



# Agenda Report

February 5, 2024

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (January 23, 2024)

**FROM:** Department of Public Works

**SUBJECT: SET PUBLIC HEARING FOR APRIL 8, 2024 FOR PROPOSED REFUSE COLLECTION FEE INCREASES**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a "project" as defined in the California Environmental Quality Act (CEQA) Public Resources Code Section 21065 and Section 15378(b)(4) of the State CEQA Guidelines, and that the proposed refuse collection fee increases are statutorily exempt pursuant to Section 15273 (Rates, Tolls, Fares, and Charges) of the State CEQA Guidelines and as such, is not subject to environmental review;
2. Set a public hearing on April 8, 2024, regarding proposed refuse collection fee increases; and
3. Direct the Public Works Department to mail notice of public hearing set for April 8, 2024, regarding proposed refuse collection fee increases.

## **MUNICIPAL SERVICES COMMITTEE**

On January 23, 2024, the Municipal Services Committee (MSC) voted unanimously to forward this item to the City Council to set the public hearing date. A committee member suggested that the proposed rate increase for the residential 32, 60, and 100 gallon containers should be equal. The proposed monthly rate increases are \$8.47, \$8.75, and \$5.62 respectively.

## **BACKGROUND:**

The Public Works Resource Recovery and Recycling Division actively manages the Refuse Program that provides integrated waste management services for over 27,000 residential accounts, a limited number of commercial service accounts, and all city accounts; manages the commercial franchise hauler system within the City; and organizes a variety of recycling opportunities and community outreach events. Funding to provide

waste management services is supported through refuse collection fees, which have remained flat for residential customers since Fiscal Year (FY) 2012. Over time, the refuse rates have not generated enough revenue to keep up with operational cost increases and capital expenses, thus necessitating a review of the refuse collection rates.

Public Works hired MSW Consultants in February 2023 to conduct a cost-of-service study to review the City's solid waste rates and propose rate adjustments to generate sufficient revenue to cover the cost of solid waste operations including capital expenses. Founded in 2000, MSW Consultants has provided solid waste consulting services to over 80 cities, counties, and special districts, including rate setting and regulatory compliance.

The study highlights several factors that are currently contributing to upward pressure on rates in the solid waste industry. Most significant, in 2016, the State implemented SB 1383, which went into effect on January 1, 2022. This legislation mandates that all residents and businesses must recycle their organics, thereby imposing additional regulatory requirements on jurisdictions and solid waste service providers, leading to increased costs. This program entails separation of food waste, converting of food waste to biogas, contamination monitoring and reporting, capacity planning, and edible food recovery. This new program has resulted in significant expenses for the City, and the solid waste industry as a whole. Another factor intensifying upward pressure is the imminent closure of Scholl Canyon Landfill in FY 2027 that processes Pasadena's mixed waste, resulting in very large current and expected future increases to landfill disposal fees. Finally, Public Works needs to continue replacing refuse trucks and containers, which have increased in cost as well. Over the next five years, an estimated \$8.3 million needs to be spent on capital expenditures to replace aging trucks and containers.

These factors, along with other increases such as having to pay to recycle commodities instead of generating revenue, attributed to a negative annual operating cash balance starting in FY 2020, which has been offset by using fund reserves to cover the deficit. The Refuse Collection Fund (Fund) is a self-supporting fund that renders services on a user charge basis to residents and businesses. The refuse collection service fees specifically are the focus of this cost-of-service study. In order to remain self-supporting, the Fund needs to generate enough revenue to cover the full cost of City services. Between FY 2016 to FY 2019, the Fund averaged \$15.5 million in expenses and \$17.5 million in revenue allowing for sufficient reserves to cover inflation and CPI. However, the mentioned upward pressures starting in FY 2020, increased expenses by 17% or \$2.6 million on average each year, while revenue increased by 1.2% on average annually. If the rates are not adjusted, the Fund will continue to operate at an annual deficit of approximately \$8.1 million starting in FY 2024. Fund reserves will be depleted in FY 2026 if no action is taken.

### General Refuse Fee Collection Increase

Based on the rate study findings, staff recommends adjustments to the refuse rates for the next five-year period, from FY 2025 to FY 2029, to remain fiscally solvent. Rate increases will apply to single family residents and multi-family units with four units or less, all city accounts, and commercial customers serviced by the City. The proposed rate increases will not affect the franchise hauler agreements.

The City charges residential customers a single fixed rate to process all three types of refuse services provided – collection of mixed waste, recycling, and organics. This single rate is based on the size of the mixed waste container(s) the customer uses, which ranges from 32, 60, and 100 gallon containers. Customers pay based on the set mixed waste rate and receive a set of three containers, including the selected mixed waste container, a 60 gallon recycling container, and a 100 gallon organics container.

The rates update the Pay-As-You Throw system, which was implemented in May 1999 and applies to single family residents and multi-family units of four or less. Residents are encouraged to use smaller mixed waste refuse containers and continue to recycle and divert organic waste to help the City and State achieve diversion requirements under State law.

The tables below show the proposed rates for both residential and commercial mixed waste collection services for containers (e.g. carts) and bins (e.g. dumpsters). The full five-year proposed rated schedule for all refuse collection services can be found in Attachment A. These rates comply with Proposition 218 because the new rates are based on and do not exceed the anticipated costs of providing refuse services.

**Table 1 – Current and Proposed RESIDENTIAL Refuse Rates**

Description	Number of Billing Accounts	Current Rate	Proposed Rate Effective July 1, 2024	Proposed Rate Effective July 1, 2025	Proposed Rate Effective July 1, 2026	Proposed Rate Effective July 1, 2027	Proposed Rate Effective July 1, 2028
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**Residential Carts**

32 Gallon	7,268	\$16.29	\$24.76	\$26.49	\$28.35	\$30.33	\$32.46
60 Gallon	11,995	\$26.44	\$35.19	\$37.65	\$40.29	\$43.11	\$46.13
100 Gallon	8,026	\$40.99	\$46.61	\$49.87	\$53.36	\$57.10	\$61.10

**Residential Bins**

1 Bin picked up 1x per week	630	\$124.70	\$249.92	\$267.41	\$286.13	\$306.16	\$327.59
1 Bin picked up 2x per week	13	\$202.36	\$499.84	\$534.83	\$572.27	\$612.33	\$655.19
2 Bins picked up 1x per week	8	\$171.91	\$425.39	\$455.17	\$487.03	\$521.12	\$557.60
2 Bins picked up 2x per week	2	\$264.17	\$850.79	\$910.34	\$974.07	\$1,042.25	\$1,115.21

Table 1 shows the current and proposed residential rates needed in order to recover required revenue to cover operations and capital expenses for the refuse program. These increases account for all mentioned cost factors and inflation over the last 12 years and are needed to “true up” the Fund. The difference in proposed rates between the three residential mixed waste cart sizes (32, 60 and 100 gallon) is similar to the difference in the current rates. Staff does not anticipate these proposed rates to trigger significant migration from one container size to another.

Finally, as mentioned, the rates are based on the cost of service. In staff’s experience, customers’ elected waste container size is generally based on the number of occupants on a property and/or the occupants’ levels of environmental consciousness and consumption habits, and is not driven by the fee amount alone.

Like Table 1, all proposed commercial rates in Table 2 have been developed to generate the required revenue. It should be noted that the proposed commercial rates for the 32, 60 and 100 gallon containers are the same as residential rates for those mixed waste container sizes, resulting in a proposed rate decrease for commercial containers. Unlike residential rates, commercial refuse rates have been adjusted by CPI since 2012. Commercial refuse rates do not require a Proposition 218 process but must be approved by amending the General Fee Schedule. Notice of these fee adjustments will also be included with the residential refuse fee public hearing schedule for April 8, 2024, as information only.

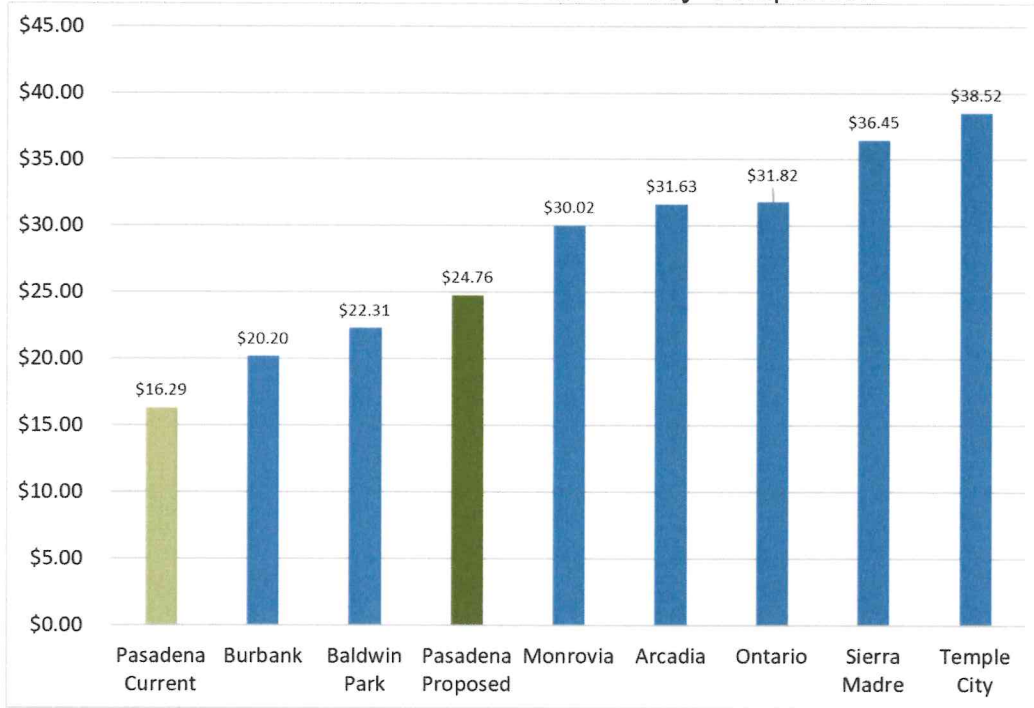
Table 2 – Current and Proposed COMMERCIAL Refuse Rates

Description	Number of Billing Accounts	Current Rate	Proposed Rate Effective July 1, 2024	Proposed Rate Effective July 1, 2025	Proposed Rate Effective July 1, 2026	Proposed Rate Effective July 1, 2027	Proposed Rate Effective July 1, 2028
<b>Commercial Carts</b>							
32 Gallon	62	\$26.22	\$24.76	\$26.49	\$28.35	\$30.33	\$32.46
60 Gallon	136	\$42.58	\$35.19	\$37.65	\$40.29	\$43.11	\$46.13
100 Gallon	85	\$66.02	\$46.61	\$49.87	\$53.36	\$57.10	\$61.10
<b>Commercial Bins</b>							
1 Bin picked up 1x per week	212	\$206.05	\$249.92	\$267.41	\$286.13	\$306.16	\$327.59
1 Bin picked up 2x per week	30	\$341.68	\$499.84	\$534.83	\$572.27	\$612.33	\$655.19
2 Bins picked up 1x per week	23	\$296.90	\$425.39	\$455.17	\$487.03	\$521.12	\$557.60
2 Bins picked up 2x per week	14	\$523.37	\$850.79	\$910.34	\$974.07	\$1,042.25	\$1,115.21

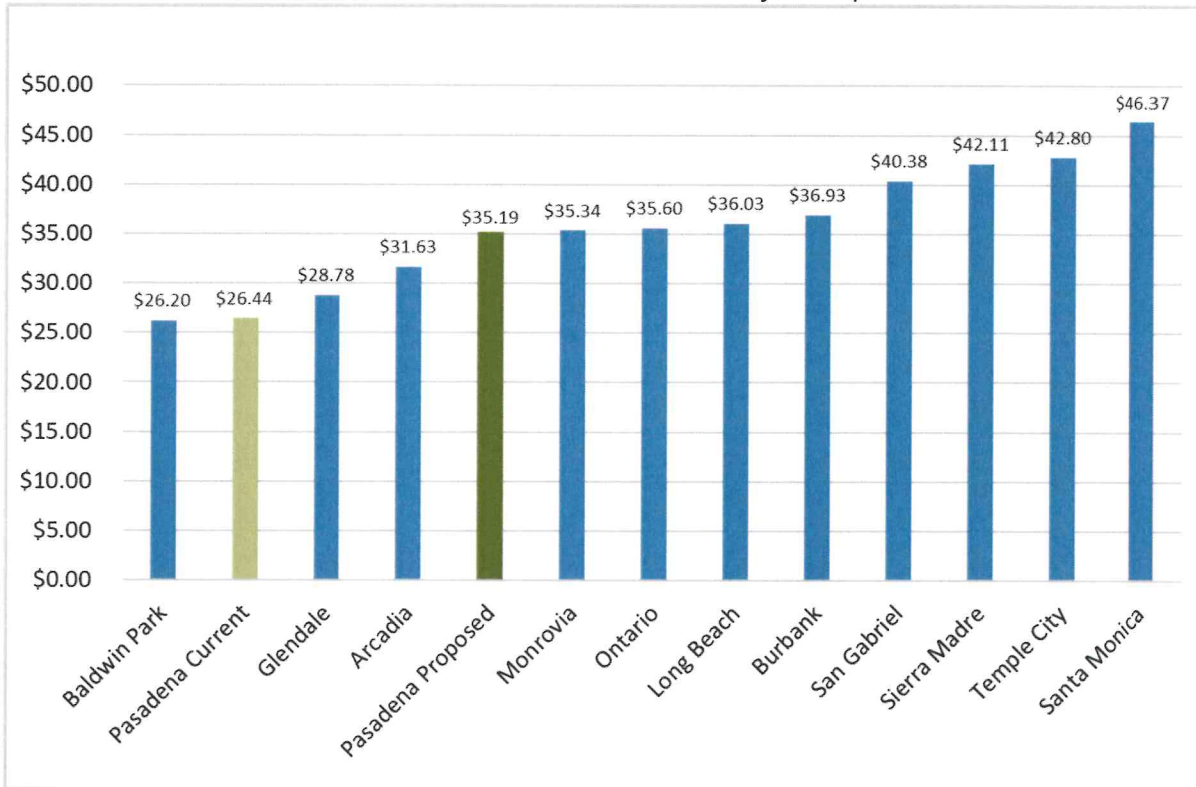
Comparative Cities

MSW Consultants conducted a comparison of fifteen cities’ residential refuse collection fees. The graphs show Pasadena’s current fee and proposed fee for the 32, 60, and 100 gallon container service relative to each comparative city that offers that same container size.

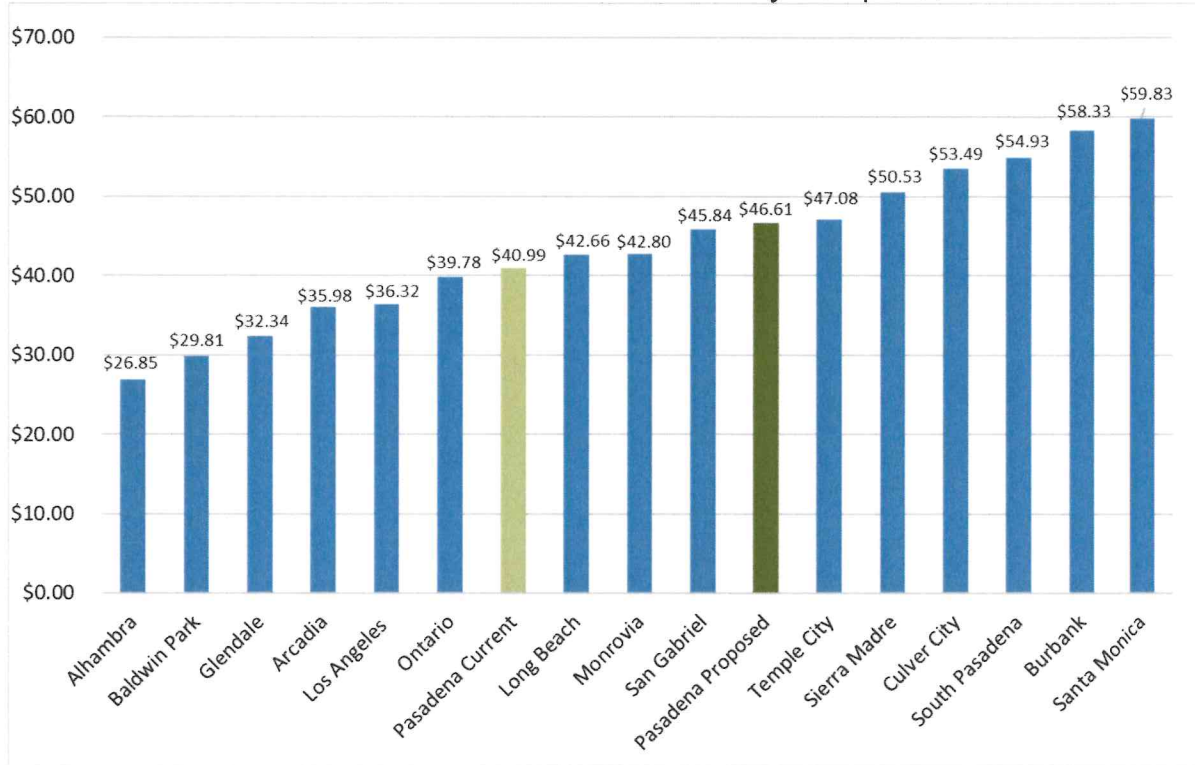
### 32 Gallon Residential Container City Comparison



### 60 Gallon Residential Container City Comparison



### 100 Gallon Residential Container City Comparison



### Implementation Timeline

Public Works recommends a Public Hearing be set for April 8, 2024, to receive comments on the recommended increases to the refuse collection rates and adopt the new rates. Following the City Council’s action to set a date for the public hearing, a notice, Attachment B, will be mailed to all affected property owners and residential refuse customers. The notice will include the recommended rate increases and information regarding the public hearing in compliance with the requirements of Proposition 218.

Date	Action Item
<b>February 2024</b>	Mail 45-day Public Hearing Notice
<b>February – March 2024</b>	Customer Outreach and Education
<b>April 8, 2024</b>	Refuse Rates Public Hearing, Council Vote on Rate Proposal, and Adopt Resolution to implement five-year rate adjustments
<b>July 1, 2024</b>	Effective Date of New Refuse Rates

### COUNCIL POLICY CONSIDERATION:

The recommendation is consistent with the City Council’s goals to maintain fiscal responsibility and stability; and increase conservation and sustainability.

**ENVIRONMENTAL ANALYSIS:**

The establishment of a date to conduct a public hearing for the consideration of refuse collection fee increases is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a “project” subject to CEQA, as defined in Section 21065 of CEQA and Section 15378(b)(4) of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

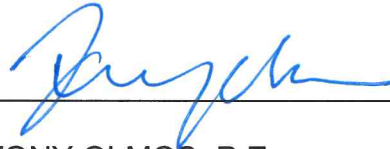
Furthermore, the recommended refuse collection fee increases are determined to be statutorily exempt from CEQA per Section 15273 (Rates, Tolls, Fares, and Charges). Under Section 15273, CEQA does not apply to the establishment, modification, structuring, restructuring, or approval rates, tolls, fares,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

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-agency transfers are authorized by city charter.

**FISCAL IMPACT:**

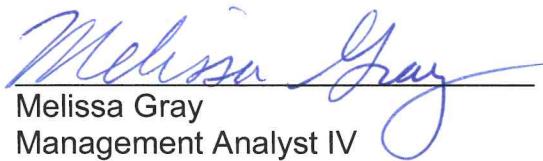
The recommended Refuse Collection Fee increases, if approved, will become effective on July 1, 2024, and are expected to generate an additional \$4.1 million in rate revenue to cover the gap between existing rate revenue collection and the cost of providing refuse collection services in FY 2025. Future refuse rate increases between FY 2026 to FY 2029 will increase by 7% annually generating rate revenue to cover operational and capital expenses under the Refuse Collection Fund (Fund 406).

Respectfully submitted,




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Attachment A – Five-Year Proposed Refuse Rate Increases  
Attachment B – Public Hearing Notice