



City of Palo Alto

Finance Committee Staff Report

(ID # 7724)

Report Type: Action Items

Meeting Date: 4/4/2017

Council Priority: Environmental Sustainability

Summary Title: Finance Committee Recommendation to Adopt the Refuse Rates for FY 2018

Title: Finance Committee Discussion and Recommendation That Council Adopt (As Part of the Fiscal Year 2018 Annual Budget) a Resolution Amending the Residential Refuse Rates for Fiscal Year 2018 to Cover Program Costs and Keeping All Other Rates the Same

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends the Finance Committee:

Recommend Council adopt (as part of the Fiscal Year 2018 Annual Budget) the attached resolution (Attachment A) amending Utility Rate Schedule R-1 (Residential Refuse Rates) (Attachment B).

Executive Summary

Staff proposes a 5% increase in FY 2018 to complete the three-year plan of residential rate adjustments, balancing residential sector revenues and expenses ([SR #5566](#)). The proposed residential rate increase of 5% is less than the previously projected third-year rate increase of 8% due to program expense reductions. The 5% residential rate increase brings residential revenues fully in line with that sector's expenses, consistent with state law requirements. Staff is not proposing any changes to the commercial rate at this time.

Background

Refuse Services

Residential and commercial refuse rates pay for more than just garbage

collection, including the following:

- Garbage service – Curbside collection of the black garbage cart, processing the garbage at the Sunnyvale Material and Recovery Transfer (SMaRT) Station and landfilling the residual at Kirby Canyon Landfill in San Jose.
- Recycling service – Curbside collection of the blue recycling cart, sorting the recyclables into saleable commodities at the GreenWaste Recovery Charles Street Material Recovery Facility (MRF).
- Compost service – Curbside collection of the green cart; processing and anaerobic digestion of yard trimmings and food scraps at the Zero Waste Energy Development (ZWED) facility in north San Jose to produce compost and green energy.
- Street Sweeping service – Weekly street sweeping services during the leaf season and bi-weekly sweeping the rest of the year.
- Annual Clean Up Day – Once a year each single-family residential refuse customer can contact GreenWaste to pick up four large items that cannot fit in the black garbage cart, in addition to contained garbage, recyclables and yard trimmings.
- Zero Waste Palo Alto support – Residents and businesses can contact Zero Waste staff to gain valuable information on home composting, reducing food waste and zero waste events.
- Household Hazardous Waste (HHW) service – Weekly collection program at the HHW Station located at the Palo Alto Regional Water Quality Control Plant.
- Palo Alto Landfill post closure maintenance and monitoring – Ongoing maintenance and monitoring at the now-closed Palo Alto Landfill.

The cost of refuse services for each program area is listed in Table 1. Zero waste program support is included in the “Solid Waste” category.

Table 1. Refuse Program Costs Preliminary Budget FY 2018 \$31.1 million*

Solid Waste	Recycling	Compost	Landfill	Hazardous Waste	Street Sweeping
\$15.6 m	\$4.0 m	\$5.6 m	\$3.9 m	\$0.6 m	\$1.4 m

*The final FY 2018 budget amounts may differ from these estimates.

Single-Family Residential Refuse Rates (R-1)

In 2015, the City contracted with a consultant to prepare a Solid Waste Rate Structure and Analysis Report. The report noted the revenue collected from residential refuse customers was less than the cost to service the residential customers. The Finance Committee approved staff’s proposed plan to increase residential rates 28% (for most customers) over three years to provide sufficient revenue to cover all residential expenses by FY 2018 ([SR #5566](#)). Residential rates were increased 9% in FY 2016, 9% in FY 2017, and in FY 2018 staff proposes a 5% increase to complete the three-year balancing plan.

Discussion

Commercial Rates (RC)

No changes are recommended to commercial rates at this time.

Single-Family Residential Rates

This proposed 5% rate increase is less than the previously projected increase of 8% primarily due to GreenWaste depreciation expenses and reductions in the Sunnyvale Materials and Recycling Transfer (SMaRT) Station debt services budget. As the initial projected FY 2018 budget of \$31.1 million is roughly \$300,000 more than the FY 2017 budget of \$30.8 million, a 5% rate increase is all that is needed to fully fund the residential sector refuse expenses. Although a small proportion of customers will “downsize” their garbage cart, staff does not anticipate this significantly impacting overall revenue. Table 2 lists the various garbage cart sizes available and current corresponding rates and recommended rate increases.

Table 2: Recommended FY 2018 Adjustments (R-1 Single-Family Residential Rate Schedule)

Cart Size	Current Rates (monthly)	Recommended FY 2018 Rates (monthly)	Dollar Increase	Percentage Increase
20 gal	\$26.48	\$27.81	\$1.33	5%
32 gal	\$47.69	\$50.07	\$2.38	5%
64 gal	\$95.38	\$100.15	\$4.77	5%
96 gal	\$143.07	\$150.22	\$7.15	5%

To cover projected expenses through FY 2021, staff projects residential rate increases of 5% in FY 2018, 3% in FY 2019, 3% in FY 2020, and 3% in FY 2021.

The City offers one of the most comprehensive Refuse, Zero Waste, street sweeping and household hazardous waste collection programs in the region. Nonetheless, the City's least expensive rate option, a mini-can, is priced within the range of neighboring cities (Table 3). The Palo Alto rates are proposed for July 1, 2017. Cities with lower monthly rates generally offer fewer services.

Table 3: Regional Single-Family Residential Monthly Rate⁺ Comparison

City	Least Expensive Rate
Palo Alto	\$27.81
Menlo Park	\$13.99
Mountain View	\$20.05
San Jose	\$32.07*
Santa Clara	\$19.93
Sunnyvale	\$38.23*

⁺ As of March 2017

* Does not offer a minican/20 gallon cart

To minimize the need for rate increases, staff implemented several significant cost saving measures in recent years, including but not limited to (1) accelerating the filling and closing of the City's landfill; (2) contracting street sweeping operations and moving to less frequent sweeping during the non-leaf season; and (3) improvements and efficiencies gained in the City's household hazardous waste collection program.

Note, approximately two-thirds of Refuse Program expenses are based on CPI increases built into respective agreements. The projections for FY 2018 and near-term future are based on these 3% CPI increases and are addressed in the recommended rates.

Timeline Refuse Rate Implementation Schedule

Task	Schedule
Finance Committee final rate approval as part of the budget process	April 4, 2017
Proposition 218 notices mailed	May 1, 2017
Council approval	June 12, 2017
New Refuse Rates take effect	July 1, 2017

Resource Impact

The impacts of the proposed FY 2018 refuse rate increases will implement the third year of a three-year phased program to realign rates between the residential, commercial and roll-off sectors so that residential revenues are sufficient to cover expenses. Rates in all sectors are sufficient to cover expenses and continue rebuilding refuse reserves to appropriate levels.

Policy Implications

There are no policy changes contained in the adoption of the proposed new Refuse Rates.

Environmental Clearance/CEQA

Adjustments of rates are statutorily exempt from the California Environmental Quality Act (CEQA) (Section 21083, Public Resources Code; Relevance Section 21080(b)(8), Public Resource Code.

Attachments:

- Attachment A: Refuse Rates Resolution
- Attachment B: R1 7-1-2017

Attachment A

Resolution No. _____
Resolution of the Council of the
City of Palo Alto Amending the Utility Rate Schedule
R-I for a Refuse Rate Increase

RECITALS

A. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the City Council may by resolution adopt rules and regulations governing utility services and the fees and charges therefore; and

B. The Council has considered the need for an adjustment in refuse collection rates to avoid a decrease in the Refuse Fund Rate Stabilization Reserve levels; and

C. Pursuant to Article XIID Sec. 6 of the California Constitution, on June XX, 2017 the Council of the City of Palo Alto held a public hearing to consider all protests against the proposed refuse rate fee increases; and

D. The total number of written protests presented by the close of the public hearing was less than fifty percent (50%) of the total number of customers subject to the proposed refuse rate fee increases.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule R-I (Domestic Refuse Collection) is hereby amended to read in accordance with Sheets R-I-1, R-1-2, attached hereto and incorporated herein. The foregoing Utility Rate Schedules, as amended, shall become effective on July 1, 2017.

SECTION 2. The rates contained in the attached Rate Schedules shall be in effect until Council adopts a new rate structure.

SECTION 3. The Council finds that the revenue derived from the authorized adjustments of the refuse collection rates shall be used only for the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

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SECTION 4. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, California Public Resources Code section 21080, subdivision (b)(8).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Mayor

APPROVED:

City Manager

Director of Public Works / City Engineer

Director of Administrative Services

WKNK/ TC VG'UEJ GF WNGT/3"

A. APPLICABILITY:"

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B. TERRITORY:"

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C. RATES:"

Vj g'tghwug'tcvgu'dgny "r tqxkf g"y ggm{ "eqmgevkap."r tqeguulpi "cpf "f kur qucn'qh'o cvgtkcu'r tqr gtn{ " f gr qukgf "kp"vj g'pwo dgt"qh'i ctdei g"eqpvckpgtu"kp f kcvgf "dgmny ."cu'y gm'cu'y ggm{ "eqmgevkap"cpf " r tqeguulpi "qh'tge{ emcdrgu"htqo " dnwg"ectv"ucpf ctf "ugtxleg" kpenmf gu"qpg"86/i cmqp"dnwg"ectv+." y ggm{ "eqmgevkap"cpf "r tqeguulpi "qh'eqo r qucdrgu"*{ ctf "vko o kpi u."hqf "ueter u."cpf "hqf "uqkrf " r cr gt+" htqo "i tggp"ectv"ucpf ctf "ugtxleg" kpenmf gu"qpg"; 8/i cmqp"i tggp"ectv+."qpi qkpi " o ckpvpcpeg"qh'vj g'emqugf "Rcmq" Cnq" Ncpf hkm" | gtq"y cuvg"r tqi tco u."utggv"uy ggr kpi "ugtxleg."vj g" j qwugj qf "j c| ctf quw'y cuvg"r tqi tco ."cpf "vj g"cppwcn"Engcp "Wr "F c{ 0"

Monthly Refuse Services Cost

Garbage Cart Sizes

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3"54/i cmqp"ectv, "	7209"	
3"86/i cmqp"ectv"	32207"	"
3"; 8/i cmqp"ectv"	37204	

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D. SPECIAL ITEM CHARGES:"

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40" Htggj gt lghki gtcvt kct"eqpf kkpqgt li ctdei g"eqo r cevt "r leniwr ", () 62022"
50" Wr j qnvtgf "hwtpkwtg"r leniwr "sr gt"wpk+; () 37022"

CITY OF PALO ALTO UTILITIES"

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