

**City of Culver City, California  
Agenda Item Report**

Meeting Date: 05/11/2015	Item Number: <u>C-12</u>
<b>CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving the Engineer's Report, Declaring the Intention to Order the Refuse and Recycling User's Service Charge, and Setting the Date, Time, and Place for the Public Hearing to be Monday, July 13, 2015 at 7:00 PM in the Mike Balkman Council Chambers</b>	
Contact Person/Dept.: Damian Skinner/PW	Phone Number: 310-253-6421
Fiscal Impact: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	General Fund: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Public Hearing: <input type="checkbox"/>	Action Item: <input type="checkbox"/> Attachments: <input checked="" type="checkbox"/>
Commission Action Required: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Date: _____
Public Notification: (E-Mail) Agenda and Meetings – City Council	
Department Approval: Charles D. Herbertson (05/04/15)	City Attorney Approval: Carol Schwab (by H. Baker) (05/05/15)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (05/05/15)	City Manager Approval: John M. Nachbar (05/06/15)

**RECOMMENDATION:**

Staff recommends that the City Council adopt a Resolution approving the Engineer's Report for the Refuse and Recycling User's Service Charge, declaring its intention to levy and collect the Refuse and Recycling User's Service Charges beginning July 1, 2015; and setting a public hearing for July 13, 2015, at 7:00 p.m. in the Mike Balkman Council Chambers.

**BACKGROUND:**

The City operates an exclusive residential and commercial refuse collection and disposal service as a municipal enterprise. The Refuse and Recycling Division (R&R) of the Public Works Department operates solely on revenues generated from charges for the provision of solid waste transfer and collection services to businesses and residences, grants, and the sale of recyclable material. These revenues cover the costs for refuse collection, disposal, recycling programs, and public outreach. R&R operations are 100% supported by self-generated enterprise fund revenues.

In addition to providing revenue to cover the cost of routine R&R operations, refuse fees cover the cost of the following additional services: La Ballona Creek Cleanup Event, residential on-call bulky item pickup, citywide street sweeping, pedestrian container collection, recycling program marketing, and removal of illegally dumped bulky items.

The current refuse and recycling user service charges were last adjusted in 2009. Since then, staff has worked diligently to reduce operating costs and increase revenue. In 2010, staff identified the transportation of refuse from the City's transfer

**City of Culver City, California  
Agenda Item Report**

station as a major cost center and recommended privatizing it. In March 2011, the City entered into an agreement with CR&R to take over the service which saves the Division hundreds of thousands of dollars each year. The savings realized from this action enabled the Division to keep user service charges flat for six years even though operating costs continued to grow.

During the budget preparation process for Fiscal Year 2015/2016, staff realized the escalating cost associated with expanding the commercial recycling and composting program, street sweeping, disposal, labor, fuel, vehicle maintenance, transfer station improvements, etc. will surpass projected revenues. As a result, the refuse and recycling user service charges are proposed to be adjusted to eliminate the projected deficit.

On December 8, 2014, the City Council authorized entering into an agreement with NBS, an independent consulting firm, to conduct a comprehensive refuse rate analysis and develop a schedule of refuse and recycling collection fees (which was incorporated into the Engineer's Report) that balances projected expenditures and capital costs with forecast revenues.

**DISCUSSION:**

NBS determined that the City's current refuse service charges need to be adjusted to collect more revenue from single family residential customers, commercial bin customers, and drop-body customers. Current commercial recycling rates are sufficient since the material collected generates revenue that offsets the increase in the cost of collection. The following table shows the current and proposed **draft** service charges.

<b>Proposed Residential and Commercial (Bin) Refuse Service - Scheduled Monthly &amp; One-Time Rates</b>			
<b>Customer Class &amp; Level-of-Service</b>	<b>Current Refuse Rates <i>(\$/mo. or lift)</i></b>	<b>Proposed 2015/16 Refuse Rates <i>(\$/mo. or lift)</i></b>	<b>% Change</b>
<b>Residential Service</b>			
Residential Automated Collection	\$29.30/mo.	\$31.38/mo.	7%
Can Service - Residential	\$29.30/mo.	\$31.38/mo.	7%
Can Service - Commercial	\$26.64/mo.	\$28.24/mo.	6%
Extra Auto Can - Refuse	\$5.00/mo.	\$15.00/mo.	200%
<b>Commercial (Bin) Service</b>			
Scheduled Commercial (Bin) Service			
2-CY Sched Refuse (1x/week)	\$113.90/mo.	\$117.85/mo.	3%
3-CY Sched Refuse (1x/week)	\$139.92/mo.	\$144.79/mo.	3%
3-CY Sched Refuse (300g) (1x/week)	\$139.92/mo.	\$144.79/mo.	3%
Unscheduled/One-time/On-Call Commercial (Bin) Service			
2-CY Call/Extra Pickup - Refuse	\$27.77/lift	\$28.69/lift	3%
3-CY Call/Extra Pickup - Refuse	\$41.67/lift	\$43.05/lift	3%
2-CY Collection (On-Call Residential)	\$27.77/lift	\$28.69/lift	3%

**City of Culver City, California  
Agenda Item Report**

3-CY Collection Trash (Residential)	\$41.67/lift	\$43.05/lift	3%
<b>Yardwaste/Composting Commercial (Bin) Service</b>			
2-CY Sched. Yard Waste	\$43.29/mo.	\$69.26/mo.	60%
3-CY Sched. Yard Waste	\$45.69/mo.	\$73.10/mo.	60%
2-CY Call Yard Waste	\$8.33/lift	\$15.02/lift	80%
3-CY Call Organic/Yard Waste	\$9.05/lift	\$17.05/lift	88%
<b>Recycling Commercial (Bin) Service</b>			
Can Service - Recyclables	\$12.56/lift	\$12.56/lift	0%
2-CY Sched. & MFR Mixed Recycle	\$28.94/mo.	\$28.94/mo.	0%
3-CY Sched Comm./MFR Recycle	\$30.67/mo.	\$30.67/mo.	0%
2-CY Call Recycle	\$6.61/lift	\$6.61/lift	0%
3-CY Call Recycle	\$7.17/lift	\$7.17/lift	0%
<b>Waste-to-Energy Commercial (Bin) Service</b>			
3-CY Sched Waste-to-Energy	\$139.92/mo.	\$155.00/mo.	11%
2-CY Call Waste-to-Energy	\$27.77/lift	\$30.82/lift	11%
3-CY Call Waste-to-Energy	\$41.67/lift	\$46.25/lift	11%
<b>Miscellaneous Services</b>			
Bin Rental - 2 & 3 CY Bins (\$/mo.)	\$46.31/mo.	\$48.00/mo.	4%
Scheduled Miss Stop	\$0	\$0	0%
Scheduled Bin Pull-Out	\$31.77/mo.	\$32.72/mo.	3%
On-call Bin Pull-Out (one-time)	\$6.68/bin	\$6.88/bin	3%
Bulk Pick-up	\$41.13/bin	\$42.36/bin	3%
Bulk Pick-up Additional	\$20.56/bin	\$21.18/bin	3%
Bin Lock-set	\$9.62/mo.	\$9.91/mo.	3%
2-CY Temp Del/Rem	\$8.33/lift	\$8.58/lift	3%
3-CY Temp Del/Rem	\$8.33/lift	\$8.58/lift	3%
Pedestrian Can/Scooter	\$41.21/mo./can	\$42.45/mo./can	3%

**Proposed Drop Box Refuse Service -  
Scheduled Monthly & One-Time Rates**

Drop Box Service Type	Current Drop Box Rates	Proposed 2015/16 Drop Box Rates	% Change
<b>Drop Box Collection Only (Empties)</b>			
DB 8-CY Empty	\$162.36 /empty	\$167.23 /empty	3.0%
DB 30-CY Empty	\$162.36 /empty	\$167.23 /empty	3.0%
DB 40-CY Empty	\$162.36 /empty	\$167.23 /empty	3.0%
DB 50-CY Empty	\$162.36 /empty	\$167.23 /empty	3.0%
DB Compactor Empty	\$162.36 /empty	\$167.23 /empty	3.0%
<b>Drop Box Tonnage Only</b>			
Refuse/MSW			
Tonnage Refuse Mixed	\$80.87 /ton	\$83.30 /ton	3.0%
Construction/Demolition Recycled Materials			
Tonnage Metal	\$11.19 /ton	\$22.16 /ton	98.0%
Tonnage Asphalt /Concrete	\$46.22 /ton	\$65.05 /ton	40.7%
Tonnage Wood	\$51.84 /ton	\$90.90 /ton	75.3%
Tonnage Other Inert	\$51.84 /ton	\$65.05 /ton	25.5%
Tonnage C&D Recycle	\$80.87 /ton	\$90.90 /ton	12.4%
Yardwaste & Compost Materials			
Tonnage Yard Waste	\$51.84 /ton	\$70.45 /ton	35.9%
Waste-to-Energy & Special Compactor			

**City of Culver City, California  
Agenda Item Report**

Tonnage Waste-To-Energy (MSW)	\$95.87 /ton	\$104.60 /ton	9.1%
Compactor Variable Restaurant ( <i>special</i> ) <sup>3</sup>	\$147.00 /mo.	\$151.41 /mo.	3.0%
<b>Miscellaneous Fee &amp; Charges</b>			
DB Monthly Rental (\$/mo.) <sup>1</sup>	\$143.31 /mo.	\$147.61 /mo.	3.0%
DB Delivery	\$0.00 /empty	\$0.00 /empty	0.0%
DB Respot	\$36.40 /empty	\$37.49 /empty	3.0%
Compactor Variable Non-Restaurant <sup>4</sup>	\$52.00 /mo.	\$53.56 /mo.	3.0%
Communal Compactor Housekeeping	\$90.00 /mo.	\$92.70 /mo.	3.0%
Compactor Administrative Fee	\$80.00 /mo.	\$82.40 /mo.	3.0%
<b>Additional/Penalty Charges (for Tonnages Exceeding 11 tons: Includes Base Rate &amp; Penalty)<sup>2</sup></b>			
Tonnage Refuse Mixed +11T	\$161.74 /ton	\$124.95 /ton	-22.7%
Tonnage Metal +11T	N.A. /ton	\$33.24 /ton	N.A.
Tonnage Asphalt +11T	\$92.44 /ton	\$97.57 /ton	5.5%
Tonnage Wood +11T	\$103.68 /ton	\$136.35 /ton	31.5%
Tonnage All Inerts +11T	\$103.68 /ton	\$97.57 /ton	-5.9%
Tonnage C&D Recycle +11T	N.A. /ton	\$136.35 /ton	N.A.
Tonnage Yard Waste +11T	\$103.68 /ton	\$105.68 /ton	1.9%
Tonnage Waste-To-Energy +11T	\$191.74 /ton	\$156.90 /ton	-18.2%

1. For 8-CY, 30-CY, 40-CY and 50-CY drop boxes.
2. Tonnages for less than +11 Tons is included in normal tonnage charge calculations. This rate includes the base rate plus a penalty, which is 50% of the base rate.
3. The fee is based on restaurants with an average size of 2,582 square feet. The charge is increased or decreased by dividing the square footage of a restaurant by 2,582 and multiplying that number by \$151.41.
4. The fee is based on commercial businesses with an average size of 4,829 square feet. The charge is increased or decreased by dividing the square footage of a business by 4,829 and multiplying that number by \$53.56.

It is important to note that a major cost driver for the residential service charge and the drop-body tonnage charges is the composting of green waste. Under the current service charges set in 2009, green waste was recycled as Alternative Daily Cover (ADC) at the Puente Hills Landfill (which closed on October 31, 2013) for \$23 per ton. Green waste is now being composted at American Organics, a large organics processor located in Victorville, as part of the City's Organics Recycling Program. The cost of composting is 51% higher than ADC.

Rate Schedule Comparison to Other Cities

Staff surveyed local municipalities that provide solid waste services to their communities. The survey revealed that Culver City's proposed rate schedule is in the range of what other cities charge for similar services. Based on this fact, Sanitation Enterprise Fund revenues can be realigned with projected costs by increasing commercial, residential, and drop-body service charges and still remain competitive when compared to the surrounding market.

<u>City</u>	<u>Current Residential Service Charge</u>	<u>Percent Difference From Proposed Rate of \$31.38</u>
Los Angeles	\$36.32	+14%
Santa Monica	\$35.54	+11%
Beverly Hills	\$36.40*	+14%

**City of Culver City, California**  
**Agenda Item Report**

*\*Beverly Hills residents are charged \$0.0104/square foot of lot every two months. Residential rates are estimated for a 7,000 sq. ft. lot.*

In addition to the fee schedule shown above, NBS prepared a 5-year financial plan with revenue requirements for the Sanitation Enterprise Fund. These requirements are based on several factors such as NBS' recommended targets for operating, capital, and the City's projected capital improvement program. Based on their findings and the 5 year financial plan, NBS proposed rate increases for most user service charges in the first year and a revision to the charges with an overall revenue increase of 3% each year for Fiscal Year 2016/2017 through Fiscal Year 2020/2021.

Pursuant to the Resolution adopted by the City Council on April 13, 2015, the Public Works Director/City Engineer has prepared the Engineer's Report for the Refuse and Recycling User's Service Charge and filed said Report with the City Clerk. A copy of the Engineer's Report is attached to this report for consideration and recommended approval by the City Council.

Staff recommends that the City Council adopt a resolution (1) approving the Engineer's Report, (2) declaring the City Council's intention to levy and collect assessments; and (3) setting the time and place for the public hearing as required by applicable law.

In accordance with applicable law, should the City Council adopt the proposed resolution, (1) the City Clerk shall give notice of the public hearing by causing the Resolution of Intention to be published at least 10 days prior to the date of the hearing; and (2) a post card notifying all rate payers of the pending public hearing will be mailed at least 45-day prior to the hearing.

**FISCAL ANALYSIS:**

As detailed in the Engineer's Report, the proposed user service charges for Fiscal Year 2015/2016 will balance the Sanitation Enterprise Fund operating budget for Fiscal Year 2015/2016.

The user service charge schedule will be revisited annually to determine the impact of escalating costs and whether further rate increases are necessary. Given this, staff is recommending adopting the proposed charge increases effective July 1, 2015.

**ATTACHMENTS:**

1. Proposed Resolution
2. Engineer's Report

City of Culver City, California  
Agenda Item Report

**MOTION:**

That the City Council:

Adopt a Resolution (1) approving the Engineer's Report, (2) declaring the City Council's intention to levy and collect assessments for the Refuse and Recycling User's Service Charge - Fiscal Year 2015/2016, and (3) setting the time, date, and place for a Public Hearing for July 13, 2015, at 7:00 p.m. in the Mike Balkman Council Chambers.