



Administrative Report

H.6., File # 24-0622

Meeting Date: 4/23/2024

To: MAYOR AND CITY COUNCIL
From: ANDREW WINJE, PUBLIC WORKS DIRECTOR

TITLE

AUTHORIZE STAFF TO INITIATE THE PROPOSITION 218 PROCESS REQUIRED TO CONSIDER PROPOSED ADJUSTMENTS TO RESIDENTIAL AND COMMERCIAL SOLID WASTE RATES AND FEES BEGINNING IN FY 2024-25; AND FOR FUTURE ANNUAL RATE ADJUSTMENTS USING SPECIFIC FORMULAS LISTED IN THE AGREEMENT WITH ATHENS SERVICES

SET JUNE 18, 2024 AS THE PUBLIC HEARING DATE FOR CONSIDERATION OF THE SOLID WASTE REFUSE COLLECTION RATES AND THE TABULATION OF ALL PROTESTS RECEIVED

EXECUTIVE SUMMARY

The City's refuse collection and hauling service rates for residential, multi-family, and commercial and properties is governed by Proposition 218. Proposition 218 requires a public hearing be held no less than every five years to consider the refuse rates for the next five years. Public hearings may be held more often to make adjustments to the methodology used to determine the refuse rates or to adjust fees. It has been five years since the last Proposition 218 process that established the rates used through FY 2023-24.

At this time, the City is obligated to proceed with a Proposition 218 public hearing prior to implementing fee adjustments for FY 2024-25 and beyond. Staff is recommending the City Council authorize staff to begin the Proposition 218 process, approve the attached Proposition 218 Notice, and set the Public Hearing date for June 18, 2024. Staff is also recommending an increase of a City Administration fee for residents and multi-family units, which was last adjusted in 2012. The current City Administration fee assessed per unit, per month is \$0.86. Staff proposes a 15% increase to the fee, to \$0.99 per month (an additional charge of \$1.56 per year), to help offset inflationary increases to City administrative costs that have occurred over the past 12 years.

BACKGROUND

On June 18, 2019 the City Council approved a First Amendment to the Agreement with Athens Services to extended the term of the Agreement to June 30, 2028, with an option to extend for an additional twenty-four months. At that time, the City Council also adopted (through a Proposition 218 process) a refuse rate structure that implemented the FY 2019-20 refuse rates and established the methodology for future rate adjustments, for the next five fiscal years, which extended through FY 2023-24.

The City is now required to set the refuse rates for FY 2024-25 and the following four years, as per

the rate formulas in the Current Athens Services Agreement. The Proposition 218 process requires that the rate adjustment formula be considered and approved every five years, or whenever there is a proposed change to the rate adjustment methodology. The City is required to initiate the Proposition 218 process at this time due to the expiration of the current five-year period.

Proposition 218 requires that all property owners, or those responsible for paying the refuse bill, receive a notice 45 days prior to the Public Hearing for an opportunity to challenge any proposed fee increases. After the City Council officially sets the Public Hearing date for June 18, 2024, staff will post mailers by May 3, 2024 to all owners. The City Council maintains the right of final approval, but all rate requests are based on a specific formula outlined in the Athens Services Agreement. Also, prior to the June 18, 2024 meeting, staff will file a written report with the City Clerk containing a description of each parcel subject to the Refuse Rates that will be levied annually on the County of Los Angeles secured property tax roll for residential parcels with less than four units, commencing the 2024-25 Fiscal Year.

The base rate of the total trash fee is calculated using the year-to-year changes in published price indices for industry cost components: disposal, labor, equipment, fuel, and "other" costs. The individual components' weighted portion of the rate is prescribed in the Athens Agreement, less the waste-to-energy cost component, which is no longer an option for the City.

Later this year, staff will recommend a 0.9% increase to the base refuse rate for the 2024-2025 Fiscal Year according to the prescribed methodology. The Recycling Service Charge for Multi-Family Residential Parcels (4 or more units) will be adjusted annually through the 2028-29 Fiscal Year according to the change in the All-Urban Consumers Index U.S. City average, all items, less food and energy index, plus 1%. The current multi-family unit (4 or more) Recycling Service Charge is \$3.46 per month, this will increase by 6.09% to \$3.67 per month, according to the prescribed methodology.

The City Council will have the opportunity to consider the annual base rate adjustment (calculated to be an increase of 0.9% per adopted methodology) at the public hearing on June 18, 2024.

It should be noted that staff is also recommending an increase to the City Administration fee for residents and multi-family units that was last adjusted in 2012. This fee can only be adjusted through the Proposition 218 process. The current City Administration fee assessed for residents and multi-family units per month is \$0.86. Staff proposes a 15% increase, to \$0.99 per month (\$11.88 annually), which is an additional charge of \$1.56 per year. This increase is needed to cover increases in administrative costs associated with overseeing the City's solid waste collection programs. The City Administration fee for commercial customers is 9.15% of the base refuse fee. As the base fee has increased, per the approved rate adjustment formula, the City Administration fee has risen as well. Therefore, staff does not recommend an adjustment to the City Administration fee for commercial customers.

Currently, the total refuse rate for residents (single family homes and multi-family less than four units), including City fees, is \$29.40 per month. With the recommended increase to the base rate according to the prescribed methodology, and the \$0.13 increase to the City Administration fee for residential properties, the proposed total refuse rate for FY 2024-25 would be \$29.78 per month, assuming the Council approves the rate and fee adjustments at the June 18, 2024 public hearing.

Staff has prepared the proposed Proposition 218 Notice which identifies the proposed maximum rates for the FY 2024-2025 and the formulas for annual rate increases for the subsequent four years. The format for the public notice is consistent with the style and notice language last used in 2019. Staff has shortened the printed notice to decrease its environmental impact by reducing the amount of paper required in the mailer, while still including all Proposition 218 required elements. The complete Franchise Agreement containing the full-text of all rate-adjustment formulas is available for review in the City Clerk's Office, located at 415 Diamond Street, Redondo Beach, CA 90277 (Door 1). A sample protest form, and additional instructions for members of the public wishing to submit a protest, will also be located at the City Clerk's Office and on the City website.

If the recommendation to modify the solid waste rates for the 2024-2025 Fiscal Year and the formulas for future rate modifications during the term of the Agreement does not receive a majority protest by rate payers, and is approved by the City Council at the June 18, 2024 meeting, staff will update the Los Angeles County Direct Assessment for single family customers and notify Athens Services of the official approval of the refuse rates for direct billing of commercial and multi-family customers.

Staff recommends City Council authorize staff to initiate the Proposition 218 process, approve the attached Notice and approve June 18, 2024 as the Public Hearing date for the consideration of the solid waste refuse collection rates.

COORDINATION

Staff will coordinate the Proposition 218 process with the City Clerk's Office and the City Attorney's Office.

FISCAL IMPACT

The cost to provide advanced mailed notices to all required stakeholders is estimated to be \$40,000 for an estimated 22,000 mailers. Funding for the expense is available in the Public Works, Solid Waste Operating Budget. No additional appropriation is required. If approved, the updated City Administration fee will increase revenues by approximately \$24,945 per year.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Draft Public Hearing Notice