



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### **AGENDA ITEM**

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Report: Solid Waste Collection Rates and Commencement of Proposition 218 Notice and Public Hearing Process for the Purpose of Adopting New Solid Waste Collection Rates for Single-Family and Small Multi-Family Customers

1. Motion authorizing staff to commence the Proposition 218 Notice and Public Hearing Process for the purpose of adopting new solid waste collection rates for single-family and small multi-family customers

### **COUNCIL ACTION**

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**Item Type:** Action Item

**Approved for** September 13, 2022 **calendar**

### **EXECUTIVE SUMMARY**

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Refuse collection rates were last revised twelve years ago in 2010. In consideration of significant factors driving cost increases, including China's ban on recyclables, state mandates under SB 1383 and the pending closure of Scholl Canyon Landfill, as well as increases in projected operating and capital expenses, additional revenues from solid waste collection rates are necessary. To fully fund the City's solid waste operations over the next five years, the City's collection rates must be increased over several years, as detailed in the Analysis section.

Although the City's solid waste collection rates need to be increased, the same trends that are creating upward pressure on the City's rates are also impacting all other jurisdictions in California. Even with the proposed rate adjustment, Glendale's new rates for residential and multi-family of less than 5 units, will be lower than many cities within Los Angeles County, for similar solid waste collection services.

## **COUNCIL PRIORITIES**

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Environmental Stewardship: Establishment of solid waste collection rates commensurate with the cost of operations and regulatory compliance ensures resources are available to sustain optimum integrated waste services to the community, and achieve compliance with State regulations and laws. These rates fund programs that divert recyclable and organic materials from the landfill, as well as edible food recovered for the food insecure members of the community.

## **RECOMMENDATION**

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Authorize staff to proceed with the Proposition 218 notice and public hearing process for the purpose of adopting new solid waste collection rates for single-family and small multi-family (2-4 units) customers.

## **BACKGROUND**

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Since 2010, Public Works Department Integrated Waste Division has experienced significant increases in general operational costs, including substantial costs associated with the unfunded mandates required with the implementation and ongoing management of recent State laws; most notably the SB 1383 compliance demands.

Over the last twelve years, these additional costs include overall expenditures for general integrated waste operations, which have increased over 46 percent (approximately \$8 million/year). Along with the general cost of providing solid waste collection services going up over this twelve-year period, the Scholl landfill tipping fee has only increased by over 25 percent over this time frame.

Further, over the past five years, a volatile recycling market has resulted in the City having to move from the paradigm of being paid for recyclable commodities, which resulted in an approximate annual revenue of \$345,600, to one where the City is having to pay for the processing of the recyclable materials that costs an average of \$518,400 annually, resulting in a net annual cost impact of approximately \$864,000.

Compounding the general increases in expenditures over the past twelve years and the cumulative impact of annual inflation, was the impact of franchising the City's commercial services while continuing to provide service for the remaining single-family residential customers, and multi-family customers with two to four dwelling units. While discontinuing municipal services to commercial customers reduced operational costs, it also reduced revenue. The reduction in the City's overall solid waste customer base brought about by franchising the business and large multi-family customer sectors has resulted in the City having fewer customers over which it is able to allocate its fixed costs.

Moreover, in addition to the major factors above that are driving the need for a rate increase, the City is in the midst of complying with the most sweeping changes to State solid waste regulations in the last thirty years. Among several new laws that have

impacted the City’s general operations, administrative duties, and regulatory responsibilities, including AB 341, AB 1826, and AB 1594. The latter of which, for example, began effective January 1, 2020, and mandated that California could no longer consider the use of green material as alternative daily cover for diversion credit, so the City had to begin hauling these materials to a separate location and paying to have this material recycled.

Most significantly, SB 1383 is bringing about several fundamental changes to municipal solid waste management.

Under SB 1383, all local jurisdictions must arrange for the collection of organics, ensure that edible food is recovered, conduct education and outreach, purchase a certain amount of organic content products, secure access to organic processing capacity, and conduct extensive monitoring, compliance, and enforcement activities. As a result, solid waste rates throughout the State are increasing significantly. Glendale is no exception as projected expenditures associated with these unfunded mandates have and will continue to rise.

Historically, State mandates have burdened Glendale’s municipal waste management operations. The requirements to divert green waste, and now organic waste materials as part of SB 1383, has resulted in daily service routes that take substantially longer to complete, requiring additional overtime and staff fatigue. Public Works recently embarked upon a program to optimize and right-size routes under a one pass system, where refuse, recycling and organics are serviced separately by drivers specifically assigned to collect and directly haul that solid waste commodity for processing at a respective facility. While this program has solved many operational programs attributable to overly long routes, it also increased the number of weekly routes and need for additional drivers and side-loading refuse trucks.

Further, staff is preparing for the imminent closure of the Scholl Canyon Landfill, which is expected to take place within the next three to five years. Once the Landfill is closed, the City collected refuse will also have to be diverted to another location within the region for processing and disposal. In anticipation of this, staff has been examining several options and alternative destinations for this displaced waste stream. Preliminary analysis of the costs associated with this transition are anticipated to result in an operational increase of over \$1.4 million per year and an initial capital expense of \$640,000 (to purchase the two new vehicles). Operational costs are expected to include an approximate 68% per ton increase in tipping fees for refuse material, two additional daily routes to accommodate the increased distance to the refuse processor, which will result in the need for two additional truck operators, and increased fuel, maintenance, and depreciation costs for the aforementioned vehicles. See Table 1 below:

**Table 1 – Rate impacts of SCLF closure**

		FY 2025	FY 2026	FY 2027	FY 2028	Total
Incremental Landfill Disposal Cost:			\$717,174	\$1,434,347	\$1,434,347	\$3,585,868
Cost of 2 new trucks		\$640,000				\$640,000
Total Incremental Cost						\$4,225,868
Residential Rate Revenue			\$22,335,226	\$24,362,440	\$26,571,420	\$73,269,086
Incremental Cost as Percent of Revenue						5.8%
Projected 96 gal SFR rate			\$56.28	\$60.78	\$65.64	
Incremental Cost as Percent of Revenue			5.8%	5.8%	5.8%	
Impact on Rates			\$3.25	\$3.51	\$3.79	

In April 2022, the City authorized MSW Consultants, a solid waste consultant, to prepare a detailed Cost of Services Study (COSA) to determine a rate structure that accurately reflects the cost of providing these waste management services including collection, diversion programs, outreach, and disposal. The final COSA is attached as Exhibit 1 and demonstrates the need for proposed waste adjustments.

To adequately fund the ongoing refuse and recycling related programs, staff proposes the rate increases detailed in the analysis below with the initial rate increase taking effect on January 1, 2023 pending the public hearing recommended for approval by Council this evening.

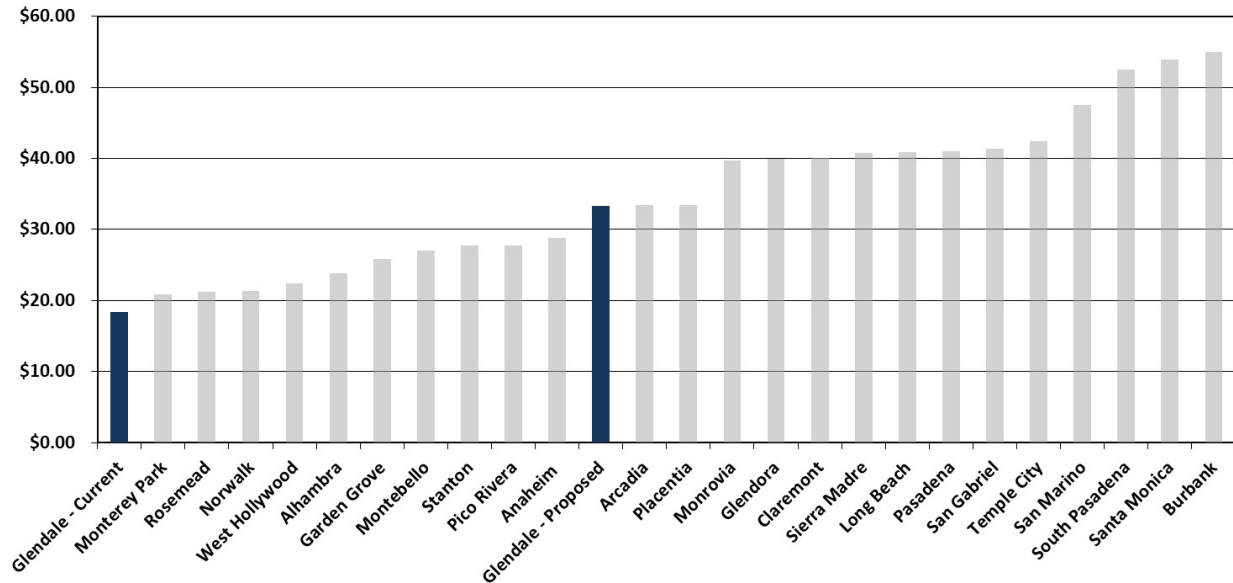
## ANALYSIS

The City's refuse collection rates, which were last increased in 2010, do not accurately reflect the City's current cost of service. As a result, the initial rate adjustment on January 1, 2023, will restructure the rate schedule to ensure that they more accurately reflect the City's actual cost of service for each service type. Not all City customers will receive the same initial rate adjustment. For example, single family residential customers with a 64-gallon container will initially receive a \$17.58 increase. However, single-family customers with a 96-gallon container will initially receive an \$15.01 increase. After the rates are restructured in January 2023, customer rates will be adjusted across the board by the same percent each year thereafter on July 1st.

The Rate Adjustment Table (Exhibit 2) shows the current and proposed rates for customers with most common levels of service. The proposed rates are the result of an evaluation of the current and future financial performance of the City's solid waste operations, as reflected in the COSA prepared by MSW consultants.

The same trends that are creating upward pressure on the City's rates are also impacting all other jurisdictions in California. Even after the City's rates are adjusted, they are expected to be lower than many other jurisdictions within LA County, for similar solid waste collection services. A comparison of the City's proposed initial single-family rate to those in other jurisdictions in the region is shown below in Chart 1.

**Chart 1 – Rate Comparison – Monthly Rate for Single-family Collection Service**



Proposition 218 requires the City to satisfy various requirements on the use and collection of solid waste rates, and sets procedural requirements that must be met to increase said rates. Prop. 218 imposes substantive restrictions on the imposition and use of property-related fees, where the revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service; the revenues derived from the fee or charge cannot be used for any purpose other than that for which the fee or charge was imposed; and the amount of the fee upon any parcel or person cannot exceed the proportionate cost of the services attributable to that parcel. Cal. Const., Art. 130, Sec. 6(b)(1)-(3).

Prop. 218 requires that written notice of the proposed property-related fee or charge (Prop. 218 Notice) be mailed to the record owner of each identified parcel within the jurisdiction. Prop. 218's definition of property ownership includes tenants where the tenant is directly liable to pay the fee or charge at issue. The Prop 218 Notice must state: that a fee increase is proposed; the amount of the proposed increase; the basis for the calculation of the proposed fee; the reason for the fee. The Prop. 218 Notice must also provide the date, time, and location of the proposed public hearing on the proposed fee or charge (Prop. 218 Hearing).

If written protests to the proposed fee or charge are received by a majority of the parcels prior to the date and time of the Prop. 218 Hearing, the rates at issue will not increase. If written protests are not received by a majority of the parcels, the City Council may adopt the proposed rate changes. If adopted, the proposed rates will go into effect thirty days after the date of adoption.

For the foregoing reasons, it is respectfully recommended and requested that the City Council authorize staff to proceed with the issuance of the Prop. 218 Notice.

## **STAKEHOLDERS/OUTREACH**

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Following Council's setting the public hearing, staff will promptly mail a letter to property owners and current customers notifying them of the public hearing date, and will update the Public Works website to provide more detailed information about the proposed rate change.

## **FISCAL IMPACT**

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Prior to the franchising of commercial waste hauling services, the City built up a fund balance in the Refuse Fund of over \$30 million due to savings from positions being held vacant and vehicle replacements delayed in anticipating of the transition to services to private haulers. After commercial franchising was implemented on December 1, 2021, service for single-family and multi-family 2-4 units has been covered by this fund balance despite the cost of these services far exceeding current rates. As shown in the COSA, without a rate adjustment this fund balance is projected to be depleted in 2024.

Staff recommends the fee increases presented on the Rate Adjustment Table (Exhibit 2). The justifications for these increases are demonstrated in the Exhibit 2 of the COSA. Once implemented, based upon projected revenues relative to O&M and necessary capital expenditures, staff estimates this rate increase will result in the cash balance in the Refuse Fund balancing out with a revenue reserve of \$6.1 million projected for FY 2024, and remain balanced in a range between approximately \$3.8 million and \$6.3 million over the following fiscal years through FY 2028.

This action is necessary to address rising operational costs and to ensure that revenues are keeping pace with required capital expenditures.

## **ENVIRONMENTAL REVIEW**

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This item is considered a ministerial activity and therefore, not subject to CEQA review.

## **CAMPAIGN DISCLOSURE**

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This item is considered a ministerial activity and therefore, not subject to Campaign Disclosure.

## **ALTERNATIVES**

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Alternative 1: Approve Motion authorizing staff to commence the Proposition 218 Notice and Public Hearing Process for the purpose of adopting new solid waste collection rates for single-family and small multi-family customers.

Alternative 2: Take no action, which will result in depletion of the cash balance in the Refuse Fund by early FY 2024, and Glendale's solid waste management service will be operating in a deficit.

Alternative 3: Consider any other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

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**Prepared by:**

Dan Hardgrove, Assistant Director of Public Works

**Approved by:**

Roubik R. Golanian, P.E., City Manager

## **EXHIBITS / ATTACHMENTS**

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1. Cost of Service Analysis by MSW Consultants for the City of Glendale
2. Rate Adjustment Table