

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/11/2007		Item Number: <u>PH-2</u>	
AGENDA ITEM: Public Hearing to Consider the Adoption of a Resolution of the City Council Establishing and Levying a Refuse Rate Schedule effective on July 1, 2007 and Rescinding Resolution No. 2006-R050.			
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: First Class Postcards were mailed to property owners on April 26, 2007. An advertisement for tonight's meeting was published in the May 31 and June 7, 2007 issues of Culver City News. Master Notification List on June 7, 2007.			
Department Approval: Charles D. Herbertson 5/21/07		City Attorney Approval: Carol Schwab (by H. Iker) (06/04/07)	
City Controller Approval: Marlee Chang (06/06/07)		City Manager Approval: Jerry B. Fulwood (06/06/07)	

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution establishing and levying a 10% increase in residential, commercial, and drop body refuse fees beginning July 1, 2007 and rescinding Resolution No. 2006-R050.

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 the provision of solid waste transfer and 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 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:

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- An annual La Ballona Creek Cleanup Event at a cost of approximately \$8,600.
- An On-Call bulky item pickup program that provides up to two annual pickups for residential customers for a cost of approximately \$93,000.
- 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 \$44,195.
- Removal of illegally dumped bulky items in the public right-of-way for an annual cost of \$18,760.

The Sanitation Enterprise fund will contribute \$1,214, 899 to the City's General Fund to offset the cost of services rendered to Sanitation by other City Departments in Fiscal Year 2007/2008.

Sanitation Payments to the City General Fund

The Sanitation Enterprise fund continues to make payments on a 7% loan of \$3 million to the City's General Fund in the amount of \$163,628 annually. This annual payment established by the City Controller will end in 2018. Sanitation also pays rent for City property in the amount of \$78,000 per year.

Refuse Rate Adjustment Fiscal Year 2006/2007

During Fiscal Year 2005/2006 Sanitation staff worked with the City Controller to complete a comprehensive revenue and expenditure estimate analysis of Sanitation services based on the projected operating budget for Fiscal Year 2006/2007. The analysis demonstrated that the residential and commercial fees would need to be increased by 10% and 6% respectively, to balance 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 May 31st and June 7th issues of Culver City News. In addition to publishing notices, the Public Works Department mailed postcards to all property owners and business

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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 2007-2008 budget preparation process, staff projected that costs will increase by approximately \$766,548 due to significant increases in fuel, equipment replacement and landfill costs. These increased costs are based on maintenance of effort budget projection. The following table details the increased costs:

<u>Description</u>	<u>Adopted</u>	<u>Maintenance of Effort</u>	<u>Difference</u>	<u>Percent Increase</u>
	<u>Budget Fiscal</u> <u>Year 2006-</u> <u>2007</u>	<u>Budget Fiscal Year</u> <u>2007-2008</u>		
Personnel Services	\$4,291,634	\$4,398,597	\$106,936	2.5%
Administrative Charges	\$1,111,937	\$1,214,899	\$102,962	9.3%
Bin Replacement	\$13,796	\$13,856	\$60	0.4%
Street Sweeping Contract	\$190,000	\$250,000	\$60,000	32%
Capital Outlay – Building – Axle Scales	\$-0-	\$79,885	\$79,885	100%
Amortization of Equipment*	\$654,986	\$835,454	\$180,468	27.6%
Garage Expenses	\$1,502,315	\$1,605,895	\$103,580	7%
GPS Tracking System	\$-0-	\$19,480	\$19,480	100%
–Trash Disposal**	\$1,722,977	\$1,862,977	\$140,000	8.1%
Less Liability Reserve Charge Savings	\$149,020	\$122,233	(\$26,787)	
Total Increase From Previous Fiscal Year: <u>\$766,584</u>				

** The California Air Resource Board is requiring all municipally owned refuse collection vehicles to be powered by a diesel alternative by the end of 2007. As a result of this mandate, six residential refuse collection vehicles will be replaced by vehicles powered by compressed natural gas. Vehicles with natural gas fuel systems are 25% more expensive to purchase and approximately 15% more to maintain in comparison to their diesel counterparts.*

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***The Los Angeles County owned Puente Hills Landfill is annually increasing their trash disposal rates by 8-10% to prepare for its closure in the Year 2013. Once it's closed, the landfill will be converted into a waste-to-rail inter modal facility to transport trash to Eagle Mountain located over 150 miles away.*

Proposed Rate Schedule Increase

The cost of Sanitation operations is projected to increase significantly for Fiscal Year 2007/2008 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 10% 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	Current Fees	Proposed Fees FY 07'-08'
Residential Cans (monthly)	\$24.39	\$26.83
Commercial Cans (monthly)	\$24.39*	\$24.39*
Commercial Can Recycle	\$11.50*	\$11.50*
2-CY Scheduled Trash	\$94.83	\$104.31
2-CY Scheduled Greenwaste	\$36.04	\$39.64
2-CY Extra Bin Pick-Up	\$18.48	\$20.33
On-call 2-CY Trash	\$26.70*	\$26.70*
On-call 2-CY Greenwaste	\$8.01*	\$8.01*
3-CY Scheduled Trash	\$116.48	\$128.13
3-CY Scheduled Greenwaste	\$38.04	\$41.84
3-CY Extra Bin Pick-Up	\$21.98	\$24.18
On-call 3-CY Trash	\$40.07*	\$40.07*
On-call 3-CY Greenwaste	\$8.70*	\$8.70*
Re-spot 8, 10, 40, cu.yd.	\$35.00*	\$35.00*
Temp Bin Rental	\$42.40**	\$42.40**
Lock Set	\$8.01	\$8.81
Temp Bin Delivery/Removal	\$8.01*	\$8.01*
Bulk Pickup Basic/Illegal	\$35.95	\$39.55

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Bulk Pickup > 3 cu.yd. each	\$17.97	\$19.77
Bin Pull-Out	\$26.45	\$29.10
Temp Bin Pull-Out	\$5.84	\$6.42
Drop Body/Compactor		
Empty or removal	\$141.93	\$156.12
Trash Disposal < 11 Tons	\$70.69	\$77.76
Trash Disposal >11 Tons	\$141.39	\$155.53
Asphalt Disposal >11 tons	\$80.80	\$88.88
Asphalt Disposal < 11 tons	\$40.40	\$44.44
Metal Disposal > 11 tons	\$19.56	\$21.52
Metal Disposal < 11 tons	\$9.78	\$10.76
Inert Disposal > 11 tons	\$90.64	\$99.70
Inert Disposal < 11 tons	\$45.32	\$49.85
Clean Wood > 11 tons	\$74.24	\$81.66
Clean Wood < 11 tons	\$37.12	\$40.83
Contaminated Wd > 11 tons	\$90.64	\$99.70
Contaminated Wd < 11 tons	\$45.32	\$49.85
Greenwaste > 11 tons	\$90.64	\$99.70
Greenwaste < 11 tons	\$45.32	\$49.85
Drop Body Rental	\$137.80**	\$137.80**

**The fees for these services are adequate to cover their respective costs; therefore, staff proposes to maintain the current fees for Fiscal Year 2007-2008.*

***The bin rental fees shown in the table above are the monthly cost to rent a bin; however, the fees are prorated per day if the customer rents the bin for less than a month. In February 2004, the City Council approved the creation of a Bin Rental Fee to deter the long-term use of temporary bins in residential neighborhoods. The current fee of \$42.40 remains adequate to cover cost of service; therefore, staff proposes to maintain the current fee for Fiscal Year 2007-2008.*

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 scheduled 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.

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<u>City</u>	<u>Proposed Residential Service</u>	<u>Proposed Commercial Service (2 cubic-yard)</u>
Culver City	\$26.83	\$104.31
Santa Monica	\$29.69	\$114.00
Beverly Hills	\$34.00	\$192.00
Burbank**	\$21.95	\$187.09
*Los Angeles	\$22.00	\$95.00***
Pasadena	\$21.04	\$111.30 (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 \$22 per month to their residents for refuse collection. The \$22 fee only pays for equipment maintenance and container cost; all other costs associated with refuse collection are paid by their General Fund. LA, Pasadena, and Santa Monica compete against the private sector for commercial service.*

*** Burbank has a 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 2007/2008. The rate analysis shows that the residential, commercial and drop-body fees need to be increased to match revenues with cost. The proposed rate schedule will balance the Sanitation operating budget by generating approximately \$11,464,955 in revenue for Fiscal Year 2007-2008, which is slightly higher than projected expenditure of \$11,029,955. Should the additional revenue be realized, then the Sanitation operation can gradually build up its reserves to accommodate the increase in disposal costs due to the closure of the Puente Hills Landfill in 2013. Staff will continue to analyze and monitor refuse rates at the Sanitation District's Puente Hill's landfill. As the Landfills disposal rates increase, staff will recommend amending the Sanitation Refuse Rate Schedule to keep pace with disposal cost.

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Given this, staff is recommending adopting the proposed fee increase effective July 1, 2007.

ATTACHMENTS:

1. Resolution
2. Notification Postcards

MOTION:

That the City Council:

Adopt a Resolution increasing the Residential and Commercial Rate Schedule by 10%, effective July 1, 2007, and rescinding Resolution No. 2006-R050.