



# City of Huntington Beach

**File #:** 18-011

**MEETING DATE:** 6/18/2018

## REQUEST FOR CITY COUNCIL ACTION

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

**SUBMITTED BY:** Fred A. Wilson, City Manager

**PREPARED BY:** Travis K. Hopkins, PE, Director of Public Works

**Subject:**

**Receive and file Residential and Commercial Refuse Rates Effective July 1, 2018 with Rainbow Environmental Services, a Republic Services Company**

**Statement of Issue:**

The Refuse Collection and Disposal Services Franchise Agreement with Rainbow Environmental Services (Rainbow) requires an annual compensation review and adjustment of residential and commercial rates based on a formula calculation. The formula provides for a 1.89% increase to both residential and commercial compensation rates. This increase, when combined with the incremental increases and pass-through adjustments ratified and adopted with Resolution 2017-26 on June 5, 2017, results in a residential rate increase of \$0.50 per residence per month and a new Exhibit A Commercial Rate schedule effective July 1, 2018.

**Financial Impact:**

The residential rate increase is projected to provide additional Refuse Fund revenue of approximately \$285,000 per year to be deposited to account 50400504.47705. Approximately \$170,000 of the additional Refuse Fund revenue is pass-through revenue payable to Rainbow as compensation for residential trash collection and recycling services. The commercial rate increase is projected to provide additional General Fund Franchise Fee revenue of approximately \$20,000 per year to be deposited to account 10000100.41240.

**Recommended Action:**

Receive and file the Residential and Commercial Refuse Rates effective July 1, 2018.

**Alternative Action(s):**

Do not receive and file the Residential and Commercial Refuse Rates effective July 1, 2018 and direct staff accordingly.

**Analysis:**

The Revised and Restated Refuse Collection and Disposal Services Franchise Agreement (Franchise Agreement) with Rainbow stipulates an annual review of residential and commercial

services rates. A change in compensation for each contract year, July 1 to June 30, is determined by a formula with three weighted variables. The variables and their weighting factor (in parentheses) are the local area All Urban Consumer Price Index (CPI) for March (76%), the County of Orange fee for landfill disposal (16%), and Rainbow's average cost of CNG fuel for March (8%). Rainbow submitted the residential and commercial rate calculations (Attachments 2 and 3) on May 2, 2018. March CPI increased 3.8%, Orange County Landfill fees increased 2.03%, and Rainbow's cost of CNG fuel decreased 1.32% for a net increase of 1.89% when weighted and factored together. Residential Rates: The City's Refuse Fund (50400504) is the enterprise fund where revenue collected from the residential trash service customer is received and the expenses of providing the service are paid. The objective is to maintain a balanced fund budget. To further this objective, on June 5, 2017, after a duly noticed public hearing, City Council adopted Resolution 2017-26 (Attachment 1). The Resolution ratifies the Franchise Agreement formula for annual pass-through adjustments to the residential rate, which results in a \$0.30 increase to the rate. Additionally, the Resolution sets the maximum rate for city account services attributed to residential refuse collection at \$1.85 per residence per month implemented over 3 years. An increase of \$0.20 is effective on July 1, 2018. The result is a new residential trash rate of \$21.07 per residence per month effective July 1, 2018, an increase of \$0.50 per month. Attachment 4 is a table comparing the current and new residential rate. Government Code Section 53756 requires that ratepayers be provided a 30-day notice prior to adjusting fees for established services. Attachment 5 is the postcard notification of the pending increase that was mailed to residential refuse customers prior to June 1. Commercial Rates: Rainbow is compensated for commercial refuse services by fees invoiced directly to its commercial customers. Commercial refuse fees are not received or processed by the City. Rainbow calculated its 2018 commercial rates based on the formula increase of 1.89% explained above. The increase applies to commercial collection services and temporary bins. Attachment 6 is the new commercial service rate schedule, which becomes the new Exhibit A of the Franchise Agreement.

**Environmental Status:**

The activity to receive and file the annual review and adjustment of 2018 residential trash rates, based on a formula previously approved by the City Council, is not a project as defined in Section 15378 of the CEQA Guidelines. Pursuant to Section 15378(b)(5), organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not considered projects. Notwithstanding, the adjustment of residential trash rates with no changes to existing refuse service 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. Additionally, trash rate adjustments with no change in service would be 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:**

Non-Applicable - Administrative Item

**Attachment(s):**

1. Resolution 2017-26

2. Rainbow Environmental Services 2018 Residential Rate Certification
3. Rainbow Environmental Services 2018 Commercial Rate Certification
4. Residential Rate Table
5. Postcard
6. Exhibit A Commercial Services Rates Effective July 1, 2018