



## Folsom City Council Staff Report

<b>MEETING DATE:</b>	7/27/2021
<b>AGENDA SECTION:</b>	Old Business
<b>SUBJECT:</b>	Resolution No. 10673 - A Resolution Authorizing the Issuance of a Proposition 218 Notice for Proposed Five-Year Rate Adjustment for Solid Waste
<b>FROM:</b>	Public Works Department

### **RECOMMENDATION / CITY COUNCIL ACTION**

The Public Works Department recommends that the City Council pass and adopt Resolution No. 10673 – A Resolution Authorizing the Issuance of a Proposition 218 Notice for Proposed Five-Year Rate Adjustment for Solid Waste.

### **BACKGROUND / ISSUE**

In 2019 the Solid Waste Division (Division) conducted a comprehensive rate study including evaluation of operational and capital needs. R3 Consulting Group, Inc. (R3) along with City staff analyzed the revenue requirements and rate structures for each line of service.

The rate study incorporated costs associated with meeting current needs; however, it did not account for additional staffing or other operational costs required to meet pending regulatory requirements relating to California’s Short-Lived Climate Pollutant Reduction Strategy (SB 1383). The regulations necessary for compliance with SB 1383 were still being developed so the costs were unknown.

At the time of the previous rate study, solid waste rates had not been adjusted since 2003. Despite the impending unknown expenses associated with SB 1383, the financial position of the Division necessitated proceeding with a rate adjustment in advance of the regulations. Staff expressed to City Council that it would be necessary to return with additional increases once the costs of SB 1383 could be predicted. The regulations were finalized in November of 2020 and the Division is now able to anticipate the cost of compliance.

The mandated programs required by SB 1383 will significantly increase costs. These include weekly collection of all organic material from all residents and businesses, community outreach and education, procurement of products made from recycled organic material, edible food recovery, and enforcement. The Division has been working with R3 over the past few months to incorporate the new program expenses into the City's existing rate model.

In addition, there are increases in two existing expenses included in the updated rate model. Since the last rate study Sacramento County has significantly increased the tipping fees (the cost to dispose of material) at Kiefer Landfill. Currently, the City of Folsom is contracted to take material to Kiefer at a reduced rate; however, the agreement expires June 30, 2022. Staff reached out to County staff to inquire what we should anticipate paying in the future. Based on our tonnage, an initial increase of \$600,000 per year is anticipated.

The other large expense not directly related to SB 1383 is the addition of two electric collection trucks to our fleet. In September of 2020 Governor Newsom issued Executive Order N-79-20 requiring all heavy-duty trucks sold in California to be zero emission by 2045. Since this technology has the potential to save costs in the long run, the Division is requesting funding to pilot two vehicles to evaluate their effectiveness in the operation. The Division has been awarded some grant funding; however, due to the high initial cost of converting to clean energy, there is still a significant investment required from the City. This is currently estimated at \$930,000.

### **POLICY / RULE**

Prior to approving any rate adjustments, the City must comply with the requirements of Proposition 218 notice, protests and hearing by doing the following:

- Mail information regarding the proposed rate(s) to every property owner receiving solid waste service from the City.
- Conduct a Public Hearing regarding the proposed rate(s) at least 45 days after the notice is mailed to the property owners.
- Identify in the notice, the time, date, and location of the Public Hearing.
- Include in the notice a location where property owners can send in written protests.
- City Council must reject the proposed rate adjustments if written protests are presented by a majority of the affected property owners.
- At the Public Hearing, City Council must hold a hearing to consider all objections or protests to the proposed rate adjustments.

The schedule below reflects approval of Resolution No. 10673.

<b>Item</b>	<b>Date</b>
Direction to staff to Initiate Proposition 218 Notice	July 27, 2021 (Tuesday)
Finalize Proposition 218 Notices	August 27, 2021 (Friday)
Final Day to Mail Proposition 218 Notices - in order to meet the 45-day notification requirements under Proposition 218 prior to Public Hearing	October 22, 2021 (Friday)
Public Hearing - City Council Regular Meeting	December 14, 2021 (Tuesday)
Implementation of new rates	January 1, 2022 (Saturday)

**ANALYSIS**

User rates must be set at a level where a utility's operating and capital expenses match the revenues received from customers. To evaluate the adequacy of the existing rates, a comprehensive rate study is often performed. These studies help develop utility rates that are cost-based and proportional to the cost of service attributed to a specific customer class. Currently, the City uses the "cash basis" approach for establishing their revenue requirement and setting rates. This approach conforms to most public utility budgetary requirements and the calculation is easy to understand.

After the total revenue requirement is determined, it is then proportionally allocated to the users of the specific utility service. The allocation, usually analyzed through a cost of service analysis, reflects the cost relationships for collecting and disposing of solid waste. At the conclusion of the cost of service study, two key pieces of information are provided. First, the cost of service provides an understanding of the total revenues to be collected from each class of service. The other important piece of information provided by the cost of service analysis is the average unit costs.

To adjust for the impacts of SB 1383, City staff and R3 have completed a rate study to include programs costs that are mandated by the new regulations. An initial analysis of the fund status was completed to establish the need for a rate adjustment. The base year of the established rate model was then set to fiscal year 2020-21 and projected SB 1383 program fees and other new costs were incorporated into Division expenses. The rates were then adjusted for each customer class to determine the rates necessary to meet the new requirements.

Due to the high cost of SB 1383 programs, the rate increases needed to cover costs were as high as 22% for commercial customers and 44%, or \$15.25 per month for the average residential customer. In an effort to mitigate such a large initial increase to cover the high cost of mandated programs, staff updated the model to include some strategies to increase rates moderately each year to spread the impact to customers.

Mitigation strategies include an internal loan, a temporary surcharge that sunsets after the full implementation of SB 1383 programs, and charges for currently subsidized extra programs. The proposed loan is for \$5,000,000 and includes a five-year payback period. The surcharge

would provide the Division with funds needed for initial startup costs, five years of operating costs, and identify the purpose of the charge for customers.

The last mitigation strategy, charging for currently subsidized programs, has multiple parts. The Bulky Waste Program currently provides three pickups for no additional charge. The proposed rates include a fee of \$25 for each pickup to recover a small percentage of the cost from the customers directly receiving the service. The same strategy would be used to recover a small amount from customers using the Door-to-Door Household Hazardous Waste Service (HHW). The proposed fee for HHW is \$15 per appointment.

Staff is also proposing to charge for additional organics and recycling containers. Currently residents are provided with up to two recycling and two green waste containers for no additional charge. There is a nominal monthly fee of \$2.75 per container for three or more containers. Under the new rate structure green waste containers will be referred to as organics containers to indicate acceptance of all compostable material. Additionally, residents will be required to accept both an organics and recycling container. The base rate will include just one of each container and all additional containers will have a fee associated with them. The proposed charge for each additional organics container is \$8.40 and for each additional recycling container is \$5.50. Under the requirements of SB 1383 organics will be collected weekly so residents who surrender their second can will not lose overall capacity.

The impacts of SB 1383 and the associated rate study have been presented and discussed with the Utility Commission (UC) on four occasions. In a special meeting on July 6, 2021, the UC formally supported moving forward with a rate adjustment by passing the following motion:

The Utility Commission recommends to the City Council that it adopt a Solid Waste rate increase which encompasses:

- a. an internal loan not to exceed \$5 million;
- b. a moderate increase to the monthly solid waste rate and an SB1383 surcharge;
- c. a nominal fee charged for currently subsidized waste programs such as bulky waste and household hazardous waste collection; and
- d. an educational program to inform the public on the same.

Following the special meeting, City staff completed a rate schedule showing all proposed rates over next five-year period. The draft analysis of the proposed revenues and expenditures was presented to the City Council at the regular City Council meeting on July 13, 2021.

The proposed increases for some of the typical services are shown below.

Proposed Five-Year Rate Increases					
	Jan. 2022	FY23	FY24	FY25	FY26
Residential 65 Gallon	\$ 1.75	\$ 5.50	\$ 6.25	\$ 1.50	\$ 1.50
Residential 95 Gallon	\$ 2.00	\$ 6.25	\$ 7.00	\$ 1.75	\$ 1.75
65 Gallon Low-Income	\$ 1.25	\$ 4.25	\$ 5.00	\$ 0.50	\$ 1.50
65 Gallon Mobile Home	\$ 1.75	\$ 5.50	\$ 6.25	\$ 1.50	\$ 1.50
65 Gallon Mobile Low-Income	\$ 1.25	\$ 4.50	\$ 5.25	\$ 1.50	\$ 1.50
SB 1383 Surcharge (all residential accounts)	\$ 10.00	\$ 8.00	\$ 8.00	\$ 8.50	\$ 9.00
Commercial 4 CY 2x/week	\$ 16.00	\$ 16.00	\$ 18.00	\$ 28.00	\$ 30.00

The typical residential customer has a 65-gallon trash can, one recycling can and one organics can. The proposed monthly solid waste charges for the typical residential customer are shown below and a complete rate schedule is provided as an attachment.

Typical Residential Bill						
Description	Current Rate	1/1/2022	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Solid Waste (65 gallon)	\$ 34.50	\$ 36.25	\$ 41.75	\$ 48.00	\$ 49.50	\$ 51.00
SB 1383 Surcharge	NA	\$ 10.00	\$ 8.00	\$ 8.00	\$ 8.50	\$ 9.00
<b>Monthly Bill</b>	<b>\$ 34.50</b>	<b>\$ 46.25</b>	<b>\$ 49.75</b>	<b>\$ 56.00</b>	<b>\$ 58.00</b>	<b>\$ 60.00</b>

### FINANCIAL IMPACT

The implementation of SB 1383 is projected to cost \$4,280,000 with ongoing operational expenses near \$2,000,000. Proposed rate increases and other mitigation strategies will provide sufficient revenue to meet these obligations.

Failure to comply with the regulations of SB 1383 could result in fines of up to \$10,000 per violation per day, or potentially \$3,650,000 annually for a single violation.

### ENVIRONMENTAL REVIEW

These rate studies are exempt from environmental review under the California Environmental Quality Act, per Section 15273 of the CEQA Guidelines.

**ATTACHMENTS**

1. Resolution No. 10673 – A Resolution Authorizing the Issuance of a Proposition 218 Notice for Proposed Five-Year Rate Adjustment for Solid Waste
2. Proposed Solid Waste Rate

Submitted,

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Dave Nugen, Public Works Director

## **ATTACHMENT 1**



**RESOLUTION NO. 10673**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF A PROPOSITION 218 NOTICE FOR PROPOSED FIVE-YEAR RATE ADJUSTMENT FOR SOLID WASTE**

**WHEREAS**, the solid waste fund of the City of Folsom is an enterprise fund, operated in a manner that only actual costs of service are charged for each service; and

**WHEREAS**, the City of Folsom identified cost and rate adjustment requirements in solid waste; and

**WHEREAS**, Senate Bill SB 1383, California's Short-Lived Climate Pollutant Reduction Strategy, has regulated program changes that will increase costs; and

**WHEREAS**, the Public Works Department reviewed the actual cost of service compared to the current revenues and determined that in order to meet operational and capital plans the rate increase is necessary; and

**WHEREAS**, the Public Works Department reviewed the details of the financial analysis and proposed utility rates with the Utilities Commission and the Utilities Commission agreed with the rate study findings; and

**WHEREAS**, the Public Works Department presented the rate study and proposed rates to the City Council on July 13, 2021:

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Folsom authorizes the Issuance of a Proposition 218 Notice for Proposed Five-Year Rate Adjustment for Solid Waste.

**PASSED AND ADOPTED** this 27<sup>th</sup> day of July, 2021, by the following roll-call vote:

**AYES:** Councilmember(s):  
**NOES:** Councilmember(s):  
**ABSENT:** Councilmember(s):  
**ABSTAIN:** Councilmember(s):

\_\_\_\_\_  
Michael D. Kozlowski, MAYOR

ATTEST:

\_\_\_\_\_  
Christa Freemantle, CITY CLERK



## **ATTACHMENT 2**

Solid Waste Rate Adjustment Proposal 2021

RESIDENTIAL RATES*						
	Present	JAN.				
	FY 2022	2022	FY 2023**	FY 2024**	FY 2025	FY 2026
<b>Monthly Fixed Charge (Trash can, One Recycle Can and One Organic Can)</b>						
65 Gallon Trash	\$34.50	\$36.25	\$41.75	\$48.00	\$49.50	\$51.00
95 Gallon Trash	39.25	\$41.25	\$47.50	\$54.50	\$56.25	\$58.00
65 Gallon Low-Income	26.50	\$27.75	\$32.00	\$37.00	\$37.50	\$39.00
95 Gallon Low-Income	31.25	\$32.75	\$37.75	\$43.50	\$44.25	\$46.00
65 Gallon Mobile Home	30.00	\$31.75	\$37.25	\$43.50	\$45.00	\$46.50
95 Gallon Mobile Home	34.75	\$36.75	\$43.00	\$50.00	\$51.75	\$53.50
65 Gallon Mobile Low-Income	22.00	\$23.25	\$27.75	\$33.00	\$34.50	\$36.00
95 Gallon Mobile Low-Income	26.75	\$28.25	\$33.50	\$39.50	\$41.25	\$43.00
SB 1383 Surcharge (all residential accounts)	--	10.00	\$8.00	8.00	8.50	9.00
<b>Additional Services (Monthly Charge)</b>						
Extra Trash Can (65 Gallon)	\$29.00	\$30.50	\$35.00	\$40.25	\$40.25	\$40.25
Extra Trash Can (95 Gallon)	33.75	\$35.50	\$40.75	\$46.75	\$46.75	\$46.75
Extra Green Waste (excess of 2 cans)	2.75	8.40	--	--	--	--
Extra Recycle (excess of 2 cans)	2.75	5.50	--	--	--	--
Extra Organics (excess of 1 can)***	--	--	9.75	11.25	11.50	11.75
Extra Recycle (excess of 1 can)***	--	--	6.25	7.25	7.50	7.75
<b>Additional Charges (per Occurrence)</b>						
Extra Pickup (any Can)	\$40.00	\$40.00	\$46.00	\$53.00	\$53.00	\$53.00
Can Cleaning	30.00	\$30.00	\$35.00	\$40.00	\$41.00	\$42.00
Can Replacement (other than normal wear)	86.00	\$86.00	\$99.00	\$114.00	\$117.00	\$121.00
Temporary Three Yard Dumpster	83.00	\$83.00	\$95.00	\$109.00	\$112.00	\$115.00
Extra Pickup - Three Yard Dumpster	47.00	\$47.00	\$54.00	\$62.00	\$64.00	\$66.00
Bulky Waste (up to 3x per year)***	--	25.00	\$29.00	\$33.00	\$34.00	\$35.00
Household Hazardous Waste***	--	15.00	\$17.00	\$20.00	\$21.00	\$22.00
Service Changes***	--	15.00	\$17.00	\$20.00	\$21.00	\$22.00
<b>NONRESIDENTIAL RATES*</b>						
<i>Monthly fixed charges include one pickup per week. The charge for multiple pickups is a factor of the base rate for one pickup.</i>						
<b>Monthly Fixed Charge</b>						
2 Yard Trash or Green Waste	\$126	\$132	\$139	\$146	\$157	\$169
3 Yard Trash or Green Waste	\$142	\$149	\$156	\$164	\$176	\$189
4 Yard Trash or Green Waste	\$159	\$167	\$175	\$184	\$198	\$213
6 Yard Trash or Green Waste	\$191	\$201	\$211	\$222	\$239	\$257
3 Yard Trash Compactor	\$263	\$276	\$290	\$305	\$328	\$353
4 Yard Trash Compactor	\$320	\$336	\$353	\$371	\$399	\$429
3 - 6 Yard Commingled Recycling	\$93	\$98	\$103	\$108	\$116	\$125
3 - 6 Yard Cardboard Recycling	\$85	\$89	\$93	\$98	\$105	\$113
8 Yard Cardboard Recycling	\$102	\$107	\$112	\$118	\$127	\$137
2 Yard Food Scraps	\$378	\$397	\$417	\$438	\$471	\$506
<b>Additional Services (Monthly Charge)</b>						
Recycle 95 Gallon (up to 2 cans, serviced every other week)	\$47	--	--	--	--	--
Green Waste 95 Gallon (up to 2 cans, serviced every other week)	\$47	--	--	--	--	--
Recycle 95 Gallon (1 can, every other week)***	--	\$49.25	\$51.75	\$54.25	\$58.25	\$62.50
Green Waste 95 Gallon (1 can, serviced weekly)***	--	\$49.25	\$51.75	\$54.25	\$58.25	\$62.50
Organic 64 Gallon (1 can, serviced weekly)***	--	\$76.50	\$80.25	\$84.25	\$90.50	\$97.25
Organic 65 Gallon (Extra can)***	--	\$63.75	\$67.00	\$70.25	\$75.50	\$81.25
Trash 95 Gallon***	--	\$49.25	\$51.75	\$54.25	\$58.25	\$62.50
Recycling Compliance Fee (waived if use City recycling service)	\$34	\$34.00	\$35.75	\$37.50	\$39.50	\$42.50
Sunday Service Premium	\$34	\$34.00	\$35.75	\$37.50	\$39.50	\$42.50
<b>Additional Charges (per Occurrence)</b>						
Dumpster Switch Out (Any Size)	\$82	\$82	\$86	\$90	\$97	\$104
Dumpster Service Return	\$23	\$23	\$24	\$25	\$27	\$29
Standby Service (per 5 minutes)	\$28	\$28	\$29	\$30	\$32	\$34
Lock Replacement	\$17	\$17	\$18	\$19	\$20	\$22
Extra pickup 2 yard (any material)	\$36	\$38	\$40	\$42	\$45	\$48
Extra pickup 3 yard (any material)	\$41	\$43	\$45	\$47	\$51	\$55
Extra pickup 4 yard (any material)	\$46	\$48	\$50	\$53	\$57	\$61
Extra pickup 6 yard (any material)	\$55	\$58	\$61	\$64	\$69	\$74
Extra pickup Compactor 3 yard	\$100	\$105	\$110	\$116	\$125	\$134
Extra pickup Compactor 4 yard	\$100	\$105	\$110	\$116	\$125	\$134
Universal Waste Pickup****	--	\$20	\$21	\$22	\$24	\$26
Bulky waste pickup	\$55	\$58	\$61	\$64	\$69	\$74

**Solid Waste Rate Adjustment Proposal 2021**

<b>ROLL-OFF (NONRESIDENTIAL AND TEMPORARY LOCATIONS)</b>						
<b>Charges (per Haul)</b>	<b>Present</b>	<b>JAN.</b>	<b>FY 2023**</b>	<b>FY 2024**</b>	<b>FY 2025</b>	<b>FY 2026</b>
	<b>FY 2022</b>	<b>2022</b>				
<i>Present rates include tipping. New rates do not include tipping, which will be an additional pass through charge, or credit in the case of revenue. Revenue from the sale of the material will be applied toward the haul cost up to the haul cost only.</i>						
10 Yard Trash	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Trash	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Trash	\$484	\$484	\$523	\$554	\$582	\$611
40 Yard Trash	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Compacted Trash	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Compacted Trash	\$484	\$484	\$523	\$554	\$582	\$611
40 Yard Compacted Trash	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Compacted Industrial Trash	\$484	\$484	\$523	\$554	\$582	\$611
40 Yard Compacted Industrial Trash	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Compacted Food Waste	\$484	\$484	\$523	\$554	\$582	\$611
30 or 40 Yard Compacted Cardboard	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Sanipak (Treated Medical)	\$484	\$484	\$523	\$554	\$582	\$611
20 – 40 Yard Wood	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Sheet Rock	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Sheet Rock	\$484	\$484	\$523	\$554	\$582	\$611
10 Yard Concrete	\$484	\$484	\$523	\$554	\$582	\$611
7 Yard Mixed Inerts	\$484	\$484	\$523	\$554	\$582	\$611
20-40 Yard Cardboard	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Green Waste	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Green Waste	\$484	\$484	\$523	\$554	\$582	\$611
40 Yard Green Waste	\$484	\$484	\$523	\$554	\$582	\$611
10 Yard Construction and Demolition	\$484	\$484	\$523	\$554	\$582	\$611
20 Yard Construction and Demolition	\$484	\$484	\$523	\$554	\$582	\$611
30 Yard Construction and Demolition	\$484	\$484	\$523	\$554	\$582	\$611
40 Yard Construction and Demolition	\$484	\$484	\$523	\$554	\$582	\$611
<b>Additional Charges (per Occurrence)</b>						
Relocation Fee (any size)	\$117	\$117	\$126	\$134	\$141	\$148
Per Ton Contamination Fee (C&D, Organics, Sheetrock)	N/A	N/A	N/A	N/A	N/A	N/A
Per Load Minimal Contamination Fee (Inerts)	N/A	N/A	N/A	N/A	N/A	N/A
Per Load Moderate Contamination Fee (Inerts)	N/A	N/A	N/A	N/A	N/A	N/A
Per Load Excessive Contamination Fee (Inerts)	N/A	N/A	N/A	N/A	N/A	N/A
Per Load Contamination Fee (Bins at projects required to recycle, in addition to disposal fee)	\$117	\$117	\$126	\$134	\$141	\$148
Daily Charge Beyond 14-Day Rental Period	\$10	\$10	\$11	\$12	\$13	\$14
Compactor Rotation	\$35	\$35	\$38	\$40	\$42	\$44
<b>SPECIAL EVENTS</b>						
Delivery and One Pickup for up to 14 Cans, (combination of 64 or 95-gallon recycling or garbage Cans)	\$276	\$290	\$305	\$320	\$344	\$370
Extra Pickup (\$1.50 ea./\$21 minimum of same material type-up to 14 Cans)	N/A	N/A	N/A	N/A	N/A	N/A
Extra Pickup (Includes up to 14 Cans of the same material type; additional cans \$2.00 each)	\$50	\$53	\$56	\$59	\$63	\$68
Special Event 3-6 yard Garbage Service - delivery with one pickup	\$104	\$109	\$114	\$120	\$129	\$139
Special Event 3-6 yard Recycling Bin - delivery with one pickup	\$104	\$109	\$114	\$120	\$129	\$139
Special Event Each Additional Pickup for 3-6 yard Garbage Service	\$69	\$72	\$76	\$80	\$86	\$92
Special Event Each Additional Recycling Bin Pickup	\$55	\$58	\$61	\$64	\$69	\$74
Special Event Recycling Contamination Fee - all containers	\$55	\$58	\$61	\$64	\$69	\$74
<p><b>*Can sizes are approximate and may vary by manufacturer. Current purchases are for 65 and 95 gallon.</b></p> <p><b>**FY 2023 and FY 2024 rates are higher than previously approved due to January 2022 increase.</b></p> <p><b>***New rates.</b></p> <p><b>****Universal waste includes electronics, batteries, and bulbs. Rate includes pickup only. Disposal and/or recycling cost of all items will be charged as a pass-through at the current rate paid by the City.</b></p>						

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