

Lompoc City Council Agenda Item

City Council Meeting Date: May 18, 2010

TO: Laurel M. Barcelona, City Administrator

FROM: Claudia A. Stine, Solid Waste Superintendent
c_stine@ci.lompoc.ca.us

SUBJECT: ESTABLISHING NEW RATES AND FEES FOR THE
COLLECTION AND DISPOSAL OF SOLID WASTE



RECOMMENDATION:

That the City Council:

- 1) Receive staff's report and recommendations and hear public testimony.
- 2) Find that approval of the new rate and fee schedules are exempt from CEQA.
- 3) Approve Resolution No. 5630(10) establishing new rates and fees for the collection and disposal of solid waste.

DISCUSSION:

At the March 16, 2010, City Council Meeting, Solid Waste staff presented the City Council a comprehensive analysis of the Solid Waste Division. Staff recommended City Council 1) select one of three suggested scenarios for single-family residential, multi-family residential and commercial collection rates to be placed in the public hearing notice for consideration at the May 18, 2010 hearing; 2) authorize staff to reduce the number of City-wide Cleanup Days from three per year to one per year in June; and 3) authorize landfill disposal fees for approval at the May 18, 2010 hearing.

Council voted to approve the staff recommendation with Scenario C as the selection for collection rate increases to be placed in the public hearing notice for consideration at the May 18, 2010 hearing. Scenario C stipulates the following provisions:

- 1) Adjusts single-family residential collection rates by 15% each year for three consecutive years beginning June 1, 2010.
- 2) Adjusts multi-family residential collection rates by 7% each year for three consecutive years beginning June 1, 2010.
- 3) Adjusts commercial collections rates by 4% each year for three consecutive years beginning June 1, 2010.
- 4) Repays the projected \$970,000 deficit in cash reserves by borrowing from the City's Liability Reserve Fund at 4.5% interest over a seven-year period.
- 5) Re-establishes reserves of approximately 20% of operating expense.
- 6) No collection of revenue to pay upfront for the landfill methane collection system.

Prop 218 requires the City to identify the parcels upon which the fee will be imposed, calculate the amount of the fee, provide written notice and hold a public hearing regarding that fee. The public hearing for the fee increase must be held at least 45 days after the notices are mailed to the record owner or those billed.

On April 1, 2010, staff mailed 13,173 notices to both the record owner and/or those billed. The notice included the following information:

- 1) Date, time, and location of the May 18, 2010 public hearing.
- 2) The basis and reasons for the proposed rates.
- 3) The proposed rates.
- 4) The process to file a valid protest against the increase in collection rates.

At the May 18, 2010, public hearing City Council will be advised of the total number of protestors (one per property owner or one per account). If the number of protests is less than 50% plus one, then City Council can legally proceed with the increase in the collection rates and landfill fees. If it is equal to or greater than that amount, then the rate increases cannot be imposed, but City Council can still legally proceed with the increase in the landfill fees.

BACKGROUND:

Analysis of Operations-

The performance of each operation, collection and landfill, is measured separately. Surplus in the landfill operation has traditionally offset the shortfall in the collection operation. However, in recent years, there has been an unexpected decrease in landfill revenue and an increase in collection costs. As a result, the Solid Waste fund has had to borrow money from other City funds.

The table and graph below demonstrates the projected cash balance through June 30, 2013, if no action is taken.

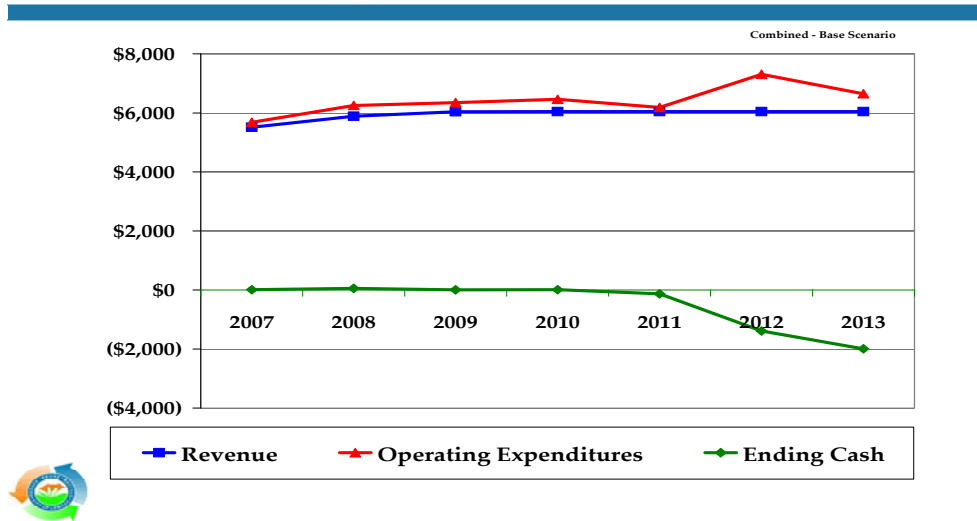
Currently Projected Operating Results – Solid Waste Division
 (in 000s)

Solid Waste Division	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
Revenue	\$5,513	\$5,887	\$6,038	\$6,048	\$6,048	\$6,048	\$6,048
Operating Expenditures	\$5,682	\$6,251	\$6,349	\$6,462	\$6,189	\$7,308	\$6,649
Surplus/(Shortfall)	(\$169)	(\$364)	(\$311)	(\$414)	(\$141)	(\$1,260)	(\$601)
Changes to Cash							
Beginning Cash	\$145	\$11	\$54	\$4	\$10	(\$131)	(\$1,391)
Surplus/(Shortfall)	(169)	(364)	(311)	(414)	(141)	(1,260)	(601)
Loans from Other Departments	20	380	150	420			
Transfers from Landfill Reserve	0	59	57	0			
Other Changes to Cash	15	(32)	54	0			
Ending Cash	\$11	\$54	\$4	\$10	(\$131)	(\$1,391)	(\$1,992)



Currently Projected Operating Results Solid Waste Division

(in 000s)



Collection-

Out of a total of 12,274 refuse accounts, 7,904 are single-family residential accounts, 3,663 are multi-family residential accounts, and 707 are commercial accounts. Single-family residential accounts make up 64% of the total accounts. Single-family residential customers may have up to three different containers including trash, commingled recycling and greenwaste. Therefore, three trips with three different collection trucks are required weekly. In an effort to relate revenue with actual operating expenditures, rate increases for collection are proportional to the shortfall for each type of account. As shown in the table below, the largest shortfall in collection is in the Single-family residential sector.

Analysis of Operating Results Collection – FY 2009

Collection	Single Family Residential	Multi-family	Commercial	Total Collection
Revenue	\$2,726	\$958	\$1,402	\$5,086
Operating Expenditures	\$3,445	\$1,002	\$1,188	\$5,635
Surplus/(Shortfall)	(\$719)	(\$44)	\$214	(\$549)

Landfill-

In 1989, the State of California implemented AB939. AB939 required 50% diversion of buried trash from the landfill by the year 2000. The City's current diversion rate is approximately 64%. While this is an exceptional number, there are consequences to high diversion numbers. While recycling is a state mandated requirement of the solid waste operation, and the key factor to conserving natural resources and protecting landfill capacity, it doesn't come without costs. As a general rule, it costs more to recycle a ton of material than it does to bury it. Additionally, the recession has caused a decrease in landfill revenue.

Analysis of Operating Results Landfill – FY 2009

Landfill	Solid Waste	Recyclables	Total Landfill
Revenue	\$2,370	\$281	\$2,651
Operating Expenditures	\$1,973	\$440	\$2,413
Surplus/(Shortfall)	\$397	(\$159)	\$238



SUMMARY:

At the March 16, 2010 public hearing, Council authorized staff to reduce the number of City-wide Cleanup Days from three per year to one per year (June), and authorized landfill disposal fees for approval at the May 18, 2010 hearing. In addition, Council selected Scenario C for single-family residential, multi-family residential and commercial collection rates to be placed in the public hearing notice for consideration at the May 18, 2010 hearing. Scenario C proposes increasing the single-family residential collection rates by 15%, multi-family residential collection rates by 7%, and commercial collections rates by 4%, each year for three consecutive years beginning June 1, 2010.

The result re-establishes reserves of approximately 20%, and pays back the \$970,000 owed to other City funds by borrowing from the City's Liability Reserve Fund at 4.5% interest over a seven-year period.

Solid Waste Division staff in conjunction with Management Services Division staff will provide City Council with bi-annual updates (March and October). The update will include the financial condition of the Solid Waste Division and a review of proposed regulations and issues that may fiscally impact the cash balance.

The table below compares the current and proposed collection rates under scenario C:

Solutions – Scenario C - Assumptions

Service	Current Monthly Rate	2011	2012	2013	3-year Increase Amount
65 gallon cart	\$20.14	\$22.98	\$26.41	\$30.35	\$10.21
96 gallon cart	\$26.07	\$29.77	\$34.21	\$39.31	\$13.24
Multi-family	\$17.99	\$19.36	\$20.69	\$22.11	\$4.12
Commercial 1 ea. 450 gal. 1x/wk.	\$90.64	\$93.87	\$97.59	\$101.46	\$10.82

Repay debt in cash reserves in 7 years
 Fund methane collection system over life of landfill
 Ending cash reserves: \$1.3 million
 Rates include State Recycle Fees and County Inspection Fees



The table below shows past revenue, expenditures, and ending cash balance, as well as future projections using the proposed Landfill Disposal Fees and the proposed Solid Waste Collection Rates (Scenario C):

Solutions – Scenario C Projected Results

(in 000s)

Solid Waste Division	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
Revenue	\$5,512	\$5,887	\$6,038	\$6,048	\$6,699	\$7,271	\$7,916
Operating Expenditures	\$5,682	\$6,251	\$6,349	\$6,460	\$6,348	\$7,465	\$6,804
Surplus/(Shortfall)	(\$170)	(\$364)	(\$311)	(\$412)	\$351	(\$194)	\$1,112

Changes to Cash

Beginning Cash	\$145	\$10	\$53	\$3	\$11	\$362	\$168
Surplus/(Shortfall)	(170)	(364)	(311)	(412)	351	(194)	1,112
Loans from Other Departments	20	380	150	420	0		
Transfers from Landfill Reserve	0	59	57	0			
Other Changes to Cash	15	(32)	54	0			
Ending Cash	\$10	\$53	\$3	\$11	\$362	\$168	\$1,280



The table below compares the current and proposed landfill disposal fees:

Solutions – Proposed Disposal Fees

Vehicle Type	Current Rate	2011	2012	2013	3-year Increase Amount
Solid Waste					
Weighed (per ton)	\$70.18	\$72.18	\$73.18	\$74.18	\$4.00
Car	\$9.00	\$9.00	\$9.00	\$9.00	\$0.00
Pickup	\$12.00	\$15.00	\$15.00	\$15.00	\$3.00
Trailer (1 axle)	\$14.00	\$20.00	\$20.00	\$20.00	\$6.00
Pickup/Van 1 axle	\$26.00	\$30.00	\$30.00	\$30.00	\$4.00
Recyclables					
Weighed (per ton)	\$34.00	\$35.00	\$35.50	\$36.00	\$2.00
Car	\$0.00	\$5.00	\$5.00	\$5.00	\$5.00
Pickup	\$0.00	\$8.00	\$8.00	\$8.00	\$8.00
Trailer (1 axle)	\$0.00	\$10.00	\$10.00	\$10.00	\$10.00
Pickup/Van 1 axle	\$0.00	\$15.00	\$15.00	\$15.00	\$15.00



Staff recommends that City Council approve Resolution No. 5630(10) Establishing New Rates and Fees for the Collection and Disposal of Solid Waste.

ENVIRONMENTAL REVIEW:

In order to adopt these rates and fees, it is necessary for City Council to find that the proposed increases are Statutorily Exempt under CEQA, as the funds collected are intended for one or more of the following purposes:

- Meeting operating expenses, including employee wage rates and fringe benefits
- Purchase or lease of supplies, equipment or materials
- Meeting financial reserve needs and requirements.

Respectfully submitted,

Claudia A. Stine
 Solid Waste Superintendent

Attachments: [Resolution 5630\(10\)](#), including Attachment One Exhibits 1-5

May 18, 2010

Subject: Establishing new rates and fees for the collection and disposal of solid waste.

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Brad Wilkie
Management Services Director

Larry Bean
Public Works Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Laurel M. Barcelona
City Administrator