



AGENDA REPORT

Department: Engineering
Prepared by: Martha Juarez, Assistant Director of Engineering & Public Works
Meeting Date: Tuesday, June 6, 2023
Approved by: Armando Vergara, Acting City Manager

SUBJECT:

A Public Hearing to Consider Rate Adjustments for Refuse Services, including Recycling and Organic Waste Disposal, and Amending the Agreement between the City and EDCO Disposal Corp.

RECOMMENDATION:

Hold Public Hearing to Consider Rate Adjustment for Refuse Services and Adopt the Resolution Entitled, "Resolution of the City Council of the City of National City, California, Adopting a Resolution Following a Public Hearing Pursuant to Proposition 218 to Consider Rate Adjustments for Refuse Services, Including Recycling and Organics / Yard Waste Disposal, Provided to National City Residences and Businesses by EDCO Disposal Corporation, and Amending the Agreement Between the City and EDCO Disposal Corporation to Increase the Monthly Rates for Refuse Collection Services."

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

Pursuant to Proposition 218, the City must hold a Public Hearing to receive input as it considers a rate adjustment for refuse services provided to National City residences and businesses by EDCO Disposal Corporation (EDCO). Under a standing franchise agreement, EDCO is the exclusive waste management provider for the City, including for trash, recyclables and organic waste.

A rate adjustment is being proposed due to the increased costs of providing refuse services to residential and commercial users. For the last several years, EDCO has made adjustments every two (2) years to allow rate elements to stabilize. This has also had the effect of producing a savings to National City residents given that some components, such as the recycling volume, can create a reduction or offset. Rates have not been adjusted since July 1, 2021.

The rates for trash service are based on various components, including: 1) landfill rates, 2) organic/yard waste tonnage, 3) recyclables sold, and 4) the consumer price index (CPI) for the San Diego area. These factors are described below in further detail. EDCO conducts a Rate Review where the actual total cost/price of budget items is determined and compared to budgeted amounts. EDCO then reviews the data input, calculations, and rate determination with City staff.

EDCO's proposed rate adjustments for Fiscal Year 2023-2024, inclusive of the changes to the rates for the current refuse collection and recycling activities, is 6.65% for residential customers. The factors contributing to the rate change were as follows:

Landfill

As the City is a member of the Regional Solid Waste Authority (RSWA), the landfill portion of the rate is based on approved changes in the RSWA rate. The RSWA rate per ton increased from \$46.22 to \$48.53 on July 1, 2022. The increase of \$2.31 per ton equates to a weighted average adjustment of \$.31 to the standard residential rate and \$1.70 to the standard commercial rate. Ratepayers benefitted as a result of EDCO not requesting an increase in 2022.

Organics

The organics volume, which includes greens/yard and food waste, declined post COVID-19. This will result in a decrease of \$.64 to the standard commercial rate and \$.12 decrease to the residential rate.

Recycling

Changes in the value of recyclable materials are factored into the rate. Commodity values increased by approximately \$107,000 since the last review period. This equates to a decrease of \$3.43 to the standard commercial rate and a decrease of \$.47 to the residential rate.

Consumer Price Index CPI

The San Diego CPI index published for 2022 is 348.9, representing a 14.1% increase from the prior index of 305.8. The maximum CPI adjustment allowed for the 2 year period is 12%. This equates to a weighted average adjustment of \$1.65 to the standard residential rate, and \$9.43 to the standard commercial rate. Ratepayers benefitted as a result of EDCO not requesting an increase in 2022.

Summary of rate changes:

The last rate adjustment occurred on July 1, 2021. Residential rates increased 4.04% from \$22.52 to \$23.43 per month, an increase of \$0.91 per month. Effective July 1, 2021, Commercial rates increased 4.30% from \$126.21 to \$131.64 or \$5.43 per month.

Following the standard rate adjustment format, residential waste rates for basic service would increase 6.65% from \$23.43 to \$24.99 per month, an increase of \$1.56 per month per household. Commercial rates for the most common service (a three cubic yard bin serviced once weekly) would increase 6.16% from \$131.64 to \$139.75 or \$8.11 per month. The proposed increases are reflected on the attached rate schedule effective July 1, 2023.

In an effort to better serve the needs of the community, EDCO also offers special rates for residents who are 60 years of age or older. These include the Senior Discount Rate, which provides the standard residential service, and the Silver Bag program, which allows for considerable savings to customers who qualify and are able to minimize their waste generation.

The total proposed rate increases summarized above are for basic service subscribers, and would take effect on July 1, 2023, the beginning of FY 2024.

Residential Service	Current Monthly Rate (Effective 7/1/21)	Proposed Monthly Rate (Effective 7/1/23)
Base Rate	\$23.43	\$24.99
Senior Discount Rate	\$18.75	\$20.00
Silver Bag Rate	\$2.87 per bag	\$3.06 per bag

Pursuant to the requirements of Proposition 218, a Public Notice was mailed to all property owners of record on April 21, 2023 (see Exhibit A). The Proposition 218 process requires that written notification be given to all affected property owners, and that those property owners be given a 45-day period in which to submit written protests if they oppose the proposed rate adjustments.

California Government Code section 53756 permits the adoption of a schedule of fees authorizing automatic formulary adjustments for a period not to exceed five years. The proposed rates will be adjusted annually over the next five-year period, effective July 1, 2023 to June 30, 2028. As part of this hearing, the City will consider authorizing future annual administrative adjustments in the solid waste disposal/recycling rates for both residential and commercial customers, for a period of five years. The first year rates have been calculated as shown within this report and the related exhibits.

For years 2 through 5, the formulary adjustments will be based on the fixed factors of landfill fees, organics waste volume, recycling amounts, and changes in the CPI as detailed above for the upcoming year's proposed increase. Although the actual rate cannot be determined in advance, three of the factors have fixed maximum increases or "caps": 1) Landfill cost is capped at 5% increase per year, 2) Organics are adjusted by CPI and capped at 6% increase per year, for actual tonnage collected, 4) CPI is capped at 6% increase per year. While the Recycling component is not capped, it is based on commodity values for actual tonnage collected, and since 2006 has accounted for a change in rates between less than 1% of an increase to less than 3% reduction in overall rates.

The City receives a Franchise Fee as well as a Refuse Enterprise Fund Fee from EDCO, both of which are based on gross receipts. The Refuse Enterprise Fund was established in 1997 through City Council's adoption of Resolution 97-68. The revenue received has been used for refuse related purposes including AB939 expenses, litter control, City assistance at Citywide cleanup, special studies, staff support, and other related functions, in accordance with the originally intended purpose. The Enterprise Fund revenues continue to pay for AB939 programs such as Household Hazardous Waste collection and the City's annual report required by CalRecycle. The fund also helps cover the cost of hazardous waste disposal collected from the public right-of-way and a street sweeper operator.

Under the proposed new rates with EDCO, the Franchise Fee will be increasing according to the table below, however, no changes are proposed to the Refuse Enterprise Fund Fee; these will remain at 3.05% for residential and 2.86% for commercial receipts. In order to support current programs and provide new funding for required SB1383 programming, the Franchise Fees are proposed to increase from 10% to 12.5% over a four-year period as follows:

Date of Increase	Increase in Percentage	Franchise Fee
July 1, 2023	0% (no increase)	10%
July 1, 2024	1%	11%
July 1, 2025	0.5%	11.5%
July 1, 2026	0.5%	12%
July 1, 2027	0.5%	12.5%

The final proposed rates for residential and commercial customers are shown in the attached Exhibit B and Exhibit C, respectively, with rates for all services shown in Exhibit D. National City currently pays the lowest residential base rate for refuse service in the County. If the total

proposed base rate increase is approved, National City would still have the lowest residential service base rate in the County, as per the attached rate comparison sheet (Exhibit E).

Staff recommends the approval of the proposed adjustment to EDCO's refuse waste service rates for the period of July 1, 2023 through June 30, 2028.

FINANCIAL STATEMENT:

EDCO Disposal – Projected Revenue with rate increase FY23-24

General Fund account 001-00000-3033 = \$755,000

Refuse Enterprise Fund account 172-00000-3642 = \$210,000

This projected revenue amount reflects a \$65,000 increase based on the proposed rate increase.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Health, Environment, and Sustainability

ENVIRONMENTAL REVIEW:

This is not a project under CEQA and is therefore not subject to environmental review.CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

Property owners were noticed in accordance with Proposition 218 requirements.

ORDINANCE:

Not Applicable

EXHIBITS:

Exhibit A - Notice of Public Hearing

Exhibit B - Residential Rates Adjustment

Exhibit C - Commercial Rates Adjustment

Exhibit D - Rate Schedule

Exhibit E - Rate Comparison of Various Cities

Exhibit F – EDCO Presentation

Exhibit G - Resolution