



City of Huntington Beach

File #: 19-578

MEETING DATE: 6/3/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Lori Ann Farrell Harrison, Interim City Manager

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

Subject:

Receive and File Residential and Commercial Refuse Collection Rates Effective July 1, 2019 and Appropriate \$175,000 from FY18/19 Refuse Fund revenue for FY18/19 Operating Expenditures

Statement of Issue:

The Refuse Collection and Disposal Services Franchise Agreement (Agreement) with Rainbow/Republic Services (Rainbow) requires an annual compensation review and adjustment of residential and commercial rates based on a formula calculation. The formula provides for a 3.47% increase to both residential and commercial compensation rates. The 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 \$0.76 per residence per month and a new Exhibit A Commercial Rate schedule effective July 1, 2019.

Due to the City's annual budget development schedule, the FY 2018-19 Refuse Fund operating budget was adopted based on the FY 2017-18 residential trash rate. An additional appropriation of \$175,000 is necessary to fully fund the current fiscal year pass-through expense.

Financial Impact:

The residential rate increase is projected to provide additional Refuse Fund revenue of approximately \$434,000 per year to be deposited to account 50400504.47705. Approximately \$320,000 of the additional Refuse Fund revenue is pass-through revenue payable to Rainbow as compensation for residential collection and recycling services. The commercial rate increase is projected to provide additional General Fund Franchise Fee revenue of approximately \$35,000 per year to be deposited to account 10000100.41240.

Funds in the amount of \$175,000 are available in Refuse Fund revenue account number 50400504.47705, Refuse Charges, to fund FY 2018/19 pass-through residential collection and recycling expenses in operating account number 50485103.69490.

Recommended Action:

- A) Receive and file the Residential and Commercial Refuse Rates effective July 1, 2019; and,
- B) Authorize an appropriation of \$175,000 for operating costs for Refuse Collection Contract Services.

Alternative Action(s):

Do not authorize the appropriation to Refuse Collection Contract Services and direct staff accordingly.

Analysis:

The 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 for March (76%), the County of Orange per ton fee for landfill disposal (16%), Rainbow's average cost of CNG fuel for March (8%). Rainbow submitted the residential and commercial rate calculations (Attachments 2 and 3) on April 22, 2019. March CPI increased 2.71%, Orange County landfill fees increased 2.55% and Rainbow's cost of CNG fuel increased 12.52% for a net increase of 3.47% when weighted and factored together.

Residential Rates:

The City's Refuse Fund (50400504) is the enterprise fund where revenue collected from the residential trash customer is received and the expenses of providing the service are paid. The objective is to maintain a balanced budget. To further this objective, on June 5, 2017, after a duly noticed public hearing, the City Council adopted Resolution 2017-26 (Attachment 1). The Resolution ratifies the Agreement formula for annual pass-through adjustments to the residential rate, which results in a \$0.56 increase to the rate. Additionally, the Resolution sets the maximum rate for city account services attributed to the residential refuse collection at \$1.85 per residence per month, implemented over 3 years. The third increment of \$0.20 is effective July 1, 2019. The result is a new residential trash rate of \$21.83 per residence per month effective July 1, an increase of \$0.76 per month. Attachment 4 is a table comparing the current and new residential rate. Attachment 5 is the bill message that began appearing on the City's utility bill statement as of May 13, 2019, advising residential customers of the upcoming rate increase.

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 2019 commercial rates based on the formula increase of 3.47% 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.

Appropriation Request:

Due to the City's budget development calendar, the residential refuse rates for the upcoming fiscal year are not known until after the budget submission deadline. The FY 2018/19 Refuse Collection Service operating budget was developed based on the FY 2017/18 rate and does not reflect the expenses resulting from the rate increase effective July 1, 2018. The pass-through expense for

Rainbow's trash collection and recycling services for FY 201/819 is projected to be \$11,019,000. The adopted Operating Budget for this expense is \$10,844,770, a projected shortage of \$173,816. Staff is requesting an authorization to appropriate an additional \$175,000 from Refuse Fund revenue to ensure that the current fiscal year pass-through expense is fully funded.

Environmental Status:

The activity to receive and file the annual review and adjustment of 2019 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/Republic Services 2019 Residential Rate Certification
3. Rainbow/Republic Services 2019 Commercial Rate Certification
4. Residential Rate Table
5. Utility Bill Message
6. Exhibit A Commercial Services Rates Effective July 1, 2019