



Agenda Report

May 13, 2024

TO: Honorable Mayor and City Council
FROM: Department of Public Works
SUBJECT: **PUBLIC HEARING TO APPROVE RECOMMENDED REFUSE COLLECTION RATE ADJUSTMENTS**

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 Sections 21065, 21080(b)(8) and State CEQA Guidelines Section 15378, subd. (a) and (b)(4), and that even if it were a project, the proposed refuse fee increases are statutorily exempt pursuant to Section 15273 (Rates, Tolls, Fares, and Charges) under State CEQA Guidelines and as such, is not subject to environmental review;
2. Open a Public Hearing to receive public comment on the recommended Refuse Collection rate adjustments from FY 2025 through FY 2029;
3. Consider all protests against the proposed Refuse Collection rate adjustments;
4. Close the Public Hearing and approve the recommended Refuse Collection rate adjustments or provide alternate direction; and
5. Adopt a resolution amending the General Fee Schedule to increase the Refuse Collection rates and add new rates as described herein to become effective on July 1, 2024, or as soon as practicable thereafter.

EXECUTIVE SUMMARY

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. Funding to provide waste management services is supported through Refuse Collection rates and is a part of customers' utility bills. Currently, the Refuse Collection rates do not generate sufficient revenue to cover the cost of operating the City's Refuse Program.

To address these funding needs, the City contracted with an experienced rate consultant, MSW Consultants (MSW), to conduct a cost-of-service study and evaluate the Refuse Collection rates. As a result, MSW developed revised Refuse Collection rates which were presented to Municipal Services Committee (MSC) on January 23, 2024. MSC voted unanimously to forward this item to the City Council to set the public hearing date. On February 5, 2024, the City Council set a public hearing for April 8, 2024 and directed staff to mail the notice of public hearing containing the proposed rates to customers and parcel owners. On April 8, 2024, the public hearing was continued to May 6, 2024, and subsequently to May 13, 2024.

At MSC, members of the City Council requested staff provide “smoothing” options to spread fee increases over the next five years. Please note that “smoothing” scenarios are not possible since smoothed rates over the five-year period would require rate increases in latter years that exceed the Noticed rate adjustments. As such, staff worked with MSW to develop a total of five rate scenarios that include: 1) Status-Quo; 2) Proposed Rates (Recommended); 3) Lower Rates in Year 1; 4) Lower Rates in Years 1-2; and 5) Lower Rates in Years 1-3. In all scenarios, rates are the same or lower than the published rates on the public hearing notice, as any higher rates would require new legal noticing and an additional public hearing to be conducted. Rate Scenarios 3-5 would result in an underfunded system and a reduced fund balance.

Staff recommends Scenario 2: Proposed Rates since this scenario meets the current and future operating expense needs without significantly impacting capital expenditures, meets the current cash balance reserve policy of one-month of annual operating cost expenditures, and more closely approaches the recommended 25% target reserve in the fifth year. Rate Scenarios 3-5 would result in insufficient revenue and increase the likelihood of not being able to adequately fund capital expenditures, emergency response, and unforeseen cost increases in years where the cash balance is low.

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 rates and is a part of customers' utility bills.

Refuse Fund Revenues, Costs and Fund Balance

The Refuse Fund is a self-supporting enterprise fund that renders services on a user charge basis to residents and businesses. The Refuse Fund must generate enough revenue to cover the full cost of providing the service. The Refuse Fund must set adequate rates and charges to remain solvent.

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), which ranges from 32, 60, and 100 gallon. Customers pay based on their selected mixed waste container size and receive a set of three containers, including the elected mixed waste container, a 60 gallon recycling container, and a 100 gallon organics/yard waste container. Refuse collection services are provided by carts or bins. A “cart” is the 32, 60, or 100 gallon roll-out trash container with two wheels used primary at residential homes, whereas a “bin” is the larger three-cubic feet metal or plastic container with four wheels. Bins are also more commonly known as a “dumpster” and used at multi-unit complexes or apartment buildings.

Rates were last adjusted in 2012 and residential rates are not subject to Consumer Price Index adjustments, so the current residential rates are the same as they were in 2012. Residential customers are not able to select their own provider. Rates had generated sufficient revenue to cover and maintain operating expenses and reserves until FY 2020. Since FY 2020, upward pressures in the solid waste industry have increased expenses by an average of 17% or \$2.6 million each year, while revenue has increased by an average of only 1.2%. If the rates are not adjusted, the Refuse Fund will continue to operate at an annual deficit. Fund reserves will be depleted in FY 2025 if no action is taken.

Refuse Fund revenues are comprised of both operating and non-operating revenues. Operating revenue consists of residential, commercial and City refuse collections, which account for 2/3 of the fund’s revenue, whereas non-operating revenue such as franchise fees, investment earnings and noncompliance forfeitures make up the remainder. Annual expenses include labor and capital (vehicles, containers, and miscellaneous equipment) needed to provide refuse collection services.

Refuse Fund revenues have been fairly stagnant since 2012 since there has not been an increase in rates, and the current rate structure does not include adjustments for Consumer Price Index for residential collection. The cost of operations has outpaced the revenues collected and is depleting the existing fund balance. Without a rate increase, revenues are expected to remain flat, while expenses are expected to steadily increase each year.

Refuse Rate Study

In February 2023, the Department of Public Works hired MSW Consultants to conduct a cost-of-service study to review the City’s solid waste rates and propose rate adjustments that would cover the cost of waste management services, including capital expenses. The study seeks to recover the cost of providing the services over the next five years, while meeting the current cash balance reserve policy of one-month of annual operating cost expenses, or 8.3%. The rate adjustments would also seek to approach the recommended 25% target reserve of annual operating costs, or approximately three months of annual operating cost expenses, after five years.

The study highlighted the following external factors that have contributed to upward pressure on rates in the solid waste industry:

- **SB 1383:** Signed by Governor Newsom in 2016, SB 1383 went into effect on January 1, 2022. This unfunded State mandate requires all residents and businesses to recycle organics, thereby imposing additional regulatory requirements on jurisdictions and solid waste service providers, leading to increased processing and outreach 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 both the City and the solid waste industry as a whole. The City expects to spend approximately \$2.5 million annually, or \$12.5 million over the next five years, to simply process organics and food waste and divert it from landfills.
- **Imminent Closure of Scholl Canyon Landfill:** Scholl Canyon Landfill currently processes Pasadena's mixed waste. With expected closure in FY 2027, the City has already experienced large increases in operational costs and disposal rates and expects the increases to continue. Since 2020, annual disposal rates from Scholl have increased from \$2.2 million to \$4 million.
- **Cost to Recycle:** Historically, the City received annual revenue of up to \$360,000 for recyclables. Due to changes in the recycling market and strict limits of contamination starting in 2017, the City began paying to process recyclables in 2019. This has resulted in a loss of annual revenue in addition to having to pay up to \$700,000 to process the same tonnage of recyclables, an annual impact of about \$1.06 million.
- **Cost to Replace Trucks and Refuse Containers:** Public Works will also need to continue replacing aging refuse trucks and containers, which have substantially increased in cost, as well as increased fuel and maintenance costs. Over the next five years, an estimated \$8.3 million is needed to replace aging trucks and containers (Attachment C). The cost of replacing a fully equipped automated side loader in 2020 was \$250,000 - \$300,000, whereas the cost to replace the same automated refuse packer now costs \$450,000 - \$500,000.

Based on the rate study findings, staff recommends adjustments to the Refuse Collection Rates for the next five-year period, from FY 2025 to FY 2029, to remain fiscally solvent. Rate increases will apply to single family residences 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.

Refuse Collection Rate Adjustment Scenarios

Staff worked with MSW to establish rates that would increase revenues over five years to cover operational needs, meet the minimum cash balance reserve policy of one-month operating cost expenses, and approach the recommended 25% target cash balance reserve or three months of annual operating budget expenses after five years. The first two rate scenarios below represent the current rates with no rate increase and the proposed rates as published in the public hearing notice, respectively.

Rate Scenario 1: Status Quo – This scenario would not increase Rates. **(Not Recommended)**

- Refuse Fund will not be able to maintain current levels of service and refuse collections beyond FY 2025.
- Available cash balance at the start of FY 2026 will be depleted and revenues from the existing rates will not be sufficient to fund operations for the remainder of FY 2026 and into future years.
- No increase in rates would potentially result in service interruptions, inability to pay for the processing of recyclables, not meeting State landfill diversion requirements, and being fined daily by CalRecycle.
- City’s current reserve fund balance policy requires having at least one month of annual operating cost expenses, or 8.3%. However, with no rate adjustment, the cash balance will be negative in FY 2026 and will not meet the City’s reserve fund balance requirement.
- See Rate Scenario 1 Chart (Attachment D-1).

Rate Scenario 2: Proposed Rates – This scenario proposes to raise rates per the increases identified in the Notice of Public Hearing as noted in Table 2 below. **(Recommended)**

- For FY 2025, monthly residential rates would increase by the following amounts: 32 gallon - \$8.47, 60 gallon - \$8.75, and 100 gallon - \$5.62.
- Proposed rates would generate enough revenue to cover annual operating costs.
- Current cash balance reserve policy of one-month operating cost expenses would be met.
- 25% recommended target reserve is not met and would be approximately \$1.9M short in year five. The 25% target reserve equates to approximately three months of annual operating expenses.
- Proposed rates would be still comparable or less than other similarly sized cities.
- Would help fund the transition to Zero Emission Vehicles (ZEV).
- Rates would provide sufficient revenue to maintain both operation and capital expenditures and in FY 2028 begin to approach the target reserve policy amount.
- See Rate Scenario 2 Chart (Attachment D-2).

Table 2 – Residential and Commercial Refuse Rates as proposed in Public Hearing Notice

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
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

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
Commercial Carts							
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
Commercial Bins							
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

At the MSC Meeting on February 5, 2024, staff was asked to provide “smoothing” options for the proposed rate increases. Please note that “smoothing” scenarios are not possible since smoothed rates over the five-year period would require rate increases in latter years that exceed the Noticed rate adjustments. Rate adjustments five years from now could be calculated to recover those revenue shortfalls. In all scenarios, rates are the same or lower than the published rates on the public hearing notice, as any higher rates would require new legal noticing and an additional public hearing to be conducted. Rate Scenarios 3, 4, and 5 below include lower rates in the first year, first two years, and first three years, respectively, and would result in an underfunded system and a reduced fund balance. Staff expects the reduction in cumulative revenue would have impacts in each scenario, as outlined in the Rate Charts on Attachment D (1-5). When another rate study is conducted in five years, additional rate increases will likely be recommended at that time.

Rate Scenario 3: Lower Rates in Year 1 - This scenario would reduce the proposed fee increase in the first year only and resume the rates as published in the public hearing notice for FY 2026 – 2029 as summarized in Table 3 below. ***(Not Recommended)***

- Difference between these rates and rates published in Notice of Public Hearing were split so that the increases in FY 2025 and FY 2026 would be similar. For FY 2025 and FY 2026, monthly residential rates would increase by the following amounts: 32 gallon - \$5.10, 60 gallon - \$5.61, and 100 gallon - \$4.44.
- Current cash balance reserve policy of one-month of operating costs is met in FY 2025 and FY 2026.
- 25% recommended target reserve is not met and will be approximately \$2.8M short in year five.
- Ending cash balance would be as low as \$2 million in FY 2027 and FY 2028.
- Will not allow for any contingencies or unexpected expenditures such as emergency responses, increased disposal and recycling costs, or transition to ZEV.
- Will conduct another rate study and public hearing in five years to calculate new, likely higher rates, which would be expected to be higher than Rate Scenario 2.
- See Rate Scenario 3 Chart (Attachment D-3).

Table 3 – Lower Rates in Year 1

Description	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
		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
Residential Carts						
32 Gallon	\$16.29	(+\$5.10) \$21.39	(+\$5.10) \$26.49	\$28.35	\$30.33	\$32.46
60 Gallon	\$26.44	(+\$5.61) \$32.05	(+\$5.60) \$37.65	\$40.29	\$43.11	\$46.13
100 Gallon	\$40.99	(+\$4.44) \$45.43	(+\$4.44) \$49.87	\$53.36	\$57.10	\$61.09

Rate Scenario 4: Lower Rates in Years 1-2 – This scenario would reduce the proposed fee increase in the first and second year and resume the rates as published in the public hearing notice for FY 2027 – 2029 as summarized in Table 4 below. **(Not Recommended)**

- Difference between these rates and rates published in Notice of Public Hearing were split so that the increases in FY 2025, FY 2026, and FY 2027 would be similar.
- For FY 2025, FY 2026, and FY 2027, monthly residential rates would increase by the following amounts: 32 gallon - \$4.02, 60 gallon - \$4.62, and 100 gallon - \$4.13.
- Current cash balance reserve policy of one-month of operating costs is not met.
- 25% recommended target reserve is not met and will be approximately \$3.6M short in year five.
- Ending cash balance would be as low as \$1.3 million in FY 2027 and FY 2028.
- Will not allow for any contingencies or unexpected expenditures such as emergency responses, increased disposal and recycling costs, or transition to ZEV.
- Will conduct another rate study and public hearing in five years to calculate new, likely higher rates.
- See Rate Scenario 4 Chart (Attachment D-4).

Table 4 – Lower Rates in Years 1-2

Description	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
		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
Residential Carts						
32 Gallon	\$16.29	(+\$4.02) \$20.31	(+\$4.02) \$24.33	(+\$4.02) \$28.35	\$30.33	\$32.46
60 Gallon	\$26.44	(+\$4.62) \$31.06	(+\$4.62) \$35.68	(+\$4.61) \$40.29	\$43.11	\$46.13
100 Gallon	\$40.99	(+\$4.13) \$45.12	(+\$4.12) \$49.24	(+\$4.12) \$53.36	\$57.10	\$61.10

Rate Scenario 5: Lower Rates in Years 1-3 – This scenario would reduce the proposed fee increase in the first three years and resume the rates as published in the public hearing notice for FY 2028 – 2029 as summarized in Table 5 below. **(Not Recommended)**

- Difference between these rates and rates published in Notice of Public Hearing were split so that the increases in FY 2025 through FY 2028 would be similar.
- For FY 2025 through FY 2028, monthly residential rates would increase by the following amounts: 32 gallon - \$3.51, 60 gallon – approximately \$4.20, and 100 gallon - \$4.03.
- Current cash balance reserve policy of one-month of operating costs is not met.

- 25% recommended target reserve is not met and will be approximately \$4.3M short in year five.
- Ending cash balance would be as low as \$600,000 in FY 2027 and FY 2028.
- Will not allow for any contingencies or unexpected expenditures such as emergency responses, increased disposal and recycling costs, or transition to ZEV.
- Will conduct another rate study and public hearing in five years to calculate new, likely higher rates.
- See Rate Scenario 5 Chart (Attachment D-5).

Table 5 – Lower Rates in Years 1-3

Description	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
		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
Residential Carts						
32 Gallon	\$16.29	(+\$3.51) \$19.80	(+\$3.51) \$23.31	(+\$3.51) \$26.82	(+\$3.51) \$30.33	\$32.46
60 Gallon	\$26.44	(+\$4.23) \$30.67	(+\$4.18) \$34.85	(+\$4.18) \$39.03	(+\$4.08) \$43.11	\$46.13
100 Gallon	\$40.99	(+\$4.03) \$45.02	(+\$4.03) \$49.05	(+\$4.03) \$53.08	(+\$4.02) \$57.10	\$61.10

Table 6 – Summary of Rate Scenarios

Description	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
		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
Residential Carts						
Rate Scenario 1 - 32 Gallon	\$16.29	\$16.29	\$16.29	\$16.29	\$16.29	\$16.29
Rate Scenario 1 - 60 Gallon	\$26.44	\$26.44	\$26.44	\$26.44	\$26.44	\$26.44
Rate Scenario 1 - 100 Gallon	\$40.99	\$40.99	\$40.99	\$40.99	\$40.99	\$40.99
Rate Scenario 1 - 32 Gallon	\$16.29	\$24.76	\$26.49	\$28.35	\$30.33	\$32.46
Rate Scenario 1 - 60 Gallon	\$26.44	\$35.19	\$37.65	\$40.29	\$43.11	\$46.13
Rate Scenario 1 - 100 Gallon	\$40.99	\$46.61	\$49.87	\$53.36	\$57.10	\$61.10
Rate Scenario 1 - 32 Gallon	\$16.29	\$21.39	\$26.49	\$28.35	\$30.33	\$32.46
Rate Scenario 1 - 60 Gallon	\$26.44	\$32.05	\$37.65	\$40.29	\$43.11	\$46.13
Rate Scenario 1 - 100 Gallon	\$40.99	\$45.43	\$49.87	\$53.36	\$57.10	\$61.10
Rate Scenario 1 - 32 Gallon	\$16.29	\$20.31	\$24.33	\$28.35	\$30.33	\$32.46
Rate Scenario 1 - 60 Gallon	\$26.44	\$31.06	\$35.68	\$40.29	\$43.11	\$46.13
Rate Scenario 1 - 100 Gallon	\$40.99	\$45.12	\$49.24	\$53.36	\$57.10	\$61.10
Rate Scenario 1 - 32 Gallon	\$16.29	\$19.80	\$23.31	\$26.82	\$30.33	\$32.46
Rate Scenario 1 - 60 Gallon	\$26.44	\$30.67	\$34.85	\$39.03	\$43.11	\$46.13
Rate Scenario 1 - 100 Gallon	\$40.99	\$45.02	\$49.05	\$53.08	\$57.10	\$61.10

In conclusion, after reviewing all the rate scenarios, staff recommends implementing Rate Scenario 2 with the original proposed rates as it would meet current and future operating

expenses without impacting capital expenditures, meet current cash balance reserve of one-month of operating budget, and would approach the recommended 25% target reserve after five years. Rate Scenarios 3-5 would result in reduced revenues as compared to Rate Scenario 2 and increase the likelihood of not being able to adequately fund capital expenditures, emergency responses, zero emission vehicles and unforeseen expense increases.

Noticing and Compliance

In accordance with Proposition 218, 45-day notices were mailed on February 21, 2024 to all property owners/customers of record for the April 8, 2024 public hearing on the proposed rate adjustments to the Rates. A total of 26,488 refuse rate public hearing notices were mailed out via United States Postal Service presorted First Class Mail. A copy of the public hearing notice is included as Attachment B. The notice included information on the date and time of the public hearing as well as the following link: www.cityofpasadena.net/public-works for more information. A full list of the 5-year refuse rate adjustments (Attachment A) was posted on the Public Works Department's website. Due to the required 45-day notice and the bi-monthly billing schedule of Pasadena Water and Power bills, staff did not have a sufficient window of time to include notification with the billing statements. A press release was issued by the City's Public Information Officer on March 6, 2024 regarding the April 8, 2024 public hearing and the two community meetings held on March 19, 2024 and March 20, 2024. The public hearing notice was also posted on the Public Works website www.cityofpasadena.net/public-works with both Spanish and Mandarin translations.

Per Proposition 218, the City shall consider all protests and will count one written protest per parcel filed by an owner or tenant of the parcel, in calculating a majority protest. If the City receives written protests from a majority of property owners or ratepayers, the City Council may not implement the Refuse Collection Fee increase. There are a total of 26,488 refuse parcels in the City. At least 13,245 protests would need to be received in order to constitute as a majority protest. As of May 7, 2024, a total of 267 refuse rate protest letters and one letter of support have been received.

Customer Outreach and Education

In addition to the notice of public hearing that was mailed to all refuse collection customers, Public Works conducted various outreach to provide information and education to the community about the recommended Refuse Collection Fee rate adjustments. Public Works staff hosted two in-person public meetings on March 19 at Robinson Park Recreation Center and on March 20 at Victory Park Recreation Center. Information on the community meetings was posted on the City's social media channels, such as Facebook and X and information was provided in the City Manager's Newsletter and to District Liaisons. A list of frequently asked questions was also posted on the Public Works website and translated into Spanish.

Implementation Timeline

The table below outlines the approximate timeline and implementation schedule for the proposed rate actions.

Date	Action Item
May 13, 2024	Refuse Rate Public Hearing and City Council Vote on Proposed Rate
May 13, 2024	Adopt Resolution to Approve New Refuse Rates
June 3, 2024	Presentation and Adoption of FY 2025 General Fee Schedule by Finance Department
July 1, 2024, or as soon as practicable thereafter	Effective Date of New Refuse Collection Fee Adjustments

COUNCIL POLICY CONSIDERATION:

The recommendation is consistent with the City Council's goals to maintain fiscal responsibility and stability; and improve, maintain, and enhance public facilities and infrastructure.

ENVIRONMENTAL ANALYSIS:

The implementation of a refuse collection fee increase 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(a) and (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 sewer use fee increases are determined to be statutorily exempt from CEQA under Public Resources Code Section 21080(b)(8) and Section 15273 (Rates, Tolls, Fares, and Charges) of the State CEQA guidelines. Under these sections, 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.

This rate increase is for the foregoing purposes and therefore is exempt from CEQA.

FISCAL IMPACT:

The proposed Refuse Collection rate increases, as published in the public hearing notice, if approved, will become effective on July 1, 2024, and are expected to generate an additional \$5.5 million in revenue to cover the gap between existing rate revenue and the cost of providing refuse collection services in FY 2025. However, the fiscal impact will be dependent on the final rates that are approved by City Council. Future refuse rate increases between FY 2026 to FY 2029 will increase no higher than the published rates in the public hearing notice and will generate additional revenue to cover operational and capital expenses under the Refuse Collection Fund (Fund 406).

Respectfully submitted,



TONY OLMOS, P.E.
Director of Public Works

Prepared by:



Thanos Gauthier
Public Works Administrator

Approved by:



MIGUEL MÁRQUEZ
City Manager

- Attachment A - Five-Year Proposed Refuse Rates
- Attachment B - Public Hearing Notice
- Attachment C - Vehicle Replacement List
- Attachment D (1-5) - Rate Scenario Charts