

Proposition 218 Procedures and Five Year Zero Waste Rate Schedule

April 25, 2023



Programs/Services over 5 Years

- ▶ Preconstruction Costs for Transfer Station Replacement
- ▶ Ecology Center, Community Conservation Center, and other contracted services
- ▶ Stormwater Compliance at Transfer Station
- ▶ SB 1383 Compliance (unfunded mandate)
- ▶ Vehicle Replacement & Maintenance
- ▶ Ordinance implementation - Single Use Foodware and Plastic Bags
- ▶ Road Maintenance due to impacts of heavy collection vehicles
- ▶ Make ZW customers eligible for City's *Very Low-Income Refund* Program

Updates Since February 28 Work Session

- ▶ Revised rates for 64- and 96-gallon containers to match cost of service
- ▶ Updated *Other Fees*, e.g., distance charges, extra pickups, container cleaning
- ▶ Added responses in staff report to questions raised at work session, e.g., tons landfilled over time, citation revenue, etc.
- ▶ Included ordinance amendment re: *Very Low Income Refund Program*
- ▶ Included in tonight's packet a rate alternative that reduces rate increases by removing \$7.0 million in costs related to heavy vehicle impacts on road maintenance

Background: Current Rates

- ▶ One residential rate for all 3 services

- ▶ Separate rates for commercial customers
 - ▶ Refuse/Recycling (includes 1x per week recycling collection)
 - ▶ Organics (required by SB 1383)

Solid Waste Container Size	Current \$/mo.	Current Subscriptions	
		#	%
13-gallon	\$17.78	744	3.1%
20-gallon	\$27.30	3,077	12.7%
32-gallon	\$43.66	13,670	56.5%
45-gallon	\$61.38	21	0.1%
64-gallon	\$87.28	5,585	23.1%
96-gallon	\$130.87	1,087	4.5%

SW Container: Frequency	Carts (gallons)			Bins (cubic yards)			
	32	64	96	1	2	3	6
1 /week	\$35.89	\$71.74	\$107.57	\$173.77	\$327.29	\$480.92	\$947.99
2 /week	\$75.34	\$150.63	\$225.92	\$335.35	\$650.47	\$965.71	\$1,917.60
3 /week	\$112.97	\$225.92	\$338.89	\$489.63	\$958.95	\$1,428.48	\$2,843.10
4 /week	\$157.82	\$315.60	\$473.39	\$673.28	\$1,326.20	\$1,979.39	\$3,944.87
5 /week	\$206.24	\$412.44	\$618.61	\$871.58	\$1,722.85	\$2,574.35	\$5,134.80
6 /week	\$258.19	\$516.45	\$774.64	\$1,084.59	\$2,148.89	\$3,213.38	\$6,412.88
7 /week	\$301.25	\$602.49	\$903.73	\$1,260.88	\$2,501.46	\$3,742.22	\$7,470.61

Org Container: Frequency	Carts (gallons)			Bins (cubic yards)			
	32	64	96	1	2	3	6
1 /week	\$28.71	\$57.39	\$86.06	\$139.02	\$261.83	\$384.74	\$758.39
2 /week	\$60.27	\$120.50	\$180.74	\$268.28	\$520.38	\$772.57	\$1,534.08
3 /week	\$90.38	\$180.74	\$271.11	\$391.70	\$767.16	\$1,142.78	\$2,274.48
4 /week	\$126.26	\$252.48	\$378.71	\$538.62	\$1,060.96	\$1,583.51	\$3,155.90
5 /week	\$164.99	\$329.95	\$494.89	\$697.26	\$1,378.28	\$2,059.48	\$4,107.84
6 /week	\$206.55	\$413.16	\$619.71	\$867.67	\$1,719.11	\$2,570.70	\$5,130.30
7 /week	\$241.00	\$481.99	\$722.98	\$1,008.70	\$2,001.17	\$2,993.78	\$5,976.49

Current and Projected Cost-of-Service Breakdown

	Revenue at Current Rates	FY 2024 Expense	Surplus/ (Shortfall)	Rate Adj Necessary
Residential	\$16,539,263	\$24,829,026	(\$8,289,764)	50.1%
Commercial	21,376,841	21,456,373	(\$79,532)	0.4%
	<u>\$37,916,103</u>	<u>\$46,285,399</u>	<u>(\$8,369,296)</u>	22.1%

- ▶ Residential rates are well below the cost-of-service
- ▶ Commercial rates need a slight increase to keep up with rising costs

Residential Rates (Current vs. FY 2024 Cost-of Service)

Solid Waste Container Size	Current \$/mo.	FY 2024 COS \$/mo.	Difference	
			\$	%
13-gallon	\$17.78	\$51.44	\$33.66	189%
20-gallon	\$27.30	\$53.51	\$26.21	96%
32-gallon	\$43.66	\$58.34	\$14.68	34%
45-gallon	\$61.38	\$66.63	\$5.25	9%
64-gallon	\$87.28	\$75.60	(\$11.68)	-13%
96-gallon	\$130.87	\$94.47	(\$36.40)	-28%

- ▶ July 1, 2023 rate increases if COS re-alignment is transitioned all in Year 1
- ▶ HF&H and staff developed a phase-in approach to reaching COS for small containers

Staff recommends phased-in *Cost of Service* approach

- ▶ Phase-in rate increases to smaller containers to reduce steep rate increases
 - ▶ Maximum annual increase of \$6.00 per month per year
- ▶ Current rates which exceed their COS are reduced to COS
- ▶ Fund Balance is used to allow this phased-in approach
- ▶ Small container rates will be closer to, but not reach, the full cost-of-service by FY 2028 under this scenario
- ▶ Includes \$7.0 million in Road Maintenance expenses

Solid Waste Container Size	Current \$/mo.	FY 2024 \$/mo.	Change \$/mo.	FY 2025 \$/mo.	Change \$/mo.	FY 2026 \$/mo.	Change \$/mo.	FY 2027 \$/mo.	Change \$/mo.	FY 2028 \$/mo.	Change \$/mo.
13-gallon	\$17.78	\$23.78	\$6.00	\$29.78	\$6.00	\$35.78	\$6.00	\$41.78	\$6.00	\$47.78	\$6.00
20-gallon	\$27.30	\$33.30	\$6.00	\$39.30	\$6.00	\$45.30	\$6.00	\$51.30	\$6.00	\$57.30	\$6.00
32-gallon	\$43.66	\$49.66	\$6.00	\$55.66	\$6.00	\$61.66	\$6.00	\$67.66	\$6.00	\$73.66	\$6.00
45-gallon	\$61.38	\$66.63	\$5.25	\$72.63	\$6.00	\$78.63	\$6.00	\$84.63	\$6.00	\$88.09	\$3.47
64-gallon	\$87.28	\$75.60	(\$11.68)	\$81.60	\$6.00	\$87.60	\$6.00	\$93.60	\$6.00	\$99.60	\$6.00
96-gallon	\$130.87	\$94.47	(\$36.40)	\$100.47	\$6.00	\$106.47	\$6.00	\$112.47	\$6.00	\$118.47	\$6.00

Commercial Rates (Current vs. FY 2024 COS)

Solid Waste Container Size	# of Customers	Current \$/mo.	FY 2024 COS \$/mo.	\$ Difference
32-gallon, 1x/wk	528	\$35.89	\$36.02	\$0.13
64-gallon, 1x/wk	479	\$71.74	\$72.01	\$0.27
96-gallon, 1x/wk	518	\$107.57	\$107.97	\$0.40
96-gallon, 2x/wk	148	\$225.92	\$226.76	\$0.84
1 CY, 1x/wk	226	\$173.77	\$174.41	\$0.64
2-CY, 1x/wk	160	\$327.29	\$328.50	\$1.21

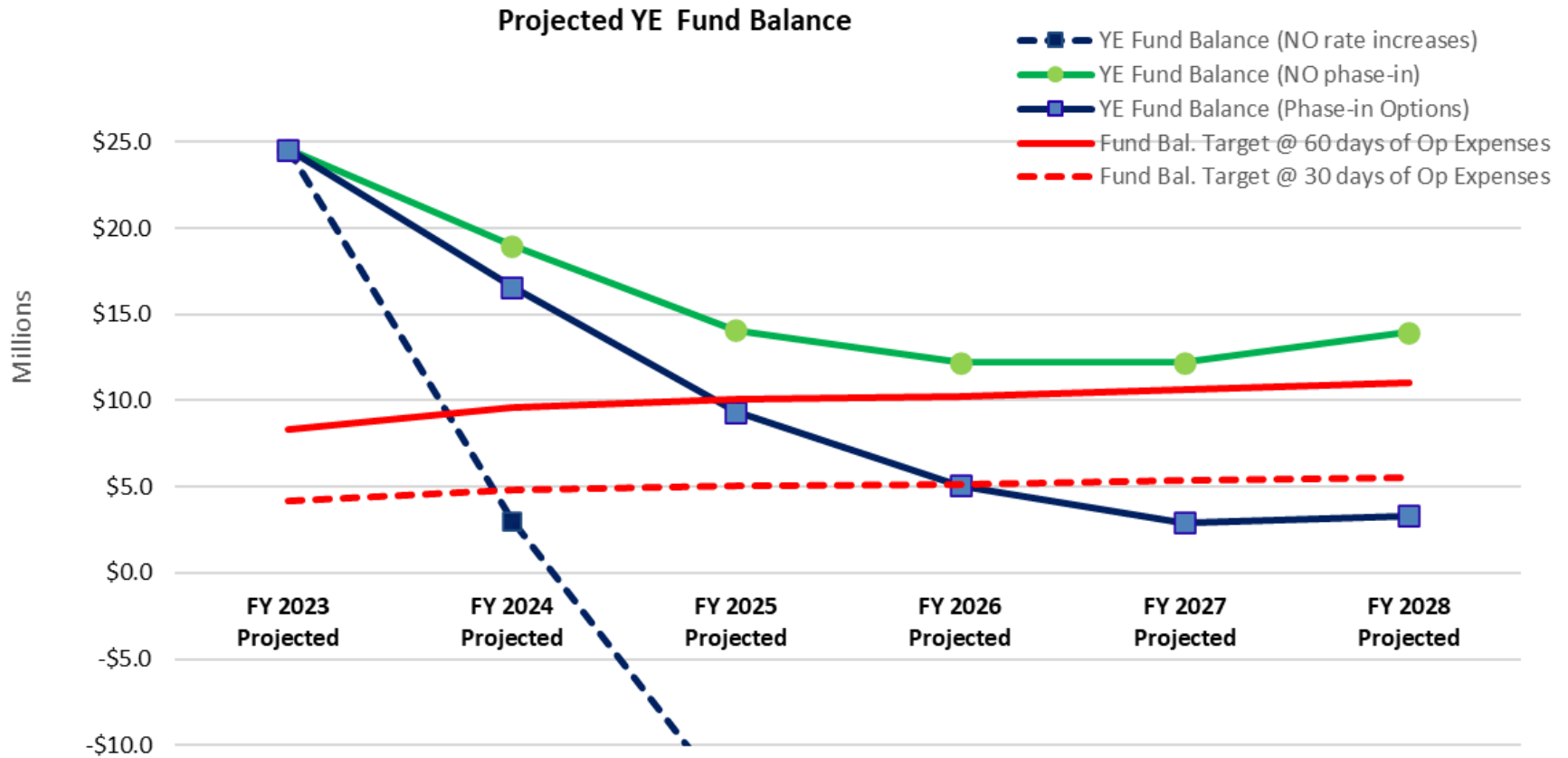
- ▶ Table reflects most-common subscription levels; represents 62% of commercial/multi-family customers
- ▶ Solid Waste rate includes 1x/week recyclable material collection - Organic collection charged separately based on customer needs
- ▶ Current rates are very close to their COS - 0.4% increase for FY 2024 is necessary

Commercial Rates

- ▶ No phase-in necessary - Current rates are very close to the current COS
- ▶ Increases for FY 25-28

		% Chg:							
		0.4%	9%	9%	7%	4%			
Solid Waste Container Size	# of Customers	Current \$/mo.	FY 2024 \$/mo.	FY 2025 \$/mo.	FY 2026 \$/mo.	FY 2027 \$/mo.	FY 2028 \$/mo.	FY 2028 vs. Current	Avg. Incr. \$/mo.
32-gallon, 1x/wk	528	\$35.89	\$36.03	\$ 39.28	\$ 42.81	\$ 45.81	\$ 47.64	\$11.75	\$2.35
64-gallon, 1x/wk	479	\$71.74	\$72.03	\$ 78.51	\$ 85.58	\$ 91.57	\$ 95.23	\$23.49	\$4.70
96-gallon, 1x/wk	518	\$107.57	\$108.00	\$ 117.72	\$ 128.32	\$ 137.30	\$ 142.79	\$35.22	\$7.04
96-gallon, 2x/wk	148	\$225.92	\$226.83	\$ 247.24	\$ 269.49	\$ 288.36	\$ 299.89	\$73.97	\$14.79
1 CY, 1x/wk	226	\$173.77	\$174.47	\$ 190.17	\$ 207.29	\$ 221.80	\$ 230.67	\$56.90	\$11.38
2-CY, 1x/wk	160	\$327.29	\$328.60	\$ 358.17	\$ 390.41	\$ 417.74	\$ 434.45	\$107.16	\$21.43

Projected Fund Balance



City Council Action

▶ Staff Recommendation

- ▶ Phase-in COS rates - maximum \$6/month increase to residential rates
- ▶ Funds \$7.0 million in Road Maintenance expenses

▶ Rate Alternative

- ▶ Phase-in COS rates - maximum \$4.50/month increase to residential rates
- ▶ Does not fund \$7.0 million in Road Maintenance expenses

▶ Take no action

- ▶ Compliance risks with SB 1383, stormwater regulations, etc.
- ▶ Slows down local foodware/plastic bag ordinance implementation and fleet electrification/replacement
- ▶ Staff will return in FY 2024 with service reduction options to ensure the Zero Waste Fund remains financially viable

Next Steps

- ▶ 4/25 Seeking City Council approval:
 - ▶ to initiate Proposition 218 process
 - ▶ to make ZW customers eligible for City's *Very Low Income Refund* Program (\$100,000 in General Funds needed, revise ordinance)
- ▶ If approved, City staff mail notices to ratepayers with proposed rate schedule no later than 5/12. Notice includes rates for next five-year period.
- ▶ 6/27 City Council can approve rates if no majority protest occurs
- ▶ 7/1 New rates go into effect; process to update billing may take longer

Q&A

- ▶ Zero Waste Strategic Plan and various initiatives, e.g., biweekly trash pickup, no trash pickup, elimination of 64- or 96-gallon containers, etc.
- ▶ “Maximum” rates, “migration” and lowered costs
- ▶ Proposition 218 majority protest procedures