

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/27/2005

Item Number: A-4

AGENDA ITEM: Consideration of Adoption of a Resolution Establishing and Levying a Refuse Rate Schedule effective on July 1, 2005 and Rescinding Resolution # 2004-R 040 that Established the Existing Refuse Rate Schedule

Contact Person/Dept.: Damian Skinner

Phone Number: (310) 253-6402

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Public Hearing: ☐

Action Item: ☒

Attachments: ☒

Public Notification:

Master Notification List on 6/22/05, advertised in Culver City News on June 9, 16, 23, 2005, post cards mailed to all businesses and residents on June 9, 2005 for a cost of \$3,090.

Department Approval:

Charles D. Herbertson

6/16/05

CAO Approval:

Jerry Fulwood 6/20/05

City Controller Approval:

Jim Lavery 6/20/05

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution establishing and levying an 8% increase in residential and commercial refuse fees, and a 3% increase in drop-body refuse fees beginning July 1, 2005.

BACKGROUND:

Direct Sanitation Services 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 the provision of solid waste collection services to businesses and residents, grants, and 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 and do not receive other funds or tax contributions.

Indirect Sanitation Services 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.

City of Culver City, California
City Council Agenda Item Report

- An On-Call bulky item pickup program that provides up to two annual pickups for residential customers for a cost of approximately \$60,000.
- Citywide street sweeping for an annual cost of \$190,000.
- Pedestrian container and all bus stop container collection services for an annual cost of approximately \$94,000.
- Removal of illegally dumped of bulky items in the public right-of-way for an annual cost of \$20,000.
- Removal of illegally dumped hazardous waste for an annual cost of \$10,000.

The Sanitation Enterprise Fund will contribute \$1,133,111 to the City's General Fund to offset the cost of services rendered to Sanitation by other City Departments in Fiscal Year 2005/2006.

Sanitation Loan from the City General Fund

The Sanitation Enterprise fund continues to pay debt service on a 7% loan of \$3 million to the City's General Fund, Equipment Replacement Fund & Innovation Fund in the amount of \$164,000 annually. This annual payment established by the City Controller will end in 2018.

Refuse Rate Adjustment Fiscal Year 2004/2005

During Fiscal Year 2003/2004 Sanitation staff worked with the City Controller to complete a comprehensive rate analysis of Sanitation services based on the projected operating budget for Fiscal Year 2004/2005. The rate analysis showed that the residential fees would need to be increased by 6%, and the fees for commercial services needed to be increased by an average of 10% to match revenues to cost.

The City Council concurred with staff's recommendation and adopted a resolution implementing the proposed rate schedule.

Public Notification

Pursuant to City Council direction, a public notice of this item was published in the June 9, 16, and 23, 2005 issues of Culver City News. In addition to publishing a notice, on June 9, 2005 the Public Works Department mailed 26,771 notices to all

City of Culver City, California
City Council Agenda Item Report

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 2005-2006 budget preparation process, staff projected that costs will increase by approximately \$496,630 due to increasing insurance, retirement, and landfill 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 Budget Fiscal Year 2004- 2005</u>	<u>Maintenance of Effort Budget Fiscal Year 2005-2006</u>	<u>Difference</u>	<u>Percent Increase</u>
Regular Salaries	\$2,229,895	\$2,271,961	\$42,066	2%
Social Security	\$184,183	\$187,470	\$3,287	2%
Retirement	\$149,478	\$233,056	\$83,578	56%
Deferred Retirement	\$146,796	\$148,933	\$2,137	1%
Workers Compensation	\$145,446	\$235,172	\$89,726	62%
Group Insurance	\$507,770	\$525,720	\$17,950	4%
Garage Expenses	\$1,238,500	\$1,343,629	\$105,129	8%
Other Contractual Services	\$207,691	\$225,000	\$17,309	8%
Refuse Disposal - Trash	\$1,343,181	\$1,380,000	\$36,819	3%
Liability Reserve Charge	\$64,863	\$105,128	\$40,265	62%
Administrative Charges	\$1,074,747	\$1,133,111	\$58,364	5%
Total Increase From Previous Fiscal Year:			<u>\$496,630</u>	

Proposed Rate Schedule Increase

During Fiscal Year 2003/2004, 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

City of Culver City, California
City Council Agenda Item Report

2005/2006 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 an 8% fee increase for commercial and residential service will bring rates in line with the market while covering Sanitation's expenses.

The following is a proposed fee schedule:

Sanitation Service	FY 2005/2006	
	Culver City Current Fee	Proposed Fees
<u>Residential Cans (monthly)</u>	<u>\$20.53</u>	<u>\$22.17</u>
Commercial Cans (monthly)	\$20.08	\$21.69
2-CY Scheduled Trash	\$82.83	\$89.46
2-CY Scheduled Greenwaste	\$31.48	\$34.00
2-CY Extra Bin Pick-Up	\$16.14	\$17.43
On-call 2-CY Trash	\$23.32	\$25.19
On-call 2-CY Greenwaste	\$7.00	\$7.56
3-CY Scheduled Trash	\$101.75	\$109.89
3-CY Scheduled Greenwaste	\$33.23	\$35.89
3-CY Extra Bin Pick-Up	\$19.20	\$20.74
On-call 3-CY Trash	\$35.00	\$37.80
On-call 3-CY Greenwaste	\$7.60	\$8.21
Special Bin Pick-Up 2-CY	\$23.32	\$25.19
Special Bin Pick-Up 3-CY	\$35.00	\$37.80
Temp Bin Rental	*\$40.00	*\$40.00
Lock Set	\$7.00	\$7.56
Temp Bin Delivery/Removal	\$7.00	\$7.56
Bulk Pickup Basic	\$30.25	\$32.67
Bulk Pickup Advance	\$15.13	\$16.34
Bin Pull-Out	\$23.10	\$24.95
Pedestrian Can	\$36.00	\$38.88
Temp Bin Pull-Out	\$5.10	\$5.51
Drop Body/Compactor Empty	\$130.00	\$133.90
Trash Disposal <= 11 Tons	\$64.75	\$66.69
Trash Disposal >11 Tons	\$129.50	\$133.39

City of Culver City, California
City Council Agenda Item Report

Asphalt Disposal	\$37.00	\$38.11
Metal Disposal	\$8.96	\$9.23
Inert Disposal	\$41.50	\$42.75
Clean Wood Disposal	\$34.00	\$35.02
Contaminated Wood	\$41.50	\$42.75
Greenwaste Disposal	\$41.50	\$42.75
Drop Body Rental	N/A	**\$130.00

* In February 2004, the City Council approved raising the Bin Rental Fee to its current amount to deter the long-term use of temporary bins in residential neighborhoods. The fee remains adequate to cover cost of service; therefore, staff proposes to maintain the current fee for Fiscal Year 2005/2006.

**Staff is proposing a Drop-body rental fee to deter patrons from holding onto bins after they are done with them. Staff believes that a rental fee will free-up the supply of drop-bodies which will eliminate or shorten the wait time to rent one. The fee is for one month rental; however, it will be prorated per day if the bin is rented for less than a month.

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, Sanitation Enterprise Fund revenues can be realigned with projected costs by marginally increasing the commercial and residential refuse rates 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)	\$22.17	\$89.46
Santa Monica	\$31.00	\$78.50
Beverly Hills	\$38.00	\$192.00
Burbank	\$19.00	\$147.10
*West Hollywood	\$14.48	\$113.20

City of Culver City, California
City Council Agenda Item Report

*Although West Hollywood uses Athens Disposal as the exclusive provider for all solid waste collection services, they were included in the survey because of their close proximity to Culver City.

The City of Los Angeles (LA) was not included in the rate comparison as 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.

FISCAL ANALYSIS:

Sanitation staff completed a comprehensive rate analysis of Sanitation services based on the projected operating budget for Fiscal Year 2005/2006. The rate analysis shows that the residential and commercial fees need to be increased by 8% and drop-body fees by 3%, to match revenues with cost. The proposed rate schedule will balance the Sanitation operating budget by generating approximately \$10,031,584 in revenue for Fiscal Year 2005-2006. Given this, staff is recommending adopting the proposed fee increase effective July 1, 2005. The Refuse Fee Schedule will be revisited annually to determine whether further rate increases are necessary.

ATTACHMENTS:

- Sanitation Rate Analysis
- Draft Resolution

MOTION:

That the City Council:

Adopt a Resolution to increase the Residential and Commercial Refuse Rate Schedule by 8% and increase the Drop-Body Refuse Rate Schedule by 3% effective July 1, 2005, and rescind Resolution 2004-R040 that established refuse rates for Fiscal Year 2004-2005.