



## **CITY OF SALINAS COUNCIL STAFF REPORT**

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**DATE:** May 16, 2023

**DEPARTMENT:** PUBLIC WORKS

**FROM:** DAVID JACOBS, PUBLIC WORKS DIRECTOR

**BY:** DAVID JACOBS, PUBLIC WORKS DIRECTOR

**TITLE:** REPUBLIC SERVICES GARBAGE & RECYCLING RATES FY 22-23

### **RECOMMENDED MOTION:**

A motion to approve a Resolution finding the proposed annual adjustments to Republic Services of Salinas' (Republic Services) Schedule of Service Fees and Schedule of Rates for Residential and Commercial Customers effective July 1, 2023, to be both reasonable and within the terms of the Collection Services Agreement.

### **EXECUTIVE SUMMARY:**

Republic Services proposed rates for Solid Waste, Recycling, and Organics (Green Waste) Collection Services for Fiscal Year 2023-24 reflect an increase of 3.75% (or \$1.21) for the typical 32-gallon residential trash service from \$32.26 to \$33.47 per month. The increase consists of 2.32% (\$0.75) (4.0% CPI increase to the collection element of the rate) for Republic Services CPI, 0.54% (or \$0.18) for SVSWA AB 939 Fees, 0.16% (or \$0.05) for Recycling Processing, 0.16% (or \$0.05) for Organics Processing and 0.56% (or \$0.18) for City Franchise Fees.

For commercial services, the monthly rate for a customer with a 3-cubic yard bin collected once per week will increase 3.84% (or \$19.26) from \$501.97 to \$521.23 per month. The increase consists of 2.61% (or \$13.08) (4.0% CPI increase to the collection element of the rate for Republic Services CPI, 0.65% (or \$3.29) for AB 939 Fees, and 0.58% (or \$2.89) for City Franchise Fees. Commercial customers continue to have the option to reduce their monthly rates by taking advantage of recycling opportunities and/or by reducing service levels for underutilized capacity.

The City and R3 Consulting Group, Inc. have reviewed the rates with representatives of Republic Services in accordance with the Collection Services Agreement and find them reasonable and within the terms of the Collection Services Agreement.

### **BACKGROUND:**

Since July 1, 2001, the City of Salinas has had an exclusive Collection Services Agreement with Allied Waste Services, dba Republic Services of Salinas (Republic Services), for municipal solid waste, recyclables, and green waste collection services. The Collection Services Agreement has had multiple amendments and extensions up to the current Amended and Restated Collection Services

Agreement (October 2021) with a term expiring June 30, 2036, with an optional extension of five years at the City's sole discretion.

The rates are made up of the following fees: Franchise, AB 939, Disposal, Recycle, Organics, Construction and Demolition, and the Collection element. The only fee that Republic can adjust is the collection element. The Franchise Fee is set to 15% by the City and the rest are set by either Salinas Valley Solid Waste Authority (SVSWA) or by ReGen Monterey.

SVSWA takes the solid waste and organics (green waste). SVSWA has kept the solid waste fee the same as last year, increased the organics (green waste) from \$57.00 to \$58.25 per ton (increase of 2.2%) and increased the AB 939 by 12.9% (charged to trash service based on service level). SVSWA did increase their transportation fee from \$18.75 to \$19.75 per ton (increase of 5.3%) however this increase is fixed to the collection portion of the rate through an agreement between SVSWA and Republic Services.

Republic Services takes the recyclables to Regen Monterey who have increased their processing fee by 5%.

The table below provides a snapshot of the impact of the requested adjustments to the rates of a typical residential and commercial customer.

<b>Table 3</b> <b>Estimated Service Cost Increases for Hauler</b>					
<b>Base Services by Rate Classification</b>	<b>Rate Classification</b>	<b>Approved FY 22/23 Rates</b>	<b>Proposed FY 23/24 Rates</b>	<b>Percent Change</b>	<b>Increase</b>
32-Gallon Garbage, 64 Gallon Recycle, 96 Gallon Organics	Residential	\$32.26	\$33.47	3.75%	\$1.21
32-Gallon Garbage, 64 Gallon Recycle, 96 Gallon Organics	MFD – Curbside	\$32.26	\$33.47	3.75%	\$1.21
32-Gallon Garbage, 64 Gallon Recycle, 96 Gallon Organics	MFD – Consolidated (Carts)	\$50.05	\$51.97	3.84%	\$1.92
3 Cubic Yard Garbage Bin, 1 Pickup per Week	MFD-Consolidated (Bins)	\$501.97	\$521.23	3.84%	\$19.26
3 Cubic Yard Garbage Bin, 1 Pickup per Week	Commercial	\$501.97	\$521.23	3.84%	\$19.26
2 Cubic Yard Recycle Bin, 1 Pickup per Week	Commercial	\$323.00	\$336.00	4.02%	\$13.00
64-Gallon Organics Cart, 1 Pickup per Week	Commercial	\$68.04	\$70.65	3.84%	\$2.61

*\* The CPI increase is only applied to the Republic portion of the adjusted rates and is not applied to the SVSWA's disposal portion. Thus, the resulting percentage increase varies for each service on the rate schedule.*

Across all levels of service, the average rate increase for Single Family Residential Customers is 3.73% while that for Commercial it is 3.81% and Multi Family is 3.81%

Per Section 14-01.10 of the Salinas Municipal Code and Article 4 of the Collection Services Agreement, the Council annually reviews and adopts adjustments to Republic Services corresponding approved rates. Under Article 4.15, Notice of Rate Increases, of the Franchise Agreement, Republic Services is required to notify its customers 30 days in advance of the effective date of any approved rate adjustments. For Republic Services to comply with this public noticing requirement and for the rates to become effective July 1, 2023, Council must review and find the rate adjustments reasonable prior to the end of May 2023. Republic Service submitted its rate application in accordance with the timeframe as required in the Collection Services Agreement. Republic Services has submitted a request for consideration of adjustments to the Rate Schedules for fiscal year 2023-24.

#### Key Drivers

As part of the negotiation process, existing programs and solid waste expenditures were considered. The Annual Rate Adjustment is directly linked to increased costs in transportation, tipping fees (SVSWA Landfill, ReGen Materials Recovery Facility) and the Solid Waste Element. All these cost increases are typical of the service provided and are deemed to be reasonable.

#### Inflation Component

Beginning with Rate Year 2023, the Consumer Price Index (CPI-U) adjustment shall be the sum of the weighted percentage change in the 12-month average of each CPI-U index number between the base period, which shall be the prior preceding year ending December 31st, and the preceding year ending December 31st as contained in the most recent release of the CPI-U. Therefore, the CPI-U rate adjustment effective July 1, 2023, will be based on the percentage changes between the 12-month average of the CPI-U indices from January 2022 to December 2022. Additionally, if in any calendar year that the calculation of the CPI-U exceeds four percent (4.00%), the total adjustment for that year will be four percent (4.00%), and no rollover amount will be added the rate adjustment percentage in the following year, or any subsequent year. If the CPI-U is negative, there will be no CPI-U adjustment to the Collection Element for that year. The annual CPI-U was calculated at 4.49% and the CPI applied to the 2023-24 Rate schedule is **4.00%**.

#### SVSWA AB 939 Fees

Every year SVSWA reallocates its AB 939 non-disposal programs fee using the total tonnage landfilled over the prior three fiscal years. For FY 2023-24 the SVSWA increased AB 939 Non-Disposal Program Fees from \$2,136,300 to \$2,428,616. This fee increase is meant to offset the additional funding needed to comply with all CalRecycle requirements focused on waste prevention, diversion, and recovery.

### Franchise Fee

A typical component of such agreements, franchise fees represent the reasonable market value of the grant of the solid waste franchise. The City is paid a 15% franchise fee on the gross revenues for all services that Republic Service provides. The above increases for CPI, AB 939 Fees, Recycling and Organics Collection costs will also result in additional franchise fees.

### CEQA CONSIDERATION:

**Not a Project.** The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

### STRATEGIC PLAN INITIATIVE:

This action supports the Council's goal of Infrastructure and Environmental Sustainability

### DEPARTMENTAL COORDINATION:

While the rate review is largely conducted by Public Works, coordination occurs with both the Finance and Legal Departments.

### FISCAL AND SUSTAINABILITY IMPACT:

This item requires no additional expenditures or appropriations. Franchise Fees associate with these annual rate adjustments will generate additional General Fund revenue for the city and will be included in the upcoming 2023-24 fiscal year budget.

### ATTACHMENTS:

1. Resolution
2. Proposed Exhibit 1 - Schedule of Approved Rates of Franchise Agreement effective 7/1/23