



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: October 3, 2022	Subject: Review of the draft <i>Solid Waste Collection Rate Report, September 2022</i> Staff Member: Mark Ottenad, Public/Government Affairs Director Department: Administration	
Action Required	Advisory Board/Commission Recommendation	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda	<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable Comments: Prospective adoption on November 7, 2022, of Resolution No. 3004 has the effective of maintaining current solid waste collection and disposal rates for all classes of customers effective January 1, 2023.	
Staff Recommendation: N/A		
Recommended Language for Motion: N/A		
Project / Issue Relates To:		
<input type="checkbox"/> Council Goals/Priorities:	<input checked="" type="checkbox"/> Adopted Master Plan(s):	<input type="checkbox"/> Not Applicable

ISSUE BEFORE COUNCIL:

Review of the draft *Solid Waste Collection Rate Report, September 2022* ("Report"), Attachment 1, in preparation for Council's prospective consideration on November 7, 2022, of Resolution No. 3004 to adopt the Findings and Recommendations of the 2022 Solid Waste Collection Rate Report and Rate Schedule.

The Report prospectively underpins Resolution No. 3004, which adopts the final *Solid Waste Collection Rate Report, September 2022*, and maintains the current "Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Yard Debris, Organic Materials and Other Materials," effective January 1, 2022.

EXECUTIVE SUMMARY:

The Report finds that solid waste Franchisee Republic Services Rate of Return (“ROR”) adjusted for 2021 had a composite revenue of 16.1%, well in excess of the allowable range of 8% to 12%, with a target of 10% ROR; see Report page 1.

Composite revenue ROR is the combined ROR of Republic Services’ three lines or classes of business:

1. Roll Cart: Residential
2. Container: Commercial
3. Industrial: Drop Box

The Report finds projected 2022 financial performance with a composite net margin of 10.3%, which is on the mark for the target ROR of 10%; see Report page 2. While residential and commercial lines of business fall below the target ROR, the industrial category exceeds the allowable range, resulting in a composite ROR just over the 10% target.

Therefore, the Report recommends maintaining current rates for all three classes of solid-waste customers, including residential, commercial and industrial customers; see Report page 2. See Attachment 3 for current solid waste collection and disposal rates.

Last year in November 2021, City Council adoption of Resolution No. 2931 for the 2021 solid waste rate review process resulted in across-the-board rate reductions for all classes of customers, with Residential Roll Cart service rates decreased an average of 4.7%, Commercial Container service rates reduced an average of 7.6%, and Industrial Roll Off / Drop Box service rates lowered an average of 10.1%.

EXPECTED RESULTS:

Prospective adoption on November 7, 2022, of Resolution No. 3004 has the effect of maintaining current solid waste collection and disposal rates for all classes of customers for 2023.

TIMELINE:

- October 3, 2022: Council review of draft *Solid Waste Collection Rate Report, September 2022*
- November 7, 2022: Prospective Council adoption of Resolution No. 3004, which adopts the final *Solid Waste Collection Rate Report, September 2022*, and maintains the current “Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Yard Debris, Organic Materials and Other Materials,” effective January 1, 2022.

CURRENT YEAR BUDGET IMPACTS:

The Report, Attachment B – Projected 2022, p. 4, projects City solid waste franchise-fee revenue of calendar year 2022 of \$394,096, a decrease of 14% or \$66,300 from solid waste franchise-fee revenue of \$460,424 for calendar year 2021. Declining franchisee ROR also reduces franchise fee revenue to City.

COMMUNITY INVOLVEMENT PROCESS:

Adoption of the Solid-Waste Franchise Ordinance No. 814 in 2018 followed standard City public outreach practices. The 2022 solid waste rate review is a by-product of the solid-waste franchise Ordinance No. 814.

Franchisee Republic Services was engaged in the rate-review process, although the CFO/controller position had become vacant prior to the review process. The General Manager submitted a number of questions that were responded to by the rate-review consultant and resulted in an adjustment to the initial draft rate report that was provided to Franchisee in advance; see Attachment 2.

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

The community benefits by continuing to receive Republic Services solid waste collection services at current rates during a time of high inflation.

ALTERNATIVES:

N/A

CITY MANAGER COMMENT:

N/A

ATTACHMENTS:

1. *Solid Waste Collection Rate Report, September 2022* (draft)
2. Memo from Bell & Associates, Inc., Solid Waste & Recycling Consultants, RE: 2022 Solid Waste Rate Review, responding to questions from Franchisee Republic Services
3. "Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Yard Debris, Organic Materials and Other Materials, Effective January 1, 2022"
4. Republic Services October 3, 2022 Memo RE Rate Review