

## Legislation Text

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File #: #18-382, Version: 1

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**PREPARED BY:** KARINEH SAMKIAN

**DATE OF MEETING:** 12/03/18

**SUBJECT:**

PUBLIC HEARING AND RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO TO CONSIDER A REQUEST FROM RICHMOND SANITARY SERVICE TO ESTABLISH MAXIMUM SOLID WASTE (TRASH, RECYCLING AND ORGANICS) COLLECTION RATES EFFECTIVE JANUARY 1, 2019 AND LIMITING ANY FUTURE SOLID WASTE COLLECTION RATE INCREASES TO NO MORE THAN THE CONSUMER PRICE INDEX CHANGES NOT TO EXCEED FIVE PERCENT (5%) EFFECTIVE JANUARY 1, 2020-2022

**CITY MANAGER RECOMMENDATION**

Conduct public hearing; adopt Resolution

**COMPLIANCE STATEMENTS**

The solid waste collection rate is an adopted policy item under *Policy Area: Infrastructure - Solid Waste Oversight and Support* in the FY 2018-21 Council Priority Workplan, effective November 1, 2017.

**CEQA Compliance Statement**

Under the California Environmental Quality Act (CEQA), establishing maximum solid waste collection rate adjustments is determined has been determined to be statutorily exempt under Public Resources Code Section 21080(b)(8) and 14 Cal. Code of Regulations section 15273 for changes to rates and charges needed to meet operating expenses as set forth in the staff report, rate application and attached reports, in addition to the categorical exemption under Section 15061(b)(3) of the CEQA guidelines, on the basis that there is no significant environmental impact as a result of the rate changes. A Notice of Exemption will be filed with the County Clerk if the resolution passes.

**BACKGROUND**

**Collection Service**

The City's Collection Franchise Agreement (Agreement) with Richmond Sanitary Service (RSS), a subsidiary of Republic Services, Inc., as amended in 1994, 1999, 2000, 2002, 2007, 2012, and 2013 gives the company the exclusive right to collect all solid waste in the City until June 30, 2025. The current services include:

**Residential**

- Weekly curbside solid waste collection (trash, recycling, and organics including food waste) and "wheel out" service for eligible residents
- On-call pick up of 15 bags (30 to 40-gallon) twice annually of trash or organics
- One annual on-call bulky item collection
- Free self-haul household hazardous waste disposal at the West County Integrated Resource Recovery Facility and the El Cerrito Recycling and Environmental Resource Center.

### Commercial & Industrial

- Solid waste collection 1 to 5 times per week
- Weekly recycling and organics collection (including food waste) for all interested commercial customers
- Weekly recycling collection for all interested multi-family customers.

### City Services

- Disposal of waste from City properties or public right-of-way collected by City employees and delivered to Golden Bear Transfer Facility
- Weekly collection service for City buildings and central collection point for parks
- Collection service for up to 15 City-sponsored community events
- Up to 64 20-yard debris boxes per year for community clean-ups

### Construction and Demolition Recycling

- Roll-off boxes

### **Existing Rates**

The monthly rate charged to ratepayers has two components: collection and post-collection charges. For example, the current rate for a 35-gallon residential container is \$30.69 (see Table 1 below) and is comprised of \$21.78 for collection charges and \$8.91 for post-collection charges. *The subject of this resolution is for the collection portion of the rate only.*

The post-collection rate includes solid waste transfer, transport, and disposal, processing of green waste, recycling, and household hazardous waste, and funding for the West Contra Costa Integrated Waste Management Authority (RecycleMore). RecycleMore on behalf of the member agencies (San Pablo, El Cerrito, Richmond, Pinole, Hercules, and the County) manages the post-collection agreement with RSS. All 2018 residential, commercial, and industrial rates are included as an attachment.

*Table 1: 2018 San Pablo Residential Solid Waste Rates*

Container Size	Collection	Post-collection	Total Monthly Rate
20 gallon	\$ 20.12	\$ 5.08	\$25.20
35 gallon	\$ 21.78	\$ 8.91	\$30.69
65 gallon	\$ 42.97	\$16.57	\$59.54
95 gallon	\$ 64.37	\$24.86	\$89.23

### **2019 Rates**

The 2013 Collection Franchise Agreement amendment with RSS set the maximum rate for 2014 and allowed for annual consumer price index changes with maximum caps. The Agreement amendment also allowed for periodic rate review and adjustments (2019 and 2023). RSS submitted the Base Year Rate Change Application on July 5, 2018 proposing a rate increase of 5.78% for residential, commercial, and industrial customers to be effective January 1, 2019 (Rate Application).

The City worked cooperatively with neighboring cities of Hercules and Pinole (who also had a Base

Year Rate change proposed of +6.35% and -2.49% respectively) to retain an industry expert to perform a high level fiscal review and analysis of the Rate Application. San Pablo, on behalf of the other cities, released a Request for Proposal on August 14, 2018 and selected R3 Consulting Group, Inc. (R3) on September 10, 2018.

R3's scope included a review of the Rate Application to confirm if:

- It is mathematically accurate;
- Expense and revenue projections are reasonable in keeping with industry standards and address near term market conditions;
- Any applicable allocations between RSS franchise areas (truck routes that cover multiple agencies) are based on verifiable documentation;
- It is consistent with applicable terms and conditions of the Collections Franchise Agreement; and
- The correct market indices were used.

R3's analysis and discussions with RSS resulted in the following changes:

- Limiting bonus pay expenses at the average of the last three years of expenses;
- Disallowing lobbying expenses;
- Correcting 2019 revenue projections at current rates; and
- Correcting franchise fee calculations.

RSS resubmitted a revised Rate Application on November 12, 2018, which reflected a new rate increase of 4.36% (see Table 2 below). Future collection rates until 2023 will be limited to no more than the consumer price index change and capped at 5% per the 2013 Collection Franchise Agreement amendment.

On November 8, 2018, the RecycleMore Board approved an increase to the post-collection rate. Many factors resulted in the increase including the downturn in the recycling market. The post-collection rate increase varies between residential, commercial, and industrial customers due to the rate setting methodology adopted by the Board. Therefore, the overall residential, commercial, and industrial rate increase also varies. For a 35-gallon residential customer, the proposed collection rate increase is \$0.95 (4.36%) and the post-collection rate increase is \$0.56 (6.29%) for an overall increase of \$1.51 (4.92%). All proposed 2019 residential, commercial, and industrial rates are included as an attachment.

*Table 2: Proposed 2019 San Pablo Residential Solid Waste Rates*

Container Size	Collection	Post-collection	Total Monthly Rate
20 gallon	\$21.00	\$ 5.40	\$26.40
35 gallon	\$22.73	\$ 9.47	\$32.20
65 gallon	\$44.84	\$17.61	\$62.45
95 gallon	\$67.18	\$26.42	\$93.60

## **PUBLIC NOTICE**

Notice of the public hearing was published twice in the West County Times in November as shown on the attachments. To date, no public comments have been received. If any comments are received,

they will be included in a supplemental report to the City Council.

**FISCAL IMPACT**

There is no fiscal impact to the City associated with this action. Rates increases will affect solid waste customers within the City's jurisdiction.

**ATTACHMENTS**

- Attachment 1 - 2018 Solid Waste Rates
- Attachment 2 - Proposed 2019 Solid Waste Rates
- Attachment 3 - R3 Consulting Group, Inc. Report
- Attachment 4 - Public Hearing Notice
- Attachment 5 - Proof of Publication