



# City of Culver City

## Staff Report

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File #: 18-025, Version: 2

Item #: PH-2.

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**title...**

**CC - PUBLIC HEARING: Adoption of a Resolution Confirming the Levy and Collection of Municipal Refuse, Recycling and Organics Handling Fees, Effective July 1, 2017 - June 30, 2020.**

**body...**

**Meeting Date:** July 24, 2017

**Contact Person/Dept:** Kim Braun/PW

**Phone Number:** 310-253-6421

**Fiscal Impact:** Yes  No

**General Fund:** Yes  No

**Public Hearing:**  **Action Item:**  **Attachments:**

**Commission Action Required:** Yes  No  **Date:**

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (07/18/17); USPS Notice to All Postal Addressees. Culver City News Publications June 8, 2017 and July 13, 2017

**Department Approval:** Charles D. Herbertson (07/14/17)

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### **RECOMMENDATION**

Staff recommends the City Council adopt a resolution confirming the levy and collection of municipal refuse, recycling and organics handling fees, effective July 1, 2017 through June 30, 2020.

### **PROCEDURES**

1. The Mayor seeks a motion to receive and file the affidavits of publication and posting of notices and correspondence received in response to the public hearing notices; and,
2. The Mayor calls for a staff report, and the City Council may pose questions to staff as desired; and,
3. The Mayor seeks a motion to open the public hearing; and,
4. The Mayor seeks a motion to close the public hearing after all public testimony has been presented; and
5. The City Council discusses the item and arrives at a decision.

## **BACKGROUND/DISCUSSION**

Public Works Environmental Programs & Operations Division (EPO) is the exclusive provider of refuse, recycling and organics collection and transfer services to residential and commercial customers. EPO recovers its cost of operations through refuse rate charges to customers. The City Council last approved a one year rate adjustment of three percent (3%) in Fiscal Year 2015/2016. Since that time, the refuse rates have been outpaced by the rising costs in disposal fees, organics processing fees, transportation fees, salaries and benefits, vehicle purchases, maintenance and fuel, and state mandated recycling programs.

The City retained the services of an outside financial consultant, NBS, in Fiscal Year 2014/2015 to prepare an engineer's report for FY 2015/2016 for Refuse and Recycling User's Service Charges. The consultant initiated a review of the current refuse rates and recommended a schedule of increases over a five year period. A one year rate increase of 3% was approved by Council on July 11, 2015. Since the rate increase in Fiscal Year 2015/2016, the City has expanded its waste diversion programs, seen increased costs including, disposal fees, new organics processing fees, transportation fees, salaries and benefits increases, vehicle purchase price increases, and maintenance and fuel cost increases.

The State of California enacted AB 939 legislation in 1989 which required that all municipalities divert 50% of waste from the landfill by 2010 and 75% by the year 2020. This sparked the increase in blue cart recycling programs at the municipal and county levels throughout the late 1990's and the early 2000's. This legislation also led to development of additional opportunities for waste diversion including, green carts for yard clippings, and food scraps composting programs to meet the mandatory state diversion requirements, without additional state or federal funding to absorb costs for these new collection programs. In 2012, the State of California enacted AB 341 which mandates that all multi-family buildings with five or more units must implement a recycling program for their tenants, and all commercial entities generating four yards of trash weekly must also implement a recycling program for employees and clients/customers. The expenditures for collections, hauling and processing of these additional materials through this new mandate as well as outreach and marketing are currently being absorbed through a rate structure approved in FY 2015/2016.

Operational issues have also had an impact on the cost of EPO programs. On October 31, 2013 the Puente Hills Landfill, owned and operated by the Los Angeles County Sanitation District, maximized its lifetime capacity for waste disposal and officially closed. This closure resulted in the City seeking out alternatives for disposing of waste at landfills a further distance and at a higher cost due to market demand for landfill space. Landfill disposal and waste to energy fees increase annually between 1.2% and 6.4%, whereas the revenues received from rate payers for all services has not kept pace.

In Calendar Year 2014, the State of California enacted AB 1826. This legislation mandates that all commercial entities generating eight (8) cubic yards of organics waste per week, implement an organics waste diversion program by April 1, 2016. And, by January 1, 2017, all commercial entities generating four (4) cubic yards of organics waste per week also must implement an organics waste diversion program. The expenditures for collections, hauling and processing of these additional materials through this new mandate as well as outreach and marketing are currently being absorbed through a rate structure that did not consider the higher costs to process the additional organics

materials. In addition, by January 2020, all multi-family and commercial entities that generate (4) cubic yards of solid waste, must have an organics waste diversion program.

A variety of waste diversion programs tailored to increase opportunities for residents and businesses are funded by fees. Examples of these programs include, collection and processing of recyclables, food scraps, yard debris and bulky items, as well as equipment, infrastructure, container replacements, support services, alternative technology studies, education, marketing, outreach, public litter collection, transfer station operations, and street sweeping services. Rates also pay for the monthly community events which include paper shredding, compost give away, electronics recycling, and other activities offered to all residents.

NBS prepared a detailed five year financial plan which indicated that the refuse fund would need at a minimum a three percent rate increase in each of the next five fiscal years from FY 2015/2016 - FY 2019/2020. However, this plan was developed prior to the enactment of AB 1826 and did not fully take into account additional capital funds needed for the transfer station improvements and a substantial increase in additional CalPERS funding requirements. EPO staff reviewed current and projected revenues for the next three fiscal years 2017/2018 through 2019/2020 based upon the initial engineer's report and current expenditures. Table 1 is a summary of projected three year revenue requirements and rate requirements. (Table 1 can be reviewed in the attached Amended Engineer's Report)

Table 2 (included in the attached Amended Engineer's Report) shows the reserve levels decreasing to a projected deficit in FY 2018-19 and beyond if no rate increases are enacted. Beginning in FY 2016-17, the decrease in the reserve is a projection because the actual bottom line will not be known until the close of the Fiscal Year. All future fiscal year projections are based upon a proposed rate increase of 7%. Fiscal Year 2017/2018 has two unforeseen one time expenditures totaling \$ 600,000 including additional costs for the replacement of a new Caterpillar loader for the transfer station operations and purchase of a replacement hoist for fleet maintenance to perform repairs on the collection vehicles.

## **DISCUSSION**

Operational costs for waste collection services are increasing annually. Although the Refuse Fund currently has unrestricted cash fund reserves, the reserve funds should be used on a limited basis as a result of loss due to a catastrophic event or unscheduled events including unanticipated increases in landfill disposal fees, organics waste processing fees, or a substantial decrease in revenue, but not for regular on-going expenditures. In addition, waste management services that are required to enhance diversion programs could not be implemented without subsidy or borrowing from the General Fund if rates are not increased. Without an additional rate increase, the reserve fund will be expended by the end of FY 2018-19 and the General Fund will become the lending agency to fund ongoing waste management services.

## **Refuse Collection Rate Comparison with Neighboring Communities**

Table 3 summarizes Culver City's rates under the proposed rate increase of seven percent. The proposed monthly rate compares favorably with the other communities surveyed for commercial entities however, the single family rate remains much lower than neighboring communities.

### **Table 3: Proposed Refuse Collection Rate per Month Comparison with Neighboring**

## Communities for Fiscal Year 2017/2018

City	Single Family (95)	Multi- Family	Commercial (2yd)
Beverly Hills	.0104/sq ft lot	\$ 18.31/unit	\$105.40
Burbank	\$49.13	\$138.09	\$123.96
<b>Culver City</b>	<b>\$ 33.58</b>	<b>\$33.58 or \$126.10</b>	<b>\$126.10</b>
Los Angeles	\$36.32	\$ 24.33/unit	NA
Santa Monica	\$49.47	\$ 167.38 + \$8.00/unit	\$144.15

The proposed rate increase for Culver City residents is \$ 2.20 per month or \$ 26.40 annually in FY 17/18; \$ 2.35 per month or \$ 28.20 annually in FY 18/19 and \$ 2.52 per month or \$ 30.24 annually in FY 19/20. This rate increase includes existing collection services for refuse, recycling and green waste as well as street sweeping services and monthly events including paper shredding, electronics waste recycling and compost give-away. In addition, the rate increase will also include free bulky item collection (limit to three collections per year per resident), a new mattress recycling program, a new food waste in the yard/green waste can program, additional outreach and education materials on new programs, new technology to assist in marketing all of the EPO programs, a study on the cost effectiveness of a curbside Household Hazardous Waste Collection program and several new monthly events including a Halloween Costume Swap.

For commercial entities, the rate increase will include refuse, recycling and newly mandated organics waste collections, collection of public litter containers citywide, additional installation of public recycling containers, street sweeping services, new technology to assist with marketing of all EPO programs and participation in several monthly events including paper shredding, electronics waste recycling and future programs.

An Integrated Waste Management System is essential to the infrastructure of trash collections as we know it today. As a City that is leading the way in environmental initiatives and programs, reaching the goal of 75% diversion of all waste generated in our City by 2020 could be a reality. The City will continue to evaluate the rates and programming as necessary to meet the waste goals and objectives, and to adjust to the changing social, environmental, and economic conditions within the City.

The impact of rate increases which include the proposed seven percent (7%) to implement the existing and future programs is essential to moving forward with our 75% goals. Landfills are closing all around us; programs, policies and alternative technologies need to continue to develop in order to sustain our waste generation and waste processing operations. Culver City should continue to lead the way in these endeavors and consider not only the costs of these goals, but the benefit to our future generations as a result of our decisions and the price we need to pay for these decisions today.

On May 30, 2017, the City Council adopted a resolution that approved the Engineer's Report, declared its intention to order the assessment levy and collections of assessments, and set the date, time and place for this public hearing. A notice was mailed to each property owner advising that the Refuse, Recycling and Organics Waste fees will be increased effective July 1, 2017 through June 30, 2020.

Pursuant to Culver City Municipal Code Section 5.01.070 and applicable law, any interested persons may file a written protest with the City Clerk (or withdrawal a previously filed protest) until the conclusion of the public hearing. At the conclusion of the hearing, the City Council shall consider any objections. Unless there is a majority protest, adoption of the proposed Resolution shall overrule any objections and confirm and levy the waste handling fees, effective July 1, 2017 - June 30, 2020.

Copies of all written protests will be given to the City Council on the night of the meeting.

### **FISCAL ANALYSIS**

The proposed user service charges for FY 2017/2018 - FY 2019/2020 will balance the Sanitation Enterprise Fund operating budget. Staff is recommending adopting the proposed charge increase effective July 1, 2017.

### **ATTACHMENTS**

1. Proposed Resolution
2. Engineer's Report

### **MOTION**

That the City Council:

(Absent a majority protest) Adopt a resolution confirming the assessment and ordering the levy and collection of municipal refuse, recycling and organics waste handling fees, effective July 1, 2017 through June 30, 2020.