pillars: 1) Deliver and Enhance High Quality Efficient Services and Infrastructure; 2) Sustainability]				

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Previous Outreach and Updates to Council, 2. Summary of Split-Card Survey Results, 3. November 2019 Customer Survey, 4. Rate Tables from December 10 Council Meeting, 5. Summary of Policy and Legislative Issues Regarding Executed Contracts, 6. CM Chahal's Presentation, 7. Analysis of CM Chahal's Presentation, 8. June 23, 2020 Public Hearing RTC 20-134, 9. Resolution with Table A, 10. POST MEETING MATERIAL, 11. ECOMMENTS, 12. Resolution No. 20-8879

Date	Ver.	Action By	Action	Result
7/14/2020	1	Council and Authorities Concurrent Meeting	Approved	
7/14/2020	1	Council and Authorities Concurrent Meeting	Approved	Pass

## REPORT TO COUNCIL

### SUBJECT

Adoption of a Resolution Setting Rates for Overall Solid Waste Services, Annual Clean-up Campaign, and Household Hazardous Waste in the Exclusive Franchise Area; Report responding to Councilmember Chahal's Analysis; and Consideration of Council Action on a Rate Assistance Program, including Budget Amendment action [Council Pillars: 1) Deliver and Enhance High Quality Efficient Services and Infrastructure; 2) Sustainability]

### EXECUTIVE SUMMARY

On June 23, after hearing the results of the legally noticed Public Hearing for the setting of overall solid waste services in compliance with Proposition 218, Councilmember Chahal made a presentation titled "Residential Rate Hike Analysis for Garbage." Upon discussion of the presentation, Council directed staff to analyze the presentation and present findings at the July 14 City Council meeting. This report responds to that directive and below are the findings of our review:

1. The record shows that the expected costs of the possible new programs have been a matter of public information since September 2019 and, since that time, have been circulated and discussed publicly. The rate increases were disclosed, including social media posts, City website posts, and legal notices to each household, etc. The community input provided clear evidence that residents preferred mixed waste processing (See Community Engagement & Disclosure of Rate Increases).

2. The presentation did not acknowledge that residents overwhelmingly supported the mixed waste processing option, along with the associated rates, both by the citywide community survey and Proposition 218 outcome. There is no valid evidence presented through the recent community meetings, citywide survey, or Proposition 218 process that shows that there is a majority number of households that reject the mixed waste processing option and related rate increases (See Proposition 218 Protest Trend Data).
3. The analysis did not factor in the limitations associated with the existing contracts that impact overall costs and raise serious issues, such as: Unilateral changes by the City might invite legal action for breach of contract; Inadequate notice to the public that the Council might make changes to important City services or policy, including adherence to Council Policy 030; Inadequate transparency in how the City awards major service agreements; and, Loss of reputation as a reliable procurement authority and possible discouragement of potential service providers to participate in procurement processes (See Policy and Legislative Issues Regarding Executed Contracts).
4. The analysis did not factor in the cost of delay, about \$175,000/month, and the overall financial health of the Solid Waste Fund (See Solid Waste Fund Analysis).
5. The presentation, and related analysis, departed from the commonly used bundled service rate comparison and focused only on the garbage cart component of the bundled service rate for comparison/analysis. This is not the standard approach as contracts vary on their proprietary pricing per service and the bundled rate communicates to the consumer what their monthly fee will be (See Community Engagement & Disclosure of Rate Increases and Comments on Councilmember Chahal's Presentation).
6. The analysis omitted \$500,000 of required annualized cost and, when combined with the cost of delay by one month, result in omission of \$675,000 costs at minimum. Further delay should add to this analysis at least \$175,000/month (See Comments on Councilmember Chahal's Presentation).
7. Rate increases were always a known outcome due to the above cost impacts and there was always transparency about rate increases. The analysis created the impression that residents had the option to maintain the existing rate by comparing the old rate with the new mixed waste processing rate: that was not a proper comparison, as the old rate was never an option to maintain. When both rates are normalized to make for a valid comparison, the rates are well within the range of what was presented to Council in September and December and supported by the community. (See Comments on Councilmember Chahal's Presentation).

## **BACKGROUND**

In December 2019, Council made a policy decision to adopt mixed waste processing and authorized the execution of contracts with Mission Trail Waste Systems (MTWS) and Greenwaste Recovery (GWR). At that same meeting the proposed new agreements were presented along with estimated customer rates beginning July 1 for 2020, 2021 and 2022. In accordance with Council action, staff executed the contracts in April 2020 and began the required process (Proposition 218) to adjust the customer rates required for the contracted services. On June 23, 2020, staff presented the outcome of the Proposition 218 process, which resulted in 41 protests received out of 25,837 notices sent. At that meeting, staff recommended that Council adopt a resolution to approve the rates.

The Council's policy decision in 2019, to select mixed waste processing for the solid waste contract,

and associated rates, was approved by the City Council following a multi-year process that was based on several criteria in the selection of service options:

- 1. Organics Waste Diversion Laws** -- Comply with mandated environmental laws requiring diversion performance rates/targets - SB 1383;
- 2. Market, Haulers & Facility Readiness** -- Successfully select haulers and a processing facility within a complex and rapidly changing (global) market, with a focus on the readiness of a processing facility to receive Santa Clara's capacity;
- 3. Rate Correction & Setting** -- Correct findings of rate analyses that showed needed corrections due to global market changes, state legislative action, modern service options, discovery that smaller carts ("super saver") were paying less than cost for service, and ensure reasonable rates for residents and actions required to account for labor and capital costs; and,
- 4. Responsive Policy** -- Determine policy and service that responds to input received from robust community engagement and survey results from the split-cart pilot program.

The proposed increased rates are attributed to the higher cost associated with meeting the requirements of SB 1383 and other cost factors (Items 2-4 above), and to resolve the financial losses associated with the former Recology contract. All of these factors were known fixed cost increases as the City engaged in modernizing services and fixing the structural pricing that was no longer advantageous for the vendors (meaning that the contract terms did not cover the cost for service because of changed global markets and/or higher than average labor cost escalation).

Rate increases were always a known outcome due to the above cost impacts. One discretionary cost impact factor was the decision between split-cart or mixed waste processing and both the community survey and Proposition 218 process supported the higher cost mixed waste processing option.

## **DISCUSSION**

Following staff's presentation on June 23, 2020, Councilmember Chahal provided a separate presentation and posed questions about the proposed rates and the mixed waste processing policy decision, as well as the potential savings associated with the policy decision for a split-cart program. As a result, Council requested additional information to further explore these issues. The Council directed staff to review Councilmember Chahal's analysis before the Council relied on it for possible action.

This report provides information on the following items:

- Council Due Diligence;
- Community Engagement & Disclosure of Rate Increases;
- Proposition 218 Protest Trend Data;
- Policy and Legislative Issues Regarding Executed Contracts;
- Solid Waste Fund Analysis;
- Comments on Councilmember Chahal's Presentation; and,
- Financial Assistance Plan & General Fund Subsidy.

## **Council Due Diligence**

Attachment 1 provides a complete summary of context and actions taken over the course of multiple years to establish policy for the City's solid waste contracts.

## **Community Engagement & Disclosure of Rate Increases**

Citywide survey results showed that despite mixed waste processing being 14 percent more expensive for the initial three years, **63 percent of the 643 survey respondents preferred it.**

As background, from 2017 through 2019, staff reported the input received from the community and survey results from the split-cart pilot program users (Attachment 2). At the time, results were mixed and residents who were not part of the pilot program expressed strong concerns over expanding this service citywide. However, during the pilot program, Council expressed that the split-cart was a top resident concern that generated frequent complaints. It is for that reason that when staff returned on September 17, 2019 with the proposed policy options and associated rates, Council requested more community engagement for Council consideration. Staff conducted two community meetings and a citywide survey that was widely advertised (Attachment 3).

A key question from the June 23, 2020 Council hearing was whether residents were aware that mixed waste processing was more expensive than the split-cart program. The City has been transparent about the rate increases and, particularly, public information on the services and associated costs were first discussed conceptually in 2018. Estimated rates were released in September 2019 and were utilized in the citywide survey conducted in November 2019. This information was presented in the December 2019 Council report. Table 1 shows the rates included in the citywide survey that **clearly communicate a three-year 14 percent cost differential between both options.**

**Table 1: 32-gallon Garbage Cart and All Associated Services and Costs**

<b>Policy Options</b>	<b>7/7/19 Current</b>	<b>7/1/20</b>	<b>7/1/21</b>	<b>7/1/22</b>	<b>Percent Change</b>
<b>Option 1:</b> Organics in new split-cart (source separated)	\$36.59	\$43.00	\$49.60	\$52.60	+44%
<b>Option 2:</b> Organics in existing garbage cart (mixed waste processing)	\$36.59	\$43.40	\$54.30	\$57.90	+58%

The survey reflected the rates of the 32-gallon garbage cart because it is used by over 50 percent of single-family homes. Furthermore, to ensure there was no confusion about the difference between Option 1 and 2, the following note was also included: ***“The estimated impacts to rate changes will vary depending on the size of the garbage container, but the changes will be larger for Option 2 for all service levels.”***

### **Rate Comparison and Common Use of Bundled Rates**

As a standard market practice, bundled rates are commonly used to benchmark and/or compare cost effectiveness against other services provided: other cities and countywide comparisons are based on these bundled rates. Companies price different service items of each contract differently based on their proprietary pricing practices, but the bundled service rate communicates the total cost for service that a resident will be charged on their monthly bill. The City's bill shows a bundled rate, only separating the clean-up campaign costs and the 30 cents for the hazardous waste charges.<sup>1</sup> Comparison of bundled rates is a more accurate evaluation because the service model requires that the customer participate in all services with no option for an la carte service.

Additionally, the December 2019 estimated bundled monthly service rates for mixed waste processing (Attachment 4) are consistent with the actual rates used for the Proposition 218 approval. In fact, the December 2019 estimated rate for the 32-gallon example was \$45.10, but the final rate

being considered today is lower at \$44.10 (See Table 2). As illustrated, there have been no significant changes since December 2019 to the rates used for the Proposition 218 action.

**Table 2: FY 20/21 Proposed Rates vs. Estimated Rates Provided December 10, 2019**

Service	Est. FY 20/21 Rate (12/10/19)	Proposed FY 20/21 Rate	Difference
Single-family 32-gallon bundled rate (includes yard trimmings, recycling, CUC, HHW)	\$45.10	\$44.10	(\$1.00)
Townhouse 32-gallon bundled rate (includes recycling, CUC, HHW)	\$31.30	\$32.30	\$1.00
Commercial business 3-cubic yard bundled rate, includes 96-gallons/week recycling	\$322.00	\$322.03	\$0.03
Multi-family 3-cubic yard bundled rate, includes 1-cubic yard recycling bin service once a week	\$430.30	\$391.09	(\$39.21)

### **Proposition 218 Protest Trend Data**

Enacted in 1996, Proposition 218 established the method for local governments to create and increase fees, rates, or taxes. Generally, this process requires voter notification, approval, and a protest process. On May 4, 2020 the City sent all 25,837 customers (includes both residential and commercial businesses) the proper notification for this rate increase. From May through June, customers were able to submit their protests to the Office of the City Clerk. At the June 23 Public Hearing, the Assistant City Clerk closed the protest period and reported that 41 protests were registered.

With each household and commercial business afforded the opportunity to protest, the results show a **protest rate of 0.16 percent (significantly less than 1 percent)**. This outcome is relatively consistent with the average protest rate in recent years (See Table 3). When compared to the average five-year protest rate of 32 per 25,837 households and commercial businesses (or 0.13 percent), 2020's protest rate is only 0.03 percent higher, which does not appear as a material difference.

**Table 3: Proposition 218 Protest Rate from 2016 - 2020**

Year	Bundled Rate Increase for 32-Gallon Customers	# of Protests
2020	20.5%	41
2019	8.4%	11
2018	6.6%	8
2017	1.7%	48
2016	4.8%	51
<b>Average</b>	<b>8.4%</b>	<b>32</b>

When evaluated within the context of a 63 percent favorable citywide survey result for mixed waste processing, it is reasonable to conclude that the citywide Proposition 218 protest rate is consistent with the community's preference for mixed waste processing. There is no valid evidence presented through the recent community meetings, citywide survey, or Proposition 218 process that shows that there is a majority number of households that reject the mixed waste processing option and related rate increases.

### **Policy and Legislative Issues Regarding Executed Contracts**

At the June 23, 2020 Council meeting, it was not clear whether Councilmember Chahal was suggesting that Council should consider amending the contracts that were approved and executed with the two service providers. Regardless, the result of the presentation and dialogue about it raises policy and legislative issues. Council should not consider any changes at this time based on following serious issues:

- Unilateral changes by the City might invite legal action for breach of contract - as an example, the agreement with GWR grants exclusive rights to process the City's residential and commercial garbage
- Inadequate notice to the public that the Council might make changes to important City services or policy, including adherence to Council Policy 030
- Inadequate transparency in how the City awards major service agreements
- Loss of reputation as a reliable procurement authority and possible discouragement of potential service providers to participate in procurement processes.

The analysis of the Council's policy and legislative practices regarding public policy decision-making and specific contract terms must be a part of the overall analysis of Councilmember Chahal's presentation, as they raise serious concerns about overall governance and transparency about how the City conducts business and establishes policy. Attachment 5 provides a full summary of the issues that support the above bulleted items.

### **Solid Waste Fund Analysis**

As stated at the June 23, 2020 Council meeting, decisions on how to proceed should not be made without a Solid Waste Fund analysis. Given that the contracts have already been executed, the City is obligated to pay for the service from the Solid Waste Fund (through rates approved by a Proposition 218 process) or General Fund to uphold these contracts.<sup>2</sup>

The Solid Waste Fund has a budget stabilization reserve (Reserve) that is set at 10 percent of operating expenses. As of July 1, 2020, the Reserve totaled \$2.6 million and without rate increases, the Reserve will be utilized to first pay for the executed contracts. However, operating a service of this significance and drawing below a 10 percent Reserve rate is undesirable. Delays in implementing these rates within FY 20/21 result in the following monthly losses:

- July - December 31, 2020 losses are \$175,000/month
- January - June 2021 losses are \$350,000/month

With the June 23 rate increase being delayed, the Fund has already experienced a loss of \$175,000. In the immediate short term, the Solid Waste Fund will see an estimated \$1.04 million in shortfall to cover garbage, yard trimmings, residential recycling services, and the Clean-up Campaign expenditures over the first six months of the year. The shortfall will accelerate after January 1, 2021 because the City is contractually obligated to begin paying GWR to process garbage at its material recovery facility. At best, a delay in action would diminish the Reserve to about 5 percent of operating costs for FY 20/21 if the proposed rates are delayed until January 1, 2021. These are estimates and the General Fund would need to be used to preserve the Solid Waste program, if any unknown risk factors were to happen that resulted in further expenditures. **The presentation did not consider that in order to make up for losses, rates will need to be increased even more in the upcoming years** to pay for additional planned increases and to establish the Reserve back at the appropriate

level.

Any decision to delay or create a rate escalator over time, must consider the minimum monthly losses and acceptance that the Solid Waste Fund Reserve would fall to levels never experienced. A one-year delay would result in losing \$3.2 million, resulting in a potential impact to the General Fund of \$600,000 and nothing left in reserves.

### **Comments on Councilmember Chahal's Presentation**

As part of Councilmember Chahal's presentation (Attachment 6), prepared tables were provided with analyses that sought to quantify what the potential costs of a residential split-cart cart would have been had the Council not selected the mixed waste processing option. While one could argue that the analysis served a purpose for demonstrating that the split-cart option was less expensive, that information had already been presented over the course of many months in 2019 and was transparently part of the Council's decision-making process. **There was nothing new in the analysis about the split-cart option being cheaper.**

However, the analysis poses a number of concerns. Particularly, it only compares the old contract's garbage cart rates (which were never an option going forward) against the new mixed waste processing rates. The real decision for the Council and community was a new mixed flow rate or a new split-cart rate.

In summary, Councilmember Chahal's analysis did not take into account that the rates in the former contracts no longer support the cost of service, nor resolve for the required criteria outlined above in the BACKGROUND section. The presented analysis did not account for:

#### **1. Fixed Cost of Updating Old Contracts & Modernizing Service -**

**(a) Organics Waste Diversion Laws** - Shifting to a split-cart does not satisfy the Exclusivity provision in the GWR contract, putting the City's processing at significant risk since there are no other vendors readily available and, as such, we would not be able to comply with mandated environmental laws requiring diversion performance rates/targets: this is important because the pilot program revealed that there was contamination between the recyclable and solid waste split cart collections and without significant outreach and education, at an additional cost, it further puts at risk compliance with diversion laws;

**(b) Market, Haulers & Facility Readiness** - A processing facility's readiness to receive Santa Clara's capacity was a significant factor in the decision-making process. GWR was the only local facility that was ready to provide mixed waste processing services in 2021, three other companies responded to the City's Request for Information in August 2019, including MTWS. No other service provider could meet our needs in the short-term and the presentation did not correct for this major service requirement omission;

**(c) Rate Correction & Setting** - As demonstrated in this report, there were multiple elements impacting rate increases, cart type being only one example. The Council policy decision was always informed by a cost rate increase and the difference in cost between the split-cart and mixed waste processing rate - there was never an option where there would be no rate increase. However, Councilmember Chahal's rate comparison uses old rates that were never guaranteed or an option (resulting in an "apples to oranges" analysis with significantly different underlying cost factors).

**(d) Responsive Policy** - The most recent citywide survey and Proposition 218 process each resulted in data demonstrating a high level of support for the mixed waste processing option. There is no valid data that shows overwhelming support for the split-cart option and related rate increase; however, such data exists in two valid forms for the mixed waste option being preferred. Councilmember Chahal's analysis does not regard the many examples of community confirmation of its preference for mixed-use processing.

**2. Spreadsheet Analysis** - The analysis was not done on the overall rate increase being proposed (i.e., bundled services model), but instead focused on one specific component of the overall rate increase-the garbage cart component. There were key items that were omitted from the overall cost and rate analysis, such as:

**(a) Overall Cost Analysis**

**\$500,000 Error in Annualized Costs and \$175,000 Cost of Delay** - The analysis showed an estimated total increase in annualized FY 20/21 residential garbage-related costs of \$2.4 million for mixed waste processing compared to the assumed split-cart option. The City's solid waste consultant (R3 Consulting Group, Inc. (R3)) found the annualized FY 20/21 cost of mixed waste processing to be \$1.9 million over the split-cart alternative. A comparison of the annualized costs of actual mixed waste processing costs to the assumed split-cart alternative is shown in Attachment 7. Below is a summary of the corrections:

- **\$93,342** in additional costs for MTWS for split-cart.
- **\$150,000** in estimated program costs for outreach, education, customer service and enforcement.
- **\$256,250** in additional costs at Newby Landfill Disposal
- **\$175,000** - the analysis did not account for the cost of delay

There is also a correction required on the chart in Attachment 7 regarding the program costs. Staff originally provided Councilmember Chahal the program costs for all residential services including clean green and recycling. Based on Councilmember Chahal's presentation, staff updated the costs to include only the garbage portion, and clean green and recycling costs have been removed. More specific information regarding the details of this correction are included in Attachment 7.

**(b) Rate Analysis**

**A more informative analysis would have been to compare the theoretical split-cart rate option (that included all of the known rate increase factors) to a new mixed cart rate option (that included all of the known rate increases).** That was the Council policy decision six months ago (with all scenarios having rate increases). There was never a policy option without increases, as used in the presentation (old split-cart rate vs. new mixed waste processing rate).

Accordingly, staff completed this analysis for the sake of analyzing Councilmember Chahal's spreadsheet and provide transparency on the monthly rate increases. Table 4 shows the findings, though it should be made clear that the Estimated Split-Cart Rate shown below is for demonstration purposes only and does not represent what the actual noticed garbage rate components for split-carts would have been had the Council selected the split-cart option. The split-cart rates are based on estimated calculations completed last year prior to December 2019 and would likely change under a final negotiation process. The split-cart cost and rates



were never finalized.

Staff's preference is to continue to use the industry standard bundled approach (as presented in September and December), however this table is being provided to help the community and Council better understand the cost differential between both options in Councilmember Chahal's format.

**Table 4: Analysis of Proposed Hike in Garbage Rate Component by Cart Type**

Cart Type	Estimated Split-Cart Rate	Proposed Actual Mixed Procs. Rate	Cost Difference
Super Saver (20-Gallon)	\$10.80	\$12.50	\$1.70
Small (32-Gallon)	\$18.70	\$20.80	\$2.10
Medium (64-Gallon)	\$35.70	\$38.60	\$2.90
Large (96-Gallon)	\$52.70	\$56.50	\$3.80

Table 4 shows that the cost differential between the two options yields an approximately \$2.10 increase per month in residential garbage rates (using the 32-gallon cart).

### **Financial Assistance Plan & General Fund Subsidy**

The City has established policy options for a Rate Assistance Program for qualifying residents. For example, customers that qualify for the Rate Assistance Program that is administered by Silicon Valley Power receive a \$3.00 reduction on their monthly solid waste utility bills as part of the existing contracts that were included in these new contracts. Approximately 400 customers are currently enrolled in the program. Under the terms of the MTWS exclusive franchise agreement, the tariff paid to MTWS is reduced by \$3.00 per customer, which enables the program to be funded without General Fund subsidy. Staff has developed two additional options to expand the Rate Assistance Program to provide further financial relief to customers.

**Option 1** - Provide an additional \$8.00 per month discount (\$11.00 per month discount in total) to each customer enrolled in the Rate Assistance Program. The additional \$8.00 a month would be effective for services provided starting August 1, 2020 through June 30, 2021. The additional rate relief would coincide with the implementation of the proposed rate increases, if approved. In total, qualifying customers would see an \$11.00 per month reduction in their solid waste rates beginning August 1, 2020, which represents about a 25 percent reduction off the 32-gallon small cart service. The cost to implement this option is estimated to be \$44,000 for FY 20/21 and would benefit the customers that have already demonstrated a need for assistance. This option would need to be funded by a transfer from the General Fund to comply with Proposition 218 and the contract requirements. With this existing program in place, most qualifying customers would not see an increase to their rate in FY 20/21.

**Pros:** This does not impact the health of the Solid Waste Fund and provides an option to financially assist those residents already on record with the City that require this support. Further, the cost for the remainder of the fiscal year is \$44,000 and assumes participation of the existing 400 residents,

along with the potential for 100 more.

**Cons:** There is an impact to the General Fund and it is unlikely that this action would be one-time, since the residents that have demonstrated a need for financial support would not likely all be stabilized within the year. The General Fund Budget Stabilization Reserve is already below the 25 percent minimum and it is likely that the \$23 million budget shortfall will increase.

**Option 2** - Provide a \$3.00 per month discount to all 25,837 customer accounts in the City, effective January 1, 2021 through June 30, 2021. The cost to implement this option is estimated to be about \$465,000 over six months. This option could be done using a portion of the Solid Waste Rate Stabilization Reserves and staff would recommend that it not impact the General Fund; however, this option would also reduce the Rate Stabilization Reserve to \$1.15 million after taking into account the in FY 20/21 shortfalls due to delayed rate implementation and the \$465,000 for the \$3.00 per month discount. \$1.15 million is 3.7 percent of the Solid Waste Fund operating budget. Given the uncertainty of solid waste rate revenues and expenses in FY 20/21 due to COVID-19, any further discounts and/or delay of rate implementation could likely result in the need for General Fund payment of solid waste operating costs.

**Pros:** This option provides all residential and commercial business customers with a discount during a time of rate increases, and it is likely that the reduced rate is needed by households recently impacted by the economic impacts related to COVID-19.

**Cons:** This option puts the Solid Waste Budget Stabilization Reserve at dangerously low levels and, if not implemented on a one-time basis, may require General Fund subsidy. Additionally, this option does not address future rate increases and the need to build back up the Reserve. Any shortfalls would need to be covered by the General Fund.

## **ENVIRONMENTAL REVIEW**

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

## **FISCAL IMPACT**

See June 23 Council report (Attachment 8): minimum monthly cost of delay is \$175,000/month for the next six months. The Solid Waste Fund budget stabilization Reserve is only 10 percent of operating expenses, or \$2.6 million.

## **COORDINATION**

This report was 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) <<mailto:clerk@santaclaraca.gov>>. See attached June 23, 2020 Council report 20-134 for rate outreach (Attachment 8).

## **ALTERNATIVES**

1. Adopt a Resolution setting the overall rates to be charged to rate payers for the collection and disposal of garbage, refuse, yard trimmings, recycling, annual Clean-up Campaign, and household hazardous waste in the exclusive franchise area, effective for the utility bills issued for services rendered on August 1, 2020;
2. Adopt Option 1 - provide an additional \$8.00 per month discount to each customer enrolled in the Rate Assistance Program and delegate authority to the City Manager to take the appropriate Budget Amendment action from the General Fund to put this rate discount program in place by August 1, 2020;
3. Adopt Option 2 - provide a \$3.00 per month discount to all 25,837 customer accounts in the City;
4. Any other Council action by Council

## **RECOMMENDATION**

Alternative 1:

Adopt a Resolution setting the overall rates to be charged to rate payers for the collection and disposal of garbage, refuse, yard trimmings, recycling, annual Clean-up Campaign, and household hazardous waste in the exclusive franchise area, effective for the utility bills issued for services rendered on August 1, 2020.

Reviewed by: Craig Mobeck, Director of Public Works

Approved by: Deanna J. Santana, City Manager

## **ATTACHMENTS**

1. Previous Outreach and Updates to Council
2. Summary of Split-Cart Survey Results
3. November 2019 Customer Survey
4. Rate Tables from December 10 Council Meeting
5. Summary of Policy and Legislative Issues Regarding Executed Contracts
6. CM Chahal's Presentation
7. Analysis of CM Chahal's Presentation
8. June 23, 2020 Public Hearing RTC 20-134
9. Resolution with Table A

<sup>1</sup>The bundled rate estimates for residential users include garbage, yardwaste (included food scraps and food soiled paper in the yard waste container in a previous option analyzed), recycling, Clean-up Campaign (CUC), and household hazardous waste (HHW) charges. The bundled rate estimates for multi-family and commercial business customers include garbage, recycling, and additional organics container.

<sup>2</sup>A member of the public inquired about the validity of the Proposition 218 process since the contracts were already executed. These are two different matters: one pertains to the selection of service for which contracts are executed (and are subject to Council approval) and the second is for ratepayer approval for increased rates/fees (and subject to property owner approval). If the rate increase had not passed through the Proposition 218 voting process, the City would still be obligated to pay for the service contracts through other eligible funding sources.

<sup>3</sup>The City's General Fund Budget Stabilization Reserve is set at 25 percent of the General Fund: comparably, the Solid Waste Budget Stabilization Fund Reserve is already set much lower than the General Fund Council Policy level. On June 23, the Council acted to approve the General Fund Budget Stabilization to fall to 20 percent of the General Fund because of the significant drop in revenue and the required time needed to balance the budget on an ongoing basis.