

Seeking Input on Proposed Five Year Rate Schedule

City Council Work Session
4 pm
February 28, 2023



Zero Waste Rate History

- ▶ Initial Five (5) Year Rate Schedules with Resolution No. 66,600 - N.S. by City Council May 20, 2014. Scheduled rate adjustments FY2015 through FY2019
- ▶ Last increase was in FY2020, 3.8% increase (CPI), across all rates
- ▶ December 2021, five-year cost-of-service rate study completed and presented to Council - Council takes no action
- ▶ 2022: Revise rate model with updated cost projections and phase-in option
- ▶ Two February 2023 briefings with Zero Waste Commission subcommittee
- ▶ Today's work session to provide input and feedback on potential Rate Adjustments for FY2024 - FY2028

Zero Waste Rates Pay For...

- ▶ Collection of solid waste, recyclable materials, and organic materials
 - ▶ Residential recyclable material collection provided by Ecology (contracted third-party)
- ▶ Transfer Station operations and off-site hauling of C&D, organics, and refuse to recycling and disposal facilities
- ▶ Processing of recyclable materials by Community Conservation Center (contracted third-party)
- ▶ Clean City Program
- ▶ Mattress and carpet recycling
- ▶ Used motor oil recycling (residential only)
- ▶ Outreach & Implementation of City ZW-related Ordinances

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%

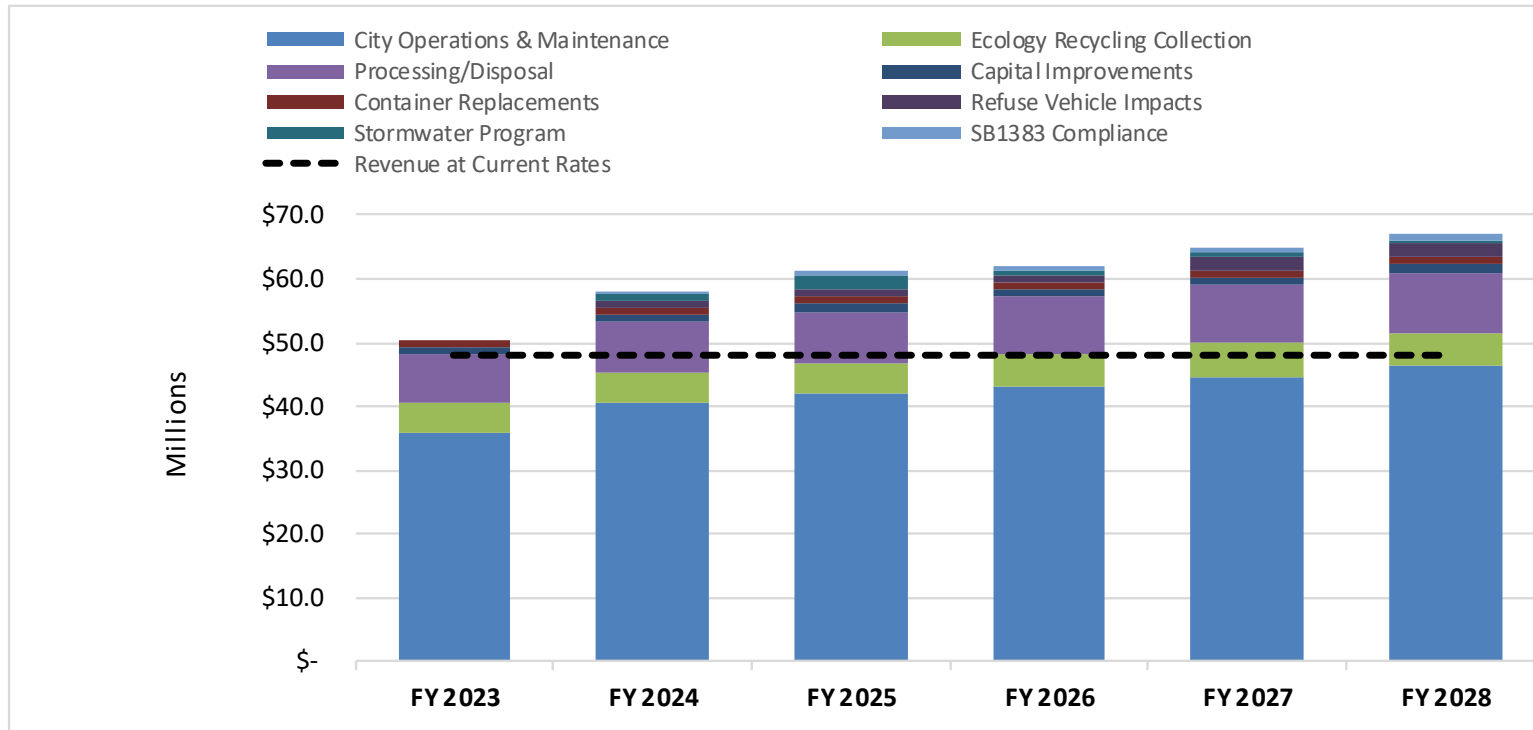
SW Container: Frequency	Carts (gallons)			Bins (cubic yards)			
	32	64	96	1	2	3	6
1 /week	\$35.89	\$71.74	\$107.57	\$173.77	\$327.29	\$480.92	\$947.99
2 /week	\$75.34	\$150.63	\$225.92	\$335.35	\$650.47	\$965.71	\$1,917.60
3 /week	\$112.97	\$225.92	\$338.89	\$489.63	\$958.95	\$1,428.48	\$2,843.10
4 /week	\$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

New Cost Challenges/Opportunities - Next 5 Years

- ▶ Preconstruction Costs for Transfer Station Replacement (CEQA, Design and Engineering Costs): ~\$6.8 million
- ▶ Collection Container replacements: ~\$5.9 million
- ▶ Stormwater Compliance: ~\$5.0 million
- ▶ SB 1383 Compliance (unfunded mandate): ~\$2.4 million
- ▶ Vehicle Replacement & Maintenance Costs: ~\$14.8 million (change in attribution methodology by City's Equipment Maintenance Division)
- ▶ Ordinance implementation - Single Use Foodware and Plastic Bags: ~\$1.0 million
- ▶ Road Maintenance due to impacts of heavy collection vehicles: ~\$7.0 million
- ▶ Add ZW Customers to City's Very Low-Income Refund Program

Annual Revenue Required to Support ZW Activities



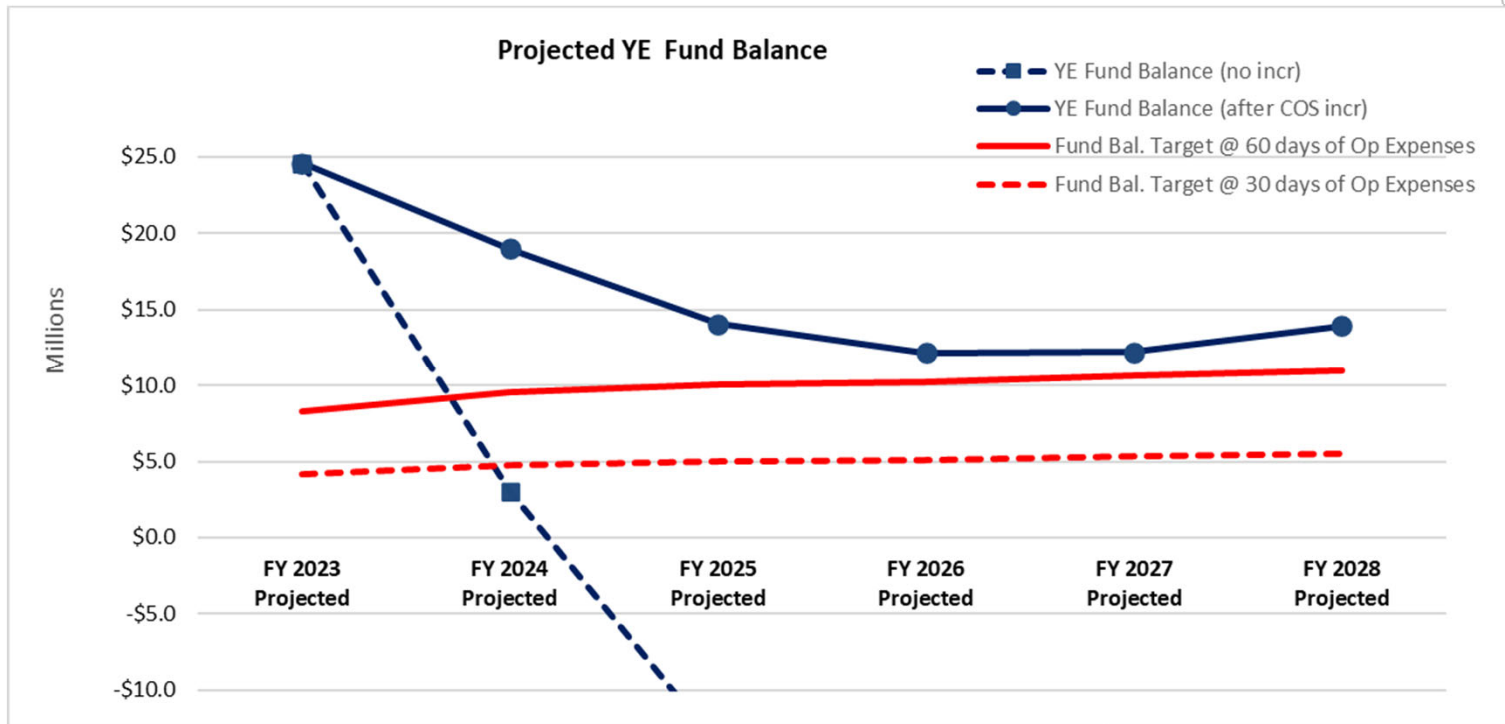
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
City Operations & Maintenance	\$ 36,020,862	\$ 40,529,072	\$ 41,861,302	\$ 43,297,773	\$ 44,738,963	\$ 46,336,920
Processing/Disposal	7,416,031	7,905,817	8,146,703	8,806,309	9,070,499	9,342,614
Ecology Recycling Collection	4,630,079	4,739,346	4,881,047	5,026,999	5,126,457	5,280,251
Capital Improvements	1,328,833	1,328,833	1,328,833	1,328,833	1,328,833	1,328,833
Container Replacements	1,129,088	1,143,766	1,158,635	1,173,697	1,188,955	1,204,412
Refuse Vehicle Impacts	0	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000
Stormwater Program	0	994,504	1,995,435	690,766	638,130	638,130
SB1383 Compliance	0	500,000	800,000	800,000	800,000	800,000
Total Revenue Requirement	\$ 50,524,893	\$ 58,141,339	\$ 61,171,955	\$ 62,124,378	\$ 64,891,837	\$ 66,931,160

Option #1: No Action

Option #2: Immediate COS Approach

- ▶ July 1, 2023: 12%*
- ▶ July 1, 2024: 9%
- ▶ July 1, 2025: 9%
- ▶ July 1, 2026: 7%
- ▶ July 1, 2027: 4%

* July 1, 2023 reflects overall revenue increase; individual rates will be adjusted to realign each rate with the true cost-of-service (i.e., some rates will increase greater than 12% and some less than 12%. Thereafter, all rates will be adjusted by the same percentages (as shown).



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 COS)

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%

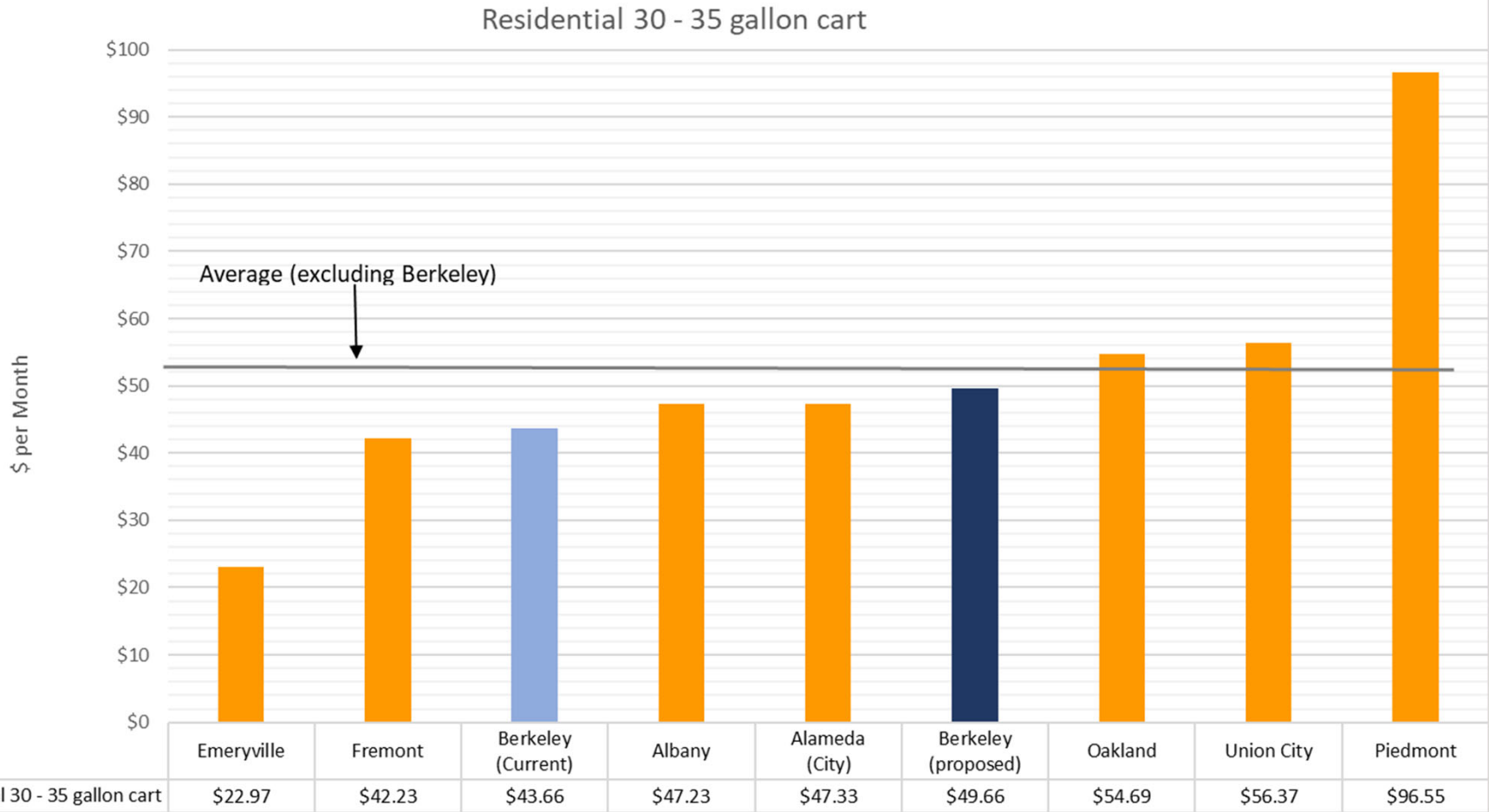
- ▶ July 1, 2023 rate increases if COS re-alignment is transitioned all in Year 1

Option #3: Phased In COS Approach

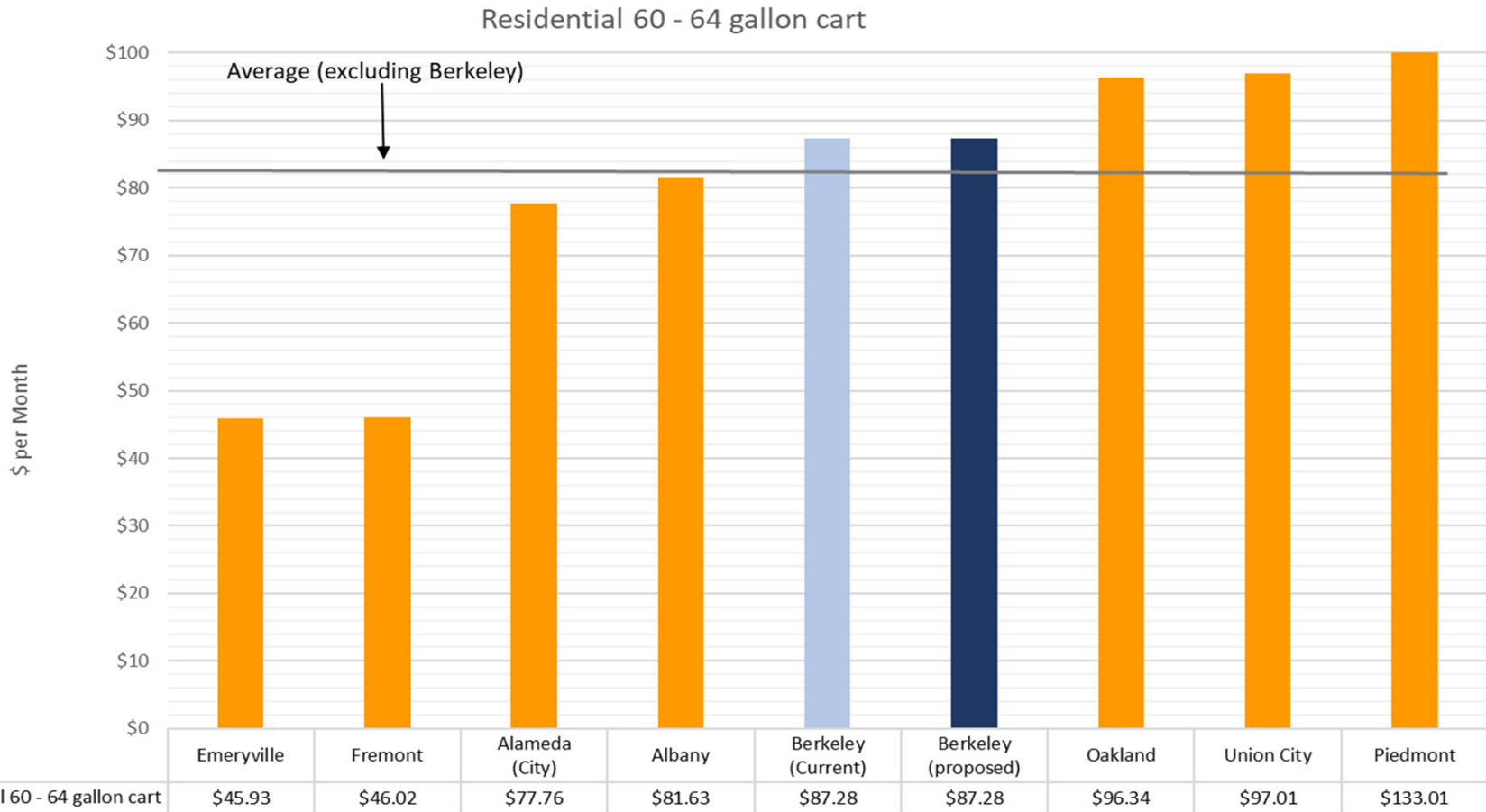
- ▶ Phase-in rate increases to smaller containers to avoid immediate rate shock
 - ▶ Maximum annual increase of \$6.00 per month
- ▶ Rates covering their cost-of-service remain flat
- ▶ Use Fund Balance to allow phase-in approach
- ▶ 20-, and 32-gallon rates will be closer to, but not reach, the full cost-of-service by FY 2028 under this scenario

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.
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	\$87.28	\$0.00	\$87.28	\$0.00	\$89.83	\$2.55	\$95.83	\$6.00	\$99.96	\$4.13
96-gallon	\$130.87	\$130.87	\$0.00	\$130.87	\$0.00	\$130.87	\$0.00	\$130.87	\$0.00	\$130.87	\$0.00

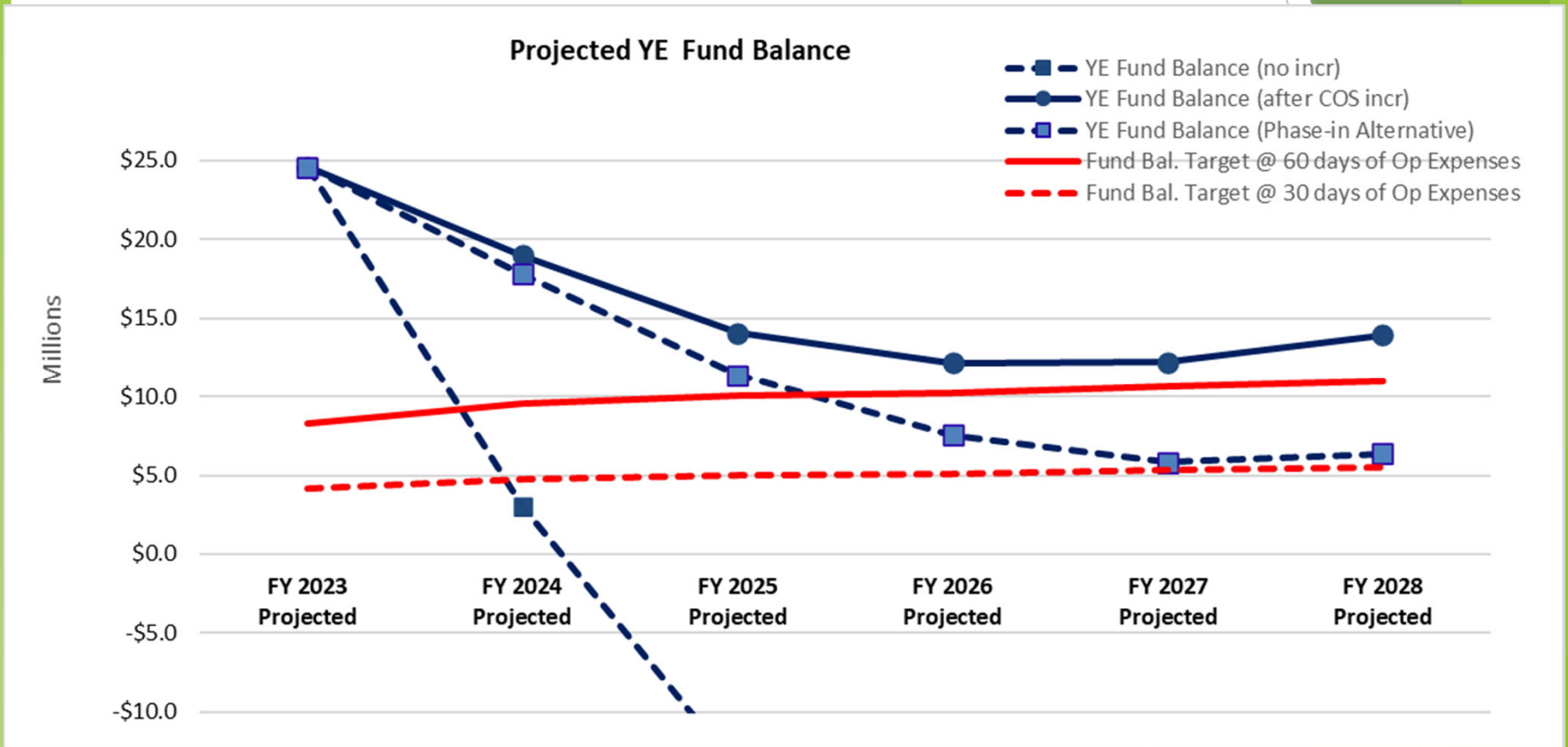
FY 2024 Rate Comparison Residential 30 - 35 gallon



FY 2024 Rate Comparison Residential 60-64 gallon



Projected Fund Balance with Phase-in Approach



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

- ▶ Reflects most-common subscription levels; represents 62% of commercial/multi-family customers

Commercial Rates (Five-year Rate Schedule)

		% 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	\$36.02	\$ 39.26	\$ 42.79	\$ 45.79	\$ 47.62	\$11.73	\$2.35	
64-gallon, 1x/wk	479	\$71.74	\$72.01	\$ 78.49	\$ 85.55	\$ 91.54	\$ 95.20	\$23.46	\$4.69	
96-gallon, 1x/wk	518	\$107.57	\$107.97	\$ 117.69	\$ 128.28	\$ 137.26	\$ 142.75	\$35.18	\$7.04	
96-gallon, 2x/wk	148	\$225.92	\$226.76	\$ 247.17	\$ 269.42	\$ 288.28	\$ 299.81	\$73.89	\$14.78	
1 CY, 1x/wk	226	\$173.77	\$174.41	\$ 190.11	\$ 207.22	\$ 221.73	\$ 230.60	\$56.83	\$11.37	
2-CY, 1x/wk	160	\$327.29	\$328.50	\$ 358.07	\$ 390.30	\$ 417.62	\$ 434.32	\$107.03	\$21.41	

- ▶ Reflects most-common subscription levels; represents 62% of commercial/multi-family customers
- ▶ Solid Waste rate includes 1x/week recyclable material collection

Ways to Reduce Rate Increases and/or Impacts

- ▶ Option #3: Phase-in approach to spread increases to minimize immediate impacts (already discussed in previous slides)
- ▶ Use \$100,000 in General Funds to enroll ZW customers in City's *Very Low Income Refund* program
- ▶ Eliminate (or reduce) the paving impact costs of \$7 million attributable to ZWD collection vehicles operating on the City's streets. The schedule includes \$1M annually for FYs 24-26 and \$2M annually for FYs 27-28.
- ▶ Eliminate, find other funds, or reduce the \$6.773M for pre-construction costs for the Transfer Station Replacement
- ▶ Find other funds to substitute for non-ZW funds (e.g., \$7.4M estimated for compliance with SB 1383 and stormwater regulations)

Next Steps

- ▶ 2/28 6 pm Zero Waste Commission Meeting
- ▶ 3/28 Zero Waste Commission Meeting
- ▶ 4/11 City Council holds hearing to initiate Proposition 218 process
 - ▶ May include further adjustments based on staff's review of rate calculations
 - ▶ Will include *a la carte* charges, e.g., distance charge, prepaid compost bags, etc.
- ▶ 4/28 Last day to mail notices to property owners
- ▶ 6/13 City Council approves rates if no majority protest occurs
- ▶ 7/1 New maximum rates go into effect; process to update billing may take longer

Q&A

- ▶ rate (dis)incentives for recycling/composting in framework of Proposition 218
- ▶ backyard service
- ▶ SB 1383 expenses
- ▶ Parks' expenses for servicing litter cans
- ▶ Transfer Station replacement
- ▶ Fire Fuel Surcharge and the Chipper Program
- ▶ Getting to Zero Waste/Strategic Plan
- ▶ What else?

