



Agenda Report

18-071

Agenda Date: 6/12/2018

REPORT TO COUNCIL

SUBJECT

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

BACKGROUND

The Proposed FY 2018/19 Solid Waste Fund budget is \$24,803,000. Programs funded by the Solid Waste budget include garbage, Clean Green, residential recycling, household hazardous waste collection and disposal/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.

Agreements are in place with 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. Agreements are also in place with Recology to provide residential single-stream recycling and International Disposal Corporation/Browning Ferris Industries (IDC/BFI) to provide solid waste disposal at Newby Island Landfill and composting services at The Recyclery. Each agreement contains provisions for annual increases to the tariffs or rates paid to the service providers based on an adjustment formula that is primarily tied to the San Francisco-Oakland-San Jose Consumer Price Index (CPI).

Costs associated with salaries, benefits, materials, services, supplies, and overhead will increase in FY 2018/19. Solid Waste rates need to be periodically adjusted for cost changes to maintain full cost recovery. 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.

At the June 12, 2018 Council meeting, Council will open the Public Hearing and hear protests regarding the proposed rates. In addition, the Council meeting will be the last opportunity for solid waste customers to return written protests against the proposed rates. 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.

DISCUSSION

A summary of the proposed adjustments to monthly solid waste service rates for single-family home customers with one-cart/can (32-gallon) service is included below.

<u>Service</u>	<u>Current Charge</u>	<u>Proposed Charge</u>	<u>Difference</u>	<u>Percent Change</u>
Garbage	\$ 13.06	\$14.16	\$ 1.10	+ 8.4%
Clean Green	\$ 10.33	\$10.76	\$ 0.43	+ 4.2%
Residential Recycling	\$ 2.78	\$ 2.85	\$ 0.07	+ 2.5%
Clean-up Campaign	\$ 5.17	\$ 5.67	\$ 0.50	+ 9.7%
Household Hazardous Waste	\$ 0.30	\$ 0.30	\$ 0.00	0.0%
Total	\$ 31.64	\$ 33.74	\$ 2.10	+ 6.6%

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 2017/18 charges from County agencies. Staff anticipates that these agencies similarly have to 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 \$17,839,000 of revenue in FY 2018/19. 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 8.4%. Rates for commercial business single-stream and food scraps recycling services, push/pull service, lock jam installations, and bin cleaning will increase by 3.2%.

The garbage component of the 20-gallon Supersaver cart rate will be \$8.15 per month, which is an increase of \$0.63 per month. Customers with the 20-gallon Supersaver cart service pay the full cost of the Clean Green, residential recycling, Clean-up Campaign, and household hazardous waste programs. Currently, 2,320 customers subscribe to the 20-gallon Supersaver cart.

The main factors in the increases to garbage rates include increased costs to process food scraps generated from both commercial and residential properties, and contractually obligated increases to collection and disposal agreements. In accordance with its exclusive franchise agreement for refuse collection (approved by Council on December 15, 2009), MTWS will receive a 3.2% increase based on the change to the San Francisco-Oakland-San Jose CPI from February 2017 to February 2018. Approximately 64% of garbage charge revenue is paid to MTWS for collection services.

The disposal and composting rates paid to IDC/BFI will also increase on July 1, 2018. The annual adjustment formula for the solid waste disposal services agreement is based 80% on the CPI and staff projects that disposal rates will increase by 3.2%. Approximately 16% of garbage charge revenue is paid to IDC/BFI for disposal services.

B. Clean Green Program Charge: \$10.76/month (Increase of \$0.43/month)

Effective July 1, 2018, MTWS will receive an increase of 3.2% 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 also contains a cost of living adjustment that is based primarily on 80% of the CPI. As a result of these contractual increases, the monthly Clean Green charge will increase from \$10.33 per month to \$10.76 per month (+ 4.2%).

Customer Clean Green charges are projected to generate approximately \$2,454,000 of revenue in FY 2018/19. Approximately 83% of the revenue funds payment to MTWS for Clean Green collection services and 17% funds payment to IDC/BFI for green waste composting service at The Recyclery.

C. Residential Recycling Program Charge: \$2.85/month (Increase of \$0.07)/month)

On September 22, 2008, Council approved an agreement with Recology to implement a residential single-stream recycling program. This agreement 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, 2018, the amount paid to Recology will increase from \$2.89 to \$2.98 per month (+ 3.1%) based on CPI change from December 2016 to December 2017.

The proposed monthly residential recycling charge will increase from \$2.78 per month to \$2.85 per month (+ 2.5%). The proposed monthly residential recycling charge will generate sufficient revenues to maintain full cost recovery for the residential recycling program. Staff estimates that the proposed recycling charge will generate \$1,590,000 in FY 2018/19. 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 \$240,000 in FY 2018/19. The City also expects to receive a \$30,000 used beverage container recycling grant from CalRecycle.

D. Clean-up Campaign Charge: \$5.67/month (Increase of \$0.50/month)

The Clean-up Campaign (CUC) charge will increase from \$5.17 to \$5.67 per month (+ 9.8%). The monthly CUC charge has not been increased since FY 2015/16. The temporary staffing agreement and all of the trucking services agreements will expire following the 2018 CUC. Effective January 1, 2019, the new minimum wage in Santa Clara will be increased to \$15 per hour. The CUC staffs a total of 27 temporary employees on a daily basis. Staff projects the cost of temporary labor for the 2019 CUC will increase by about 38% from the 2017 CUC level.

The Public Works Department utilizes 24 high-side end dump trucks to haul solid waste to the landfill during the CUC. A competitive procurement will be conducted to select contractors to provide trucking services for the 2019 CUC. It is estimated that trucking costs will increase by about 10% over the 2018 CUC costs.

Annual CPI adjustments to agreements with Mission Trail Waste Systems and Newby Island

Landfill and Public Works Department personnel cost increases also contribute to the need to raise the CUC charge. The current charge needs to be increased to cover the full projected \$2,216,000 cost of the program.

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

The monthly Household Hazardous Waste (HHW) charge to residents will remain at \$0.30 per month, which generates about \$167,000 annually. The majority of the revenue generated by the monthly HHW charge is allocated to fund the City's participation in the Countywide Household Hazardous Waste Program.

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 \$24,803,000. The revenue from the proposed rates will enable the Solid Waste Fund to achieve full cost recovery in FY 2018/19.

COORDINATION

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

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.

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 25,733 solid waste customers (garbage, Clean Green, recycling, Clean-up Campaign, and household hazardous waste) on April 26, 2018 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.

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 on and after July 1, 2018.
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 2018/19

expenditures with funds from the General Fund.

RECOMMENDATION

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 on and after July 1, 2018.

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