



## Legislation Details (With Text)

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**On agenda:** 1/19/2021      **Final action:** 1/19/2021

**Title:** Adopt Resolution No. 2021-05 Increasing Residential Trash Rates Effective February 1, 2021, and Ratifying the Methodology for Future Rate Adjustments

**Attachments:** 1. Att#1 Resolution 2021-05.pdf, 2. Att#2 2020 OC Residential Rates.pdf, 3. Att#3 Letter and 218 Notice Mailed Dec 4.pdf, 4. 1/15/21 Sup Com - Crumby PPT, 5. 1/15/21 Sup Com - 34 Trash Rate Increase Protest Letters

| Date      | Ver. | Action By                               | Action   | Result |
|-----------|------|---|----------|--------|
| 1/19/2021 | 1    | City Council/Public Financing Authority | approved | Pass   |

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Sean Crumby, Director of Public Works

### Subject:

**Adopt Resolution No. 2021-05 Increasing Residential Trash Rates Effective February 1, 2021, and Ratifying the Methodology for Future Rate Adjustments**

### Statement of Issue:

A change in state law effective January 1, 2020, requires the City's solid waste and recycling service provider, Rainbow/Republic Services, to recycle residential green waste differently so that the City remains compliant with state-mandated recycling targets. This change in green waste recycling has resulted in additional post-collection processing costs, and the additional recycling will cost \$0.98 per household per month. In order to remain compliant with state recycling mandates it is necessary to for Rainbow/Republic to provide and the City to pay for the additional green waste recycling. In order to maintain a balanced Refuse Fund, Public Works is proposing to increase the residential trash rate to the customers by the same amount, \$0.98 per household per month.

### Financial Impact:

If the rate is approved as proposed, there is no net impact to the Refuse Fund (50400504). For the balance of the current fiscal year, additional revenue of approximately \$233,700 will be collected and additional expense of the same amount will be paid to Rainbow/Republic Services for contract services.

### Recommended Action:

Adopt Resolution No. 2021-05, "A Resolution of the City Council of the City of Huntington Beach

Adjusting and Ratifying Residential Trash Rates by the Formula Established in the Revised and Restated Refuse Collection and Disposal Services Franchise Agreement,” increasing the Residential Trash Rate \$0.98 per household per month effective February 1, 2021, and ratifying the methodology for future rate adjustments.

**Alternative Action(s):**

Do not adopt Resolution No. 2021-05 and do not increase the residential trash rate, or direct staff to increase the rate in an amount different than proposed. Approve a commensurate appropriation to the Refuse Fund from other City funds if necessary.

**Analysis:**

The City of Huntington Beach is required by state law to meet diversion requirements for the solid waste stream. Amongst these requirements are the need to divert residential yard waste. Historically, most of the green material collected from Huntington Beach households was ground, sifted, and taken to the landfill, where it was applied to the top of each day's disposal as a cap layer to seal off odors and pests. This method of reusing green material at the landfill is called Alternative Daily Cover (ADC). ADC was beneficial to the landfill operator, and the landfill supported the practice by accepting this material at no charge.

AB 1594 amended sections of the Public Resources Code relating to Solid Waste programs administered by the California Department of Resources Recycling and Recovery (CalRecycle). Effective January 1, 2020, ADC lost the beneficial reuse designation. While the County can continue to accept this material and use ADC in its daily landfill operations, the new designation adversely affected Huntington Beach in the following ways:

1. On January 1, the County began charging haulers for ADC material formerly accepted at no charge. For Rainbow/Republic Services, this represents a net new cost of approximately \$100,000 per year for Huntington Beach green waste tonnage.
2. Approximately 24,000 tons of material generated in Huntington Beach is no longer included as recycling for state reporting purposes.
3. In order to comply with the mandated recycling target, we must use other outlets to recycle green waste material.

The current residential rate structure includes the disposal of residential green waste as ADC beneficial reuse. The cost to comply with this change in law ending free ADC diversion was not built into the rate structure nor the Solid Waste Franchise Agreement approved by City Council in 2006.

**Proposed Solution**

To ensure that Huntington Beach remains compliant with state recycling mandates, Rainbow/Republic Services has secured compost outlets for residential green waste. Staff worked with a solid waste consultant (HF & H), and with Republic to refine the program and cost of composting. The result is a projected net increased cost of \$0.98 per household per month, approximately \$560,000 annually.

In order to maintain a balanced fund, it is necessary to increase the current rate by \$0.98 per household per month to pass this cost through to the residential trash customer. Attachment 2 is a comparison of residential rates for Orange County cities including the proposed rate for Huntington

Beach. The table below provides a detailed itemization of the proposed fee change.

|  | <b>Current<br/>Charge to<br/>Residents</b> | <b>2/1/2021<br/>Charge to<br/>Residents</b> | <b>Difference</b> |
|--|--|---|-------------------|
| Refuse Collection and Disposal (to Republic)       | 17.12                                      | 17.12                                       | 0.00              |
| Materials Recovery & Sorting (to Republic)         | 3.00                                       | 3.00  | 0.00              |
| Green Material Recycling (to Republic)             | 0.00                                       | 0.98  | 0.98              |
| Total Compensation to Republic per residence/month | \$20.12                                    | \$21.10                                     | \$0.98            |
| City Public Education Programs                     | 0.15                                       | 0.15  | 0.00              |
| City Account Services                              | \$1.89                                     | \$1.89                                      | 0.00              |
| <b>Total Charge per Residence per Month</b>        | <b>\$22.16</b>                             | <b>\$23.14</b>                              | <b>\$0.98</b>     |

#### Proposition 218 Notification and Public Hearing

Although the proposed increase seeks to fund state mandated requirements, adjustment of the solid waste fees must comply with the requirements of Proposition 218. Namely that the adjustment provide notice, the opportunity to protest the change in writing, and a public hearing.

The City is following the majority protest procedures as set forth in the California Constitution Article XIII in order to ratify the rate methodology for rate adjustments. Fees may not be imposed or increased unless a local government conducts a majority-protest proceeding no sooner than 45 days after mailing notice to all fee payers. As such on December 4, 2020, a notice of public hearing and the proposed rate adjustment (Attachment 3) was mailed to all residential property owners and refuse customers served by the City setting the public hearing date for this meeting.

The rate cannot be modified if a majority (50% plus 1), of affected ratepayers protest the proposed adjustment. According to municipal billing records as of November 4, 2020, there are 47,794 residences receiving residential trash services. The city must receive 23,897 protests to constitute a majority protest.

#### Summary and Recommendation

Additional recycling of residential green waste is required in order to remain compliant with state recycling mandates and per capita recycling targets. The additional recycling will cost Rainbow/Republic Services approximately \$560,000 per year, or \$0.98 per month per household served. It is necessary to pass these costs through to the customers to maintain a balanced Refuse Fund. Therefore, Public Works staff recommends the approval of Resolution 2021-05.

#### Public Works Commission Action:

Not required.

#### Environmental Status:

The proposed project includes residential trash rate adjustments and establishment of new rate effective February 1, 2021. No changes to existing residential service are proposed. As such, the project is statutorily exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15273, which exempts the establishment, structuring, restructuring, or approval of rates, tolls, fares, and other charges for the purpose of meeting operating expenses. The project is also exempt pursuant to CEQA Guidelines Section 15061(b)(3), which exempt projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

**Strategic Plan Goal:**

Enhance and maintain high quality City services

**Attachment(s):**

1. Resolution No. 2021-05, "A Resolution of the City Council of the City of Huntington Beach Adjusting and Ratifying Residential Trash Rates by the Formula Established in the Revised and Restated Refuse Collection and Disposal Services Franchise Agreement"
2. Orange County Residential Rate Comparison
3. Letter from Sean Crumby and Notification of Proposed Rate Increase Mailed December 4, 2020