

# Agenda Report

April 16, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Department of Public Works

**SUBJECT: SET A PUBLIC HEARING ON JUNE 4, 2012 REGARDING PROPOSED REFUSE COLLECTION FEE AND FRANCHISE FEE INCREASES**

**RECOMMENDATION:**

It is recommended that the City Council:

1. Find that both the proposed refuse collection fee increases and the franchise fee are statutorily exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges) and State CEQA Guidelines Section 15061(b)(3) (General Rule);
2. Authorize the initiation of the State-mandated public hearing process to increase residential refuse collection fees as outlined in Attachment A; and
3. Set a public hearing on June 4, 2012 regarding proposed refuse collection fee and franchise fee increases.

**EXECUTIVE SUMMARY:**

The Department of Public Works recommends that the City Council amend the rates for the refuse collection fees and the franchise fee. The proposed increases are based on a recent study which determined the refuse rates necessary to cover the costs of providing refuse services. In past years, the Refuse Fund operated with a negative balance. Staff's charge was to determine the necessary rates that would give the fund a positive balance and still keep the City's goal of reducing waste from the landfills. Additionally, staff also analyzed operational costs to identify ways in which efficiencies could be implemented without impacting service levels.

Residential refuse fees and all property-related fee increases are subject to the procedural and substantive requirements of voter approved "Proposition 218." The Department of Public Works recommends the City Council approve the initiation of the Proposition 218-required public hearing process to increase residential refuse fees.

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### **BACKGROUND:**

Residential refuse fees and all property-related fee increases are subject to the procedural and substantive requirements of voter approved Proposition 218. Specifically, Proposition 218 requires for residential refuse fees, that a written notice be mailed to the owner or utility account holder of each parcel upon which the fee will be imposed, and that a public hearing be conducted not less than 45 days after mailing the notice. If written protests against the fee increase are not presented by a majority of parcels, the City Council may approve the fee increase. If written protests against the proposed fee are received by a majority of parcels, the City may not impose the fee increase.

The Department of Public Works recommends the City Council approve the initiation of the Proposition 218-required public hearing process to increase residential refuse fees. As such, a notice of public hearing will be mailed no later than April 20, 2012, advising affected parcel owners of the proposed residential refuse collection fee increases. Pursuant to Government Code Section 53755, the notice will be mailed to the regular billing address and to the record owner of each parcel. A copy of the Notice of Public Hearing can be found in Attachment A.

The Department of Public Works is also recommending fee adjustments to commercial rates and the Franchise Fee which do not require a Proposition 218 process but must be approved by amending the General Fee Schedule. Notice of these adjustments will also be included with the residential refuse fee public hearing scheduled for June 4, 2012 for information only.

### **Fee Increases**

On June 21, 2010, the City Council approved the 2010 Integrated Waste Management Operations Plan (IWM Plan). The IWM Plan includes six major goals to be achieved over the following two years. Goal Six of the Plan is to "Ensure ongoing financial stability of the Refuse Fund." To achieve this goal the Plan proposed the following:

- Establish rates that are equitable for each customer group, encourage recycling and provide for appropriate cash reserve levels.
- Secure City Council and customer approval to allow for adjustments of refuse rates when landfill disposal costs increase.
- Maintain required cash reserves (1/12 of the prior year's operating expenses).

To implement these items, staff hired the firm R3 Consulting Group to perform a rate study to determine appropriate rates for residential and commercial refuse services which recover the costs of providing the services. The study determined that the current fees do not generate the required funding levels necessary given the operational expenses and capital purchases required for the Refuse Program. Simultaneously staff initiated a thorough analysis of the current expenses to identify ways in which best practices could be implemented as well as changes that would reduce on-going expenses. Staff's goal is to purchase vehicles on a cash basis and not through debt

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financing. Having sufficient revenue for operational expenses and capital purchases will now be achieved through the proposed rate structure.

The last rate study was conducted in 2006 which resulted in rate increases in FY 2007, 2008 and 2009. However, since the last rate increase in 2009 operating costs have increased, due in part to external costs such as landfill expenses and fuel, and revenues generated are not sufficient to cover these expenses. A fee increase will assure adequate funding to cover expenses incurred in providing refuse and recycling services.

### General Refuse Fee Collection Increase

Based on the rate study findings, staff recommends the adjustment of residential and commercial rates. The City charges residential customers one rate for all of the different types of refuse services provided – collection of mixed waste, recycling and green waste. This single rate is based on the size of the mixed waste container(s) the customer uses. The rates incorporate pay-as-you-throw strategies that charge a lower amount for use of smaller mixed-waste refuse containers thereby encouraging recycling, and a higher amount for larger mixed waste containers. This is an allowable increase under Proposition 218 because the new rates do not exceed the anticipated costs of providing the refuse services.

### Regulatory Fee Increase Public Resources Code Section 41901

Goal Three of the 2010 IWM Plan is to “Maximize the diversion of waste from landfills and minimize the generation of disposable products.” To achieve this goal, the 2010 IWM Plan proposed the following:

- Collect 100,000 total tons of curbside recycling; 10,000 tons for City and 90,000 tons for franchisees.
- Recycle/divert 31,300 tons of material.
- Reduce yard waste contamination by five percent over FY 2010.
- Divert 66 percent of total waste stream from landfills.

Subsequent to the completion of the rate study, on November 30/December 1, 2011, windstorms assaulted Pasadena resulting in more than 1,500 downed trees, power outages and more than 50,000 tons of debris littering every City street. The clean-up effort required weeks of work by City crews and included assistance from the Los Angeles County Public Works Department and multiple contractors.

In FY 2012, largely as a result of windstorm clean-up, the City realized a significant increase in the amount of green waste produced (from an estimated 16,900 tons to a projected 64,900 tons collected) and a correlating increase in associated costs. To ensure that future revenues are sufficient to cover all expenses, and that the City continues to meet the goals of the IWM Plan, the cost of this green waste collection is included in the proposed refuse fee increase. Public Resources Code Section 41901 allows the imposition of fees sufficient to pay the cost of implementing the IWM Plan. The fee will be expended solely to pay the cost of compliance and not for unrelated windstorm costs or damages. In the event the amount of green waste produced in the

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City decreases over the next three years, staff will evaluate the costs of compliance with the IWM Plan and determine if a fee reduction is warranted.

The table below shows the proposed rates for the most common residential refuse services. The proposed rates will not exceed 10 percent for the City's three most commonly used services.

<b>Refuse Collection Fees</b>	<b>Current Rate</b>	<b>Proposed Rate beg 06/05/12</b>	<b>\$ Change</b>	<b>% Change</b>
32 Gallon Mixed Waste	\$14.84	\$16.29	\$1.45	9.77%
60 Gallon Mixed Waste	\$24.08	\$26.44	\$2.36	9.80%
100 Gallon Mixed Waste	\$37.27	\$40.99	\$3.72	9.98%

A table comparing existing and proposed City of Pasadena rates with surrounding cities is included in Attachment B. Using nine cities for comparison (one with two rate structures); the City's proposed rates rank in the middle with four higher rates and six rates lower for like services. These cities were chosen as comparison cities for one or more of the following reasons: 1) they are a neighboring city; 2) refuse services are provided by the city rather than contracted out; 3) city provides a comprehensive recycling program; 4) refuse services are provided using automated vehicles; 5) city has a comparable Franchise Fee.

Pass Through Fee Increases

Finally, in January 2009, Proposition 218 was legislatively clarified ("Proposition 218 Omnibus Implementation Act") to allow for the adoption of a schedule of fees or charges authorizing adjustments for inflation and pass-through type increases for a period of five years. To ensure timely adjustments to the refuse rates resulting from inflation and landfill costs by the Los Angeles County Sanitation District, staff seeks the City Council's approval to pass through future annual CPI and disposal cost increases to refuse rates as part of the requested public hearing process.

**COUNCIL POLICY CONSIDERATION:**

The proposed actions are consistent with the City Council's strategic planning goals "Maintain fiscal responsibility and stability" and "Increase conservation and sustainability."

**ENVIRONMENTAL ANALYSIS:**

The proposed increase to the residential refuse fees and the franchise fee are determined to be statutorily exempt from CEQA per Section 15273 (Rates, Tolls, Fares, and Charges). Under Section 15273, CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of:

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1. Meeting operating expenses, including employee wage rates and fringe benefits;
2. Purchasing or leasing supplies, equipment, or materials;
3. Meeting financial reserve needs and requirements;
4. Obtaining funds for capital projects, necessary to maintain service within existing services areas; or
5. Obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter.

The proposed amendment to the General Fee Schedule is an administrative function that meets requirements 1 and 3 of the statutory exemption as listed above.

Further, the proposed increase to residential refuse fees and the franchise fee do not commit the City of Pasadena to a definitive course of action, and no construction activities will be undertaken pursuant to this amendment. Accordingly, this amendment is also exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061(b)(3); the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

**FISCAL IMPACT:**

This action is needed to bring the Refuse Fund revenues back in line with expenses, ensuring a positive fund balance and maintenance of the required cash reserves. As part of the rate study staff also identified operational deficiencies and explored efficiencies which were incorporated into the proposed rates. The table below shows the Refuse Fund is operating at a deficit in FY 2012 due to insufficient revenues generated to cover expenses.

	<b>FY 2012 Est Actuals</b>	<b>FY 2013 Proposed</b>	<b>FY 2014 Proposed</b>	<b>FY 2015 Proposed</b>
Beginning Amount Available for Appropriations	1,992,137	(1,847,006)	(628,935)	124,139
Revenues	14,193,659	15,443,030	15,626,414	15,884,318
Expenses	18,032,802	14,215,020	14,873,339	13,905,030
Net Income	(3,839,143)	1,218,070	753,074	1,979,288
<b>Ending Amount Available for Appropriations</b>	<b>(1,847,006)</b>	<b>(628,935)</b>	<b>124,139</b>	<b>2,103,427</b>

<b>Operating Reserve Requirement</b>	1,238,563	1,502,733	1,184,585	1,239,445
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Prior to FY 2009 the Refuse Fund historically operated with a negative fund balance. As a result, revenues were not sufficient to cover expenses and all capital vehicle purchases were made through the issuance of debt.

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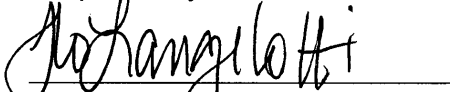
The FY 2013, 2014 and 2015 columns show the fund health with the rate increases of residential and commercial refuse fees and the franchise fee. The positive ending fund balance reflected beginning in FY 2015 allows the City to meet all Refuse Fund operational obligations and also allows the purchase of capital equipment totaling approximately \$5.3 million over the next five fiscal years with cash rather than issuing debt. Funding for this action will be addressed by an increase in estimated revenues in account 7136-406-764120 and 7136-406-764130.

Respectfully submitted,



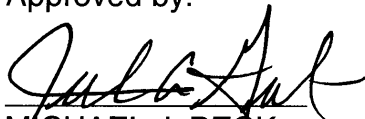
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City Manager

Attachment A – Notice of Public Hearing  
Attachment B – Refuse Rate Comparison





## NOTICE OF PUBLIC HEARING

Subject: Residential Refuse Collection Fees Increase  
Effective June 5, 2012

### IF THE PARCEL OR BILLING ADDRESS ON THIS NOTICE DOES NOT RECEIVE RESIDENTIAL REFUSE SERVICE FROM THE CITY OF PASADENA, PLEASE DISREGARD THIS NOTICE

The Pasadena City Council will hold a public hearing on June 4, 2012, at 7:00 PM, in the City Council Chambers at 100 N. Garfield Avenue, Room S249, Pasadena, CA 91109, to receive public comment regarding the adoption of Residential Refuse Collection Fees increases described below to become effective June 5, 2012.

On June 21, 2010, the City Council approved the 2010 Integrated Waste Management Operations (IWM) Plan. The Plan includes six major goals to be achieved over the next two years. Two of the goals include: "Ensure ongoing financial stability of the Refuse Fund" and "Maximize the diversion of waste from landfills and minimize the generation of disposable products."

A consultant was hired to conduct a study of the City's refuse expenditures and revenues. The study determined that the current fees do not generate the required funding levels to ensure that operational expenses and capital purchases for the Refuse Program are recouped. A fee increase will more accurately recover expenses incurred in providing refuse and recycling services due to increasing equipment replacement costs, maintenance costs, personnel costs, landfill costs, and fuel costs, to ensure that the City continues to meet the goals of the IWM Plan. Since 1989, the Pasadena Municipal Code has authorized increased landfill charges to be directly passed through to refuse customers. State law now requires refuse customers be notified of any increases. Also, to ensure timely adjustments to the refuse rates resulting from increased landfill charges by the Los Angeles County Sanitation District, the City proposes to pass through future disposal cost increases as well as consumer price index increases to the refuse fees for a period of five years, as authorized by the Government Code. The table below provides a list of the proposed rate increases for residential refuse service.

#### RESIDENTIAL REFUSE RATES – MONTHLY BILL IMPACT

Refuse Collection Fees	Current Rate	Proposed Rate beg 06/05/12
100 Gallon Mixed Waste	\$37.27	\$40.99
32 Gallon Mixed Waste	\$14.84	\$16.29
60 Gallon Mixed Waste	\$24.08	\$26.44
100 Gallon Mixed Waste Additional	\$29.16	\$34.70
32 Gallon Mixed Waste Additional	\$11.22	\$13.44
60 Gallon Mixed Waste Additional	\$18.63	\$22.11
Truck Rollout w/ Manual Rollout	\$11.19	\$23.63
Backyard-1 House on Lot	\$40.82	\$43.39
Special Curb Backyard-1 House on Lot	\$40.82	\$43.39
Manual Rollout	\$11.19	\$23.63
Manual Rollout Additional	\$6.99	\$11.12
Bulky Item PU - 1/4	\$35.81	\$49.39
Bulky Item PU - 1/2	\$76.73	\$81.67
Bulky Item PU - 1	\$102.30	\$103.72
Yard Waste Contamination	\$10.23	\$19.71
Mixed Waste Overflow 1st Notice	\$5.12	\$8.10
Mixed Waste Overflow 2nd Notice	\$10.23	\$13.21
Compost Bin Delivery	\$18.93	\$25.09
1 Bin -1 Pick-up per Week	\$122.17	\$124.70
1 Bin-2 Pick-ups per Week	\$195.95	\$202.36
2 Bins - 1 pick-ups per week - Residential	\$164.38	\$171.91
2 Bins - 2 pick-ups per week - Residential	\$231.47	\$264.17

Any parcel owner or interested person may appear and be heard by the City Council on any matter relating to the Residential Refuse Collection Fees increase. In accordance with Article XIII D Section 6 of the California State Constitution, written protests to the proposed Residential Refuse Collection Fees increase will be considered if submitted prior to the public hearing. Written protests must be submitted on or before 5:00 PM, June 4, 2012, to the Office of the City Clerk located at 100 N. Garfield Avenue, Room S208, Pasadena, California 91109. Please include the parcel address and write "City of Pasadena Refuse Collection Fee Increase" on the written comments. The City will count one written protest per parcel. For further information, please contact the Department of Public Works at (626) 744-4087.

## REFUSE RATE COMPARISON

<b>Jurisdiction</b>	<b>32-35 Gallon</b>	<b>60-68 Gallon</b>	<b>90-101 Gallon</b>	<b>Residential Service Collector</b>
Redlands		40.06	41.38	Provided by City
Los Angeles		36.32	42.32	Provided by City
Santa Monica		32.43	41.88	Provided by City
Burbank	16.20	29.59	46.77	Provided by City
Pasadena – Proposed	16.29	26.44	40.99	Provided by City
Ontario – New Developments	21.79	25.63	29.43	Provided by City
Pasadena – Existing	14.84	24.08	37.27	Provided by City
Pomona			26.37	Provided by City
Monrovia		17.49	21.13	Private Hauler
Arcadia		17.98	21.29	Private Hauler
Glendale*		11.72	18.34	Provided by City

\*The City of Glendale owns and operates Scholl Canyon Landfill which subsidizes residential refuse rates