



City of Culver City

Mike Balkman
Council Chambers
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Staff Report

File #: 16-1044, Version: 1

CC - Adoption of a Resolution (1) Approving the Amended Engineer's Report; (2) Declaring the Intention to Levy and Collect the Refuse, Recycling and Organics Collection Fees for FY 2017/2018 - 2019/2020; and (3) Setting the Date, Time and Place for the Public Hearing.

Meeting Date: May 30, 2017

Contact Person/Dept: Kim Braun/Public Works

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 (05/24/17);

Department Approval: Charles D. Herbertson (05/17/17)

RECOMMENDATION

Staff recommends the City Council adopt a Resolution (1) approving an Amended Engineer's Report for the Refuse, Recycling and Organics collection fees for Fiscal Years 2017/2018 -2019/2020; (2) declaring its intention to levy and collect the Refuse, Recycling and Organics User's Service Charge for Fiscal Years 2017/2018 - 2019/2020; and (3) setting a public hearing for July 24, 2017 at 7:00 pm in the Mike Balkman Council Chambers.

BACKGROUND

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 approved a one year rate adjustment of three percent (3%) in Fiscal Year 15/16. 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. EPO continues to reach into its existing reserves until a rate increase

is determined and approved.

The City retained the services of an outside financial consultant, NBS, in Fiscal Year 2014/2015 to prepare an engineer's report beginning FY 2015/2016 for Refuse and Recycling User's Service Charge. 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. If an extraordinary adjustment was necessary within the five year period, such as unanticipated landfill disposal fee increases, salary and benefit increases and new state mandates, the Environmental Programs & Operations Division used its fund balance to cover the cost of the adjustments.

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, maintenance and fuel increases, all requiring EPO to reduce its existing reserves.

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 15/16.

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 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.

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. Fees 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 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 since FY 2016-2017 through to the projected deficit in FY 2018-19 and beyond. The cost of EPO operations continues to exceed the revenue received. There will be a projected fund deficit by FY 2018-19 if a structural adjustment to rates is not implemented. Unrestricted cash reserves have been used to offset the past increased costs for services.

Beginning in FY 2016-17, the decrease in the reserve is a projection because the actual bottom line savings 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 hoist for fleet maintenance to perform repairs on the collection vehicles.

DISCUSSION

Operational costs for waste collection services are increasing annually. Unrestricted cash fund reserves are being used to continue to perform on-going services. The reserve fund is established as just that, reserve. The reserve fund 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. Additional waste management services to enhance diversion programs could not be implemented if rates are not increased by seven percent. Without an additional rate increase, the reserve fund will be expended by 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 current monthly refuse collection rates and the current solid waste rates of several neighboring communities. Culver City rates are much lower than the other neighboring cities. Table 4 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: Refuse Collection Rate Per Month Comparison with Neighboring Communities for

Fiscal Year 2016/2017

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
Culver City	\$ 31.38	\$ 31.38 or \$ 117.85	\$ 117.85
Los Angeles	\$ 36.32	\$ 24.33/unit	NA
Santa Monica	\$ 49.47	\$ 167.38 + \$8.00/unit	\$ 144.15

Table 4: 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
Culver City	\$33.58	\$33.58 or \$126.10	\$ 126.10
Los Angeles	\$36.32	\$ 24.33/unit	NA
Santa Monica	\$49.47	\$ 167.38 + \$8.00/unit	\$144.15

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 plans 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.

During the Public Works Department budget work plan presentation to the City Council, staff informed the City Council that recommended refuse rate increases were forthcoming and that an amended Engineer’s Report would be prepared.

Next Steps

If this City Council adopts the proposed Resolution, Proposition 218 requirements dictate a public notice of proposed changes to rates be made to all property owners in the affected area. A 45-day notice/response period will be in effect from the date of approval of new rates. Absent a majority protest, City Council may then approve the final adoption of the rates at a public hearing. Final City

Council adoption of rates may be made at the public hearing on July 24, 2017 with rates effective July 1, 2017.

FISCAL ANALYSIS

Beyond printing and mailing costs that are already available in the current budget, there is no immediate budget/financial impact from authorizing staff to proceed with a Proposition 218 noticing for a public hearing.

ATTACHMENTS

1. Proposed Resolution
2. Proposition 218 Notification
3. Amended Engineer's Report

MOTION

That the City Council:

Adopt a Resolution (1) approving an Amended Engineer's Report for the Refuse, Recycling and Organics User's Service Charge for Fiscal Years 2017/2018 -2019/2020, (2) declaring the intention to levy and collect the Refuse, Recycling and Organics collection fees for Fiscal Years 2017/2018 - 2019/2020; and (3) setting a public hearing for July 24, 2017 at 7:00 pm in the Mike Balkman Council Chambers.