



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

### AGENDA ITEM

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Report: Solid Waste Collection Rates

- (1) Public Hearing Regarding the Restructuring and Increase of Solid Waste Collection Rates
- (2) Resolution for Restructuring and Increase of Solid Waste Collection Rates

### COUNCIL ACTION

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**Item Type:** Action Item

**Approved for** \_\_\_\_\_ **June 6, 2023** \_\_\_\_\_ **calendar**

### EXECUTIVE SUMMARY

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Solid waste collection rates in the City were last revised 13 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 a number of years, as detailed in the Analysis section of this report.

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 initial rate adjustment, Glendale's rates for residential and multi-family of less than 5 units, will be lower than the average of a large number of comparable cities within Los Angeles County region, for similar solid waste collection services. Furthermore, Glendale's rates will remain competitive with other cities over subsequent years.

## **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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That the City Council conduct a public hearing in accordance with Proposition 218 and approve the attached Resolution adopting new solid waste collection rates for single-family and small multi-family customers.

## **BACKGROUND**

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Since 2010, the Public Works Department 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, including overall expenditures for general integrated waste operations, 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 increased by 56 percent over this time frame.

Additionally, 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 13 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 franchising of 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, the City is in the midst of complying with the most sweeping changes to State solid waste regulations in the last 30 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, became effective January 1, 2020, and mandated that California could no longer consider the use of green material as alternative daily cover for diversion credit. Therefore, the City had to begin hauling these materials to a separate location and paying to recycle them.

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, 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 will solve many operational programs attributable to overly long routes, it will also increase the number of weekly routes and need for additional drivers and side-loading refuse trucks.

Additionally, staff is preparing for the imminent closure of the Scholl Canyon Landfill, which is expected to take place within the next two to three years. Once the landfill is closed, the refuse collected in the City 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 two new vehicles). Operational costs are expected to include an estimated 68% per ton increase in tipping fees for refuse material, two additional drivers to operate the new daily routes necessary to accommodate the increased distance to the refuse processor, and increased fuel, maintenance and depreciation costs for the aforementioned vehicles.

In April 2022, the City authorized MSW Consultants, 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.

On September 13, 2022, the City Council authorized staff to commence the public notification and public hearing process for the January 10, 2023, public hearing date. The City Council opened the public hearing on this date, accepted testimony and continued the matter to January 31, 2023 due to the absence of two Council Members.

At the January 31, 2023, City Council meeting the City Council closed the public hearing and directed staff to revise the presented COSA to eliminate an initial rate adjustment on February 1, 2023 and subsequent rate adjustment on July 1, 2023, and to combine them into a single initial rate adjustment on July 1, 2023.

Once the COSA was revised as detailed in the analysis section of this report, staff started a new Proposition 218 public notification process. On April 17, 2023, the City mailed the

subject notice of the public hearing to all parcel owners and current customers in Glendale, notifying them of the June 6, 2023 public hearing date. The notice was sent in three languages, included an introductory paragraph describing the purpose of the notice, the date of the public hearing, a table detailing all of the proposed rates, and an explanation of the protest process for customers opposed to the rate increases. The final COSA is attached as Exhibit 1 and demonstrates the need for the proposed waste adjustments.

## **ANALYSIS**

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The City's refuse collection rates, which were last increased in 2010, do not accurately reflect the City's current cost of service. Current rates for individual collection activities, such as servicing a 96-gallon container once per week or servicing a two cubic yard bin two times per week, are now completely inconsistent with the actual costs (time, equipment, labor, etc.) for providing that particular service. As a result, the initial rate adjustment on July 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 \$17.06 increase. However, single-family customers with a 96-gallon container will initially receive a \$14.00 increase. After the rates are restructured in July 2023, customer rates will be adjusted across the board by the same percent each year, and thereafter on July 1st.

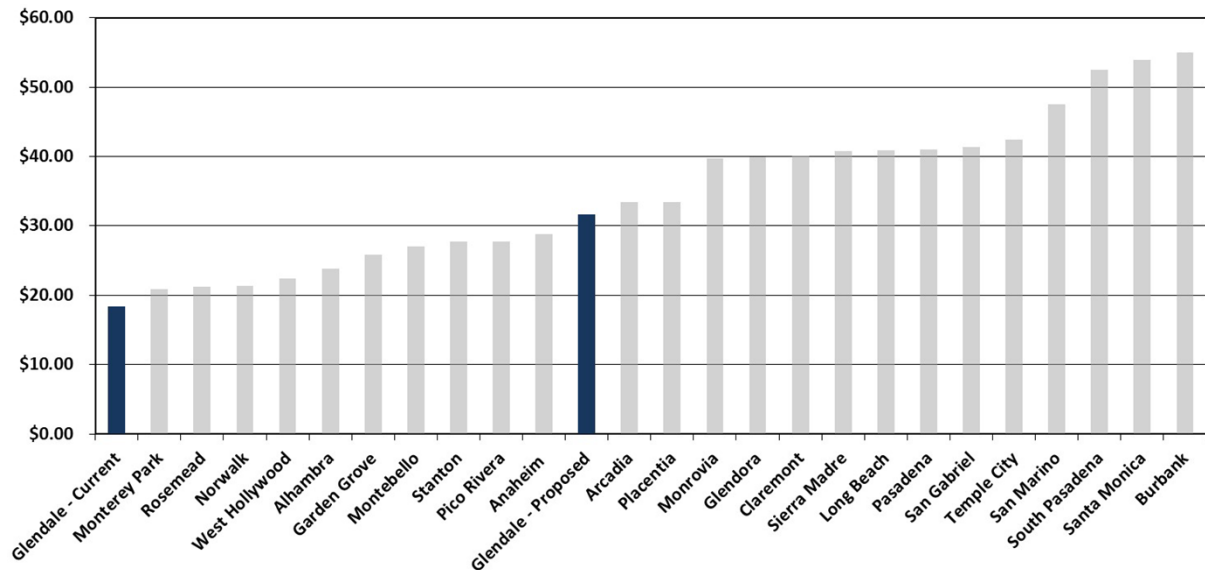
In addition to updating operation and maintenance costs since the completion of the COSA reviewed by Council in January, the revised COSA also examined the impacts of consolidating the initial rate adjustment that was proposed for February 1, 2023 with the initially proposed July 1, 2023 rate adjustment. All costs and revenues being considered, the compounded initial rate adjustment to a single date would have imposed a rate increase on City customers that would have been well over 100% in the first year. In light of this, and the objective of minimizing the burden on rate payers by spreading adjustment out over multiple years, staff examined ways to balance the impacts of relative expenditures versus dwindling revenues by retaining a bare minimum fund balance over the next three fiscal years, while achieving the objective fund balance by the end of the term examined by the COSA in FY 2027-28. The solid waste industry Best Management Practice is to retain a minimum balance of 25% of operating costs as a target reserve balance. This represents three months' worth of operating costs. The idea is that if there was some type of significant expense obligation or emergency circumstance, the City would have enough resources to operate for at least three months while recovering from the emergency circumstance. For the City of Glendale, this equates to about \$5 million dollars in reserve funding.

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 Glendale'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 in order 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 (including customers of record) of each identified parcel within the jurisdiction. 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; and 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. There are 27,118 parcels that are subject to the proposed rate increase.

The Prop. 218 Notice was mailed to all City residential customers and multi-family residences of less than five units on April 17, 2023, which set forth the hearing date of

June 6, 2023.

## **STAKEHOLDERS/OUTREACH**

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Following City Council determination to close the public hearing and revise the COSA at the January 31, 2023, meeting, staff had the COSA updated and then recommenced 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. The official Prop. 218 Notice was mailed to all City residential customers and multi-family residences of less than five units. The Prop. 218 Notice was sent on April 17, 2023, and included versions of the same information in English, Armenian and Spanish. In addition, all three versions of the letter were made available on the City's website along with the final COSA Report, the Agenda Report, and FAQs on the rate adjustments and public notice process.

## **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 anticipation of the transition to services by private haulers. After commercial franchising was implemented on December 1, 2021, service expenses for single-family and multi-family 2-4 units has been drawn down from this fund because the cost of these services far exceeds current rate revenue. 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 COSA (Exhibit 1). 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 \$5.7 million projected for FY 2024, and remain balanced at an average of approximately \$2 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 not subject to the California Environmental Quality Act ("CEQA") and, therefore, an environmental review is not required pursuant to Section 21080(b)(8) of the California Public Resources Code and Sections 15272(a) and 15061(b)(3) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3 because CEQA does not apply to the establishment, modification, restructuring, or approval of rates and other charges by public agencies for purposes such as those set forth herein.

## **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: Conduct the public hearing and approve the attached Resolution adopting

new solid waste collection rates for single-family and small multi-family customers.

Alternative 2: Do not approve the attached Resolution, 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, April 13, 2023
2. Rate Adjustment Table