

Agenda Date: 5/5/2020

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Stephanie Katsouleas, Public Works Director

Steve Charelian, Finance Director

Anna Luke-Jones, Public Works Senior Management Analyst

SUBJECT:

Conduct Public Hearing to Consider Adopting New Refuse Rates for Residential and Commercial Solid Waste Collection Services, Effective July 1, 2020, Through June 30, 2025 (Public Works Director Katsouleas).

OPEN PUBLIC HEARING AND CONTINUE PUBLIC HEARING TO MAY 12, 2020

RECOMMENDATION:

Staff recommends that the City Council:

- A) Conduct a public hearing to consider adopting new residential and commercial solid waste collection service rates, effective July 1, 2020;
- B) Consider the Proposition 218 protest ballots submitted to the City Clerk by the close of the public hearing; and
- C) Consider adopting the attached Resolution No. 20-0050 adopting the annual proposed rate increases from July 1, 2020 through June 30, 2025.

STAFF RECOMMENDS THAT THE MAYOR OPEN THE PUBLIC HEARING AND THEN, BY ORDER OF THE CHAIR, CONTINUE THE PUBLIC HEARING UNTIL MAY 12, 2020.

FISCAL IMPLICATIONS:

Commercial and residential solid waste hauling fees (rates) are fully paid by the customers receiving refuse service. The City also receives a City Recovery Cost (CRC) for the administration and oversight of the program and solid waste contractor. The current annual waste hauling contract is valued at approximately \$3.8 million. The new annual waste hauling contract rate is expected to be approximately \$5.7 million, representing an increase of \$1.9

million. This increase includes a combination of higher rates for residential and commercial landfill waste, as well as new fees for commercial recycling services.

The City is required to initiate a Proposition 218 majority protest process in order to pass on solid waste collection rate increases to its businesses and residents. Proposition 218 allows municipalities to consider rate adjustments for up to five years. At the end of this five-year term, in order to raise solid waste collection rates, Manhattan Beach will be required to initiate another Proposition 218 process for the remaining two-year term of the contract, as well as consider the rates for the three-one-year optional renewal periods. Notably, if less than 50% of the City's refuse customers protest the solid waste collection rate increases through the Proposition 218 process, then City Council may adopt the attached resolution approving the annual rate increases. The first increase would become effective July 1, 2020. However, if more than 50% of the City's refuse customers protest the proposed rate increases, then the attached resolution could not be adopted. Under this scenario, refuse customers would continue to pay the current waste hauling rates and the City would be obligated to make up the difference between the new and old contracted rates with Waste Management, which is approximately \$1.9 million in year one of the seven-year contract. Over seven years, the total difference between the current fixed rates and the adopted rates with consumer price index (CPI) escalations is estimated to be approximately \$16 million. Note, however, that there are no time restrictions for when the City could initiate a new Proposition 218 process for the same solid waste hauling fees, so re-balloting could occur at any time should this procedure fail.

BACKGROUND:

On March 3, 2020, City Council reviewed and approved the proposed five-year solid waste collection rates increases and adopted Resolution No. 20-0028 setting a public hearing to consider adoption of the new rates for May 5, 2020. City Council also adopted Resolution No. 20-0029 establishing procedures in connection with the rate increases. The new solid waste hauling rate for Fiscal Year (FY) 2020-2021 and the rate adjustment calculation method for the subsequent four years are attached. The City mailed the Proposition 218 notice and ballot procedures to each property owner and solid waste rate payer on March 11, 2020. Additionally, staff:

- Prepared and posted on the City's website a PowerPoint presentation with our contact information for questions about the ballot and protest procedures;
- Posted it on the City calendar (from April 1 - May 5, 2020).
- Published the availability of the presentation as a news story on the City website, and on Facebook and Twitter;
- Sent e-notifications to multiple subscriber groups; and
- Placed eight 5x7 ads in the Beach Reporter from March 12 - April 30, 2020.

DISCUSSION:

In order to implement new customer rates, City Council must conduct a Proposition 218 hearing to approve or reject the new rates at least forty-five days after the notices are mailed. At the public hearing, the City Council must consider all protests or objections to the proposed refuse collection service charge. At the conclusion of the public hearing, the City Council must tabulate the written protests against the proposed refuse collection service charges and determine whether a majority protest exists. Unless protests are received from a majority of rate payers

(50% + 1), the rates may be adopted by a majority vote of City Council at the public hearing.

The City's residential and commercial solid waste customers have been provided the opportunity to protest the proposed rate increases in three ways:

1. By submitting a hard copy protest to the City Clerk (via mail or by placing the written protest in the City Hall billing drop-off box located in the City Hall parking lot);
2. By emailing the signed protest to cityclerk@citymb.info <<mailto:cityclerk@citymb.info>>; and
3. By providing it to the City Clerk before the end of the Public Hearing on May 5, 2020.

In order for the rates to be sufficiently protested, and thus *not* passed on to the City's residential and commercial solid waste customers, the City must receive more than 50%, or 6,500, protests ballots. However, if *less than* 50% protest ballots are received, the City Council can adopt Resolution No. 20-0050, setting the rates for residential and commercial solid waste service from Waste Management, which will become effective July 1, 2020.

Waste Management Rates and Annual Increases

The solid waste hauling rates shown in the attachment represent the base rates and CRC for FY 2020-2021, and the rate adjustment calculation method for four additional rate increases to be applied annually on July 1 of each subsequent year (2021-2022, 2022-2023, 2023-2024, and 2024-2025). Waste Management's annual rate increases will be limited to the CPI increase for Trash and Garbage Collection, U.S. City average, as published by the United States Department of Labor, Bureau of Labor Statistics, between the calendar year ended the December prior to the Rate Year anniversary date, and the calendar year ended the prior December.

Lastly, when the new contract takes effect on July 1, 2020, Waste Management will begin billing Manhattan Beach's businesses and residents directly for refuse service. The company will also collect the CRC on the City's behalf and remit it directly to the City on a monthly basis.

Therefore, staff recommends that City Council:

- A) Conduct the public hearing regarding adopting new residential and commercial solid waste collection service rates, effective July 1, 2020;
- B) Consider all Proposition 218 protest ballots submitted to the City Clerk by the close of the public hearing; and
- C) If less than 50% protest ballots are received, adopt Resolution No. 20-0050 approving the annual proposed rate increases from July 1, 2020 through June 30, 2025.

PUBLIC OUTREACH:

As mentioned above under Background, an extensive amount of public outreach was conducted regarding this scheduled public hearing.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the

State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

ATTACHMENT:

1. Resolution No. 20-0050 Including Exhibit A (Prop 218 Notice and Proposed Rates)