

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/26/2006		Item Number: <u>PH-4</u>	
AGENDA ITEM: Public Hearing Considering Adoption of a Resolution Establishing and Levying a Refuse Rate Schedule effective on July 1, 2006 and Rescinding Resolution No. 2005-R047 that Established the Existing Refuse Rate Schedule.			
Contact Person/Dept.: Sam Chandler		Phone Number: (310) 253-6402	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Public Notification: <u>Legal:</u> The Resolution of Intention was posted on the City's official bulletin board on April 27 and June 15, 2006 and published in the April 27 and June 15, 2006 issues of Culver City News. <u>Non-Legal:</u> First Class Postcards were mailed to the property owners on April 27 and June 15, 2006. Master Notification List on April 27 and June 15, 2006.			
Department Approval: Charles D. Herbertson 6/15/06		CAO Approval: Jerry B. Fulwood (06/21/2006)	
City Controller Approval: Marlee Chang (06/21/2006)			

RECOMMENDATION:

Staff recommends the City Council conduct a public hearing and adopt a Resolution establishing and levying a 10% increase in residential refuse fees, and a 6% increase in drop-body refuse fees and commercial refuse fees beginning July 1, 2006.

PROCEDURE

Mayor:	Announce the public hearing is OPEN and accept comments from the public
City Engineer:	Present the City Engineer's Report and explain method of assessment for the annual levy.
Mayor and Council:	Declare the Public Hearing CLOSED.
Mayor and Council:	Discussion.
Mayor and Council:	By Motion, adopt the Resolution.

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BACKGROUND:

Sanitation Services Directly Supported by Fees

The City of Culver City operates an exclusive residential and commercial refuse collection and disposal service as a municipal enterprise. The Sanitation Division (Sanitation) operates solely on revenues generated from three major sources: (1) the provision of solid waste transfer and collection services to businesses and residents, (2) grants, and (3) the sale of recyclable material. These revenues cover the costs for refuse collection, disposal, recycling programs, and public outreach. Sanitation operations are 100% supported by its enterprise fund revenues. The division does not receive other funds or tax contributions.

Sanitation Services Indirectly Supported By Fees

In addition to providing revenue to cover the cost of routine Sanitation operations, refuse fees cover the cost of the following additional services:

- An annual La Ballona Creek Cleanup Event at a cost of approximately \$8,500.
- An On-Call bulky item pickup program that provides up to two annual pickups for residential customers for a cost of approximately \$60,000.
- City-wide street sweeping for an annual cost of \$220,000.
- Pedestrian container and all bus stop container collection services for an annual cost of approximately \$94,000.
- Removal of illegally dumped bulky items in the public right-of-way at an annual cost of \$20,000.
- Removal of illegally dumped hazardous waste at an annual cost of \$10,000.

Sanitation Payments to the City General Fund and Equipment Fund

In Fiscal Year 2006/2007, the Sanitation Enterprise Fund will contribute \$1,133,111 (Administrative Charges) to the City's General Fund to offset the cost of administrative services rendered to Sanitation by other City Departments.

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Additionally, the Sanitation Fund pays \$78,000 annually to the General Fund as a street usage fee.

The Sanitation Enterprise Fund continues to pay principal and 7% interest in the aggregate amount of \$164,000 annually on a loan of \$2 million from the City's General Fund and an additional loan of \$841,000 from the Equipment Replacement Fund. As of the beginning of FY 06/07 the remaining balance on these loans are approximately \$776,000 and \$454,000 respectively. These annual payments established by the City Controller will end in 2018.

As of the end of FY 2005/2006 the Sanitation Enterprise Fund is expected to have a negative cash balance of approximately \$1,300,000. This represents a considerable improvement from the negative cash balance at the end of FY 2004/2005 which was \$2,304,000.

Public Notification

Pursuant to City Council direction, a public notice of this item was published in the April 27, June 15 and 22, 2006 issues of Culver City News. In addition to publishing a notice, on April 27 and June 22, 2006 the Public Works Department mailed 26,771 notices to all property owners and business customers in the City, advising them of tonight's discussion and the proposed fee increases.

DISCUSSION:

The City Council establishes Refuse Fees to ensure that revenues cover the costs of services provided. During the Fiscal Year 2006/2007 budget preparation process, staff projected costs will increase by approximately \$696,439 due to significant increases in fuel, equipment replacement and landfill disposal costs. These increased costs are based on a maintenance-of-effort budget projection. The following table details the increased costs:

<u>Account Description</u>	<u>Adopted</u>	<u>Maintenance of</u>	<u>Difference</u>	<u>Percent</u>
	<u>Budget</u>	<u>Effort Budget</u>		
	<u>Fiscal Year</u>	<u>Fiscal Year</u>		<u>Increase</u>
	<u>2005-2006</u>	<u>2006-2007</u>		
Personnel Services	\$4,052,862	\$4,120,351	\$67,489	1.7%
Utilities	\$15,000	\$16,600	\$1,600	10.7%
Liability Reserve				
Charge	\$105,118	\$149,537	\$44,419	42.3%
Other Contractual				
Services	\$272,087	\$291,700	\$10,613	3.9%

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Capital Outlay – Building – Stormwater Controls	\$-0-	\$87,000	\$87,000	100%
Amortization of Equipment	\$536,967	\$654,986	\$118,019	21.9%
Garage Expenses	\$1,343,629	\$1,576,884	\$229,554	17.1%
Departmental Special Equipment	\$11,479	\$13,500	\$1,021	8.8%
Refuse Disposal - Trash	\$1,404,168	\$1,600,000	\$195,832	13.9%
Less Other Line Item Decreases			(\$128,016)	

**Total Increase
From Previous
Fiscal Year: \$696,439**

Proposed Rate Schedule Increase

During Fiscal Year 2005/2006, the City Council adopted a resolution establishing the current refuse rates to balance revenues with the cost of service. However, the cost to the Sanitation Enterprise Fund is projected to increase significantly for Fiscal Year 2006/2007 from the previous fiscal year. As a result, staff believes that it is necessary to reevaluate the Refuse Rate Schedule in order to match revenues with costs.

Taking into account refuse collection rates of other local municipalities and private solid waste companies that service local municipalities, staff determined that a 6% fee increase for commercial and a 10% increase for residential service will bring rates in line with the market while covering Sanitation's expenses.

The following is a proposed fee schedule:

Sanitation Service	Culver City Current Fee	FY 2006/2007 Proposed Fees
<u>Residential Cans (monthly)</u>	<u>\$22.17</u>	<u>\$24.39</u>
Commercial Cans (monthly)	\$21.69	\$24.39
Commercial Can Recycle	\$10.85	\$11.50
2-CY Scheduled Trash	\$89.46	\$94.83

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2-CY Scheduled Greenwaste	\$34.00	\$36.04
2-CY Extra Bin Pick-Up	\$17.43	\$18.48
On-call 2-CY Trash	\$25.19	\$26.70
On-call 2-CY Greenwaste	\$7.56	\$8.01
3-CY Scheduled Trash	\$109.89	\$116.48
3-CY Scheduled Greenwaste	\$35.89	\$38.04
3-CY Extra Bin Pick-Up	\$20.74	\$21.98
On-call 3-CY Trash	\$37.80	\$40.07
On-call 3-CY Greenwaste	\$8.21	\$8.70
Re-spot 2, 3 cu.yd.	\$-0-	\$8.01
Re-spot 8, 10, 40, cu.yd.	\$-0-	\$35.00
Temp Bin Rental	*\$40.00	\$42.40
Lock Set	\$7.56	\$8.01
Temp Bin Delivery/Removal	\$7.56	\$8.01
Bulk Pickup Basic/Illegal	\$32.67	\$35.95
Bulk Pickup > 3 cu.yd. each	\$16.34	\$17.97
Bin Pull-Out	\$24.95	\$26.45
Temp Bin Pull-Out	\$5.51	\$5.84
Drop Body/Compactor		
Empty or removal	\$133.90	\$141.93
Trash Disposal < 11 Tons	\$66.69	\$70.69
Trash Disposal >11 Tons	\$133.39	\$141.39
Asphalt Disposal >11 tons	\$-0-	\$80.80
Asphalt Disposal < 11 tons	\$38.11	\$40.40
Metal Disposal > 11 tons	\$-0-	\$19.56
Metal Disposal < 11 tons	\$9.23	\$9.78
Inert Disposal > 11 tons	\$-0-	\$90.64
Inert Disposal < 11 tons	\$42.75	\$45.32
Clean Wood > 11 tons	\$-0-	\$74.24
Clean Wood < 11 tons	\$35.02	\$37.12
Contaminated Wd > 11 tons	\$-0-	\$90.64
Contaminated Wd < 11 tons	\$42.75	\$45.32
Greenwaste > 11 tons	\$-0-	\$90.64
Greenwaste < 11 tons	\$42.75	\$45.32
Drop Body Rental	*\$130.00	\$137.80

Rate Schedule Comparison to Other Cities

Staff surveyed local municipalities who provide solid waste services to their communities. The survey revealed that Culver City's proposed rate schedule is in the median range of what other cities charge for similar services. Based on this fact,

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Sanitation Enterprise Fund revenues can be realigned with projected costs by increasing the commercial and residential refuse rates as proposed and still remain competitive when compared to the surrounding market.

<u>City</u>	<u>Residential Service</u>	<u>Commercial Service (2 cubic- yard)</u>
Culver City (Proposed)	\$24.39	\$94.83
Santa Monica	\$31.00	\$114.00
Beverly Hills	\$34.00	\$192.00
Burbank**	\$13.00	\$147.10
*Los Angeles	\$11.00	\$95.00***
Glendale**	\$14.41	\$69.70
Pasadena	\$29.30	\$98.92 (3 yd only)

* The City of Los Angeles (LA) was included in the rate comparison even though they are subsidized by their General Fund. LA charges \$11 per month to their residents for refuse collection. The \$11 fee only pays for equipment maintenance and container cost; all other costs associated with refuse collection are paid by their General Fund.

LA staff submitted to their Budget and Finance Department a full-cost recovery analysis for their services. The report projects that the residential refuse rates would have to be increased to \$47 per month by the year 2008 to pay the cost of service.

LA, Pasadena, Santa Monica and Glendale compete against the private sector.

** Glendale and Burbank have City operated disposal sites and do not include the cost of disposal in the rates.

*** Published rates from private haulers include a fuel surcharge and applicable taxes.

FISCAL ANALYSIS:

Sanitation staff completed a comprehensive rate analysis of Sanitation services based on the projected operating budget for Fiscal Year 2006/2007. The rate analysis shows that the residential, commercial and drop-body fees need to be

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increased to match revenues with cost. The proposed rate schedule will balance the Sanitation operating budget by generating approximately \$10,513,573 in revenue for Fiscal Year 2006-2007. Given this, staff is recommending adopting the proposed fee increase effective July 1, 2006. While proposed expenditures are slightly higher at \$10,814,218, the revenue from green waste transfer fees paid by Los Angeles was not included because of a lack of history. Staff is taking a conservative approach to this new source of revenue estimated to be more than \$275,000 annually and believes rates proposed are sufficient to sustain ongoing operations. Should the additional revenue be realized, then the sanitation operation can accelerate debt payments and build a rate levelization reserve fund to begin to offset known increases to the disposal costs that are likely to more than double in the next 5 years to at least \$60 per ton. The Refuse Fee Schedule will be revisited annually to determine the impact of the disposal costs and whether further rate increases are necessary.

ATTACHMENTS:

- Engineer's Report
- Resolution
- Notification Postcards
- Sanitation Rate Analysis

MOTION:

That the City Council:

Adopt a Resolution to increase the Residential Rate Schedule by 10%, and increase the Commercial and Drop-Body Refuse Rate Schedule by 6% effective July 1, 2006, and rescind Resolution 2005-R047 that established refuse rates for Fiscal Year 2005-2006.