



Legislation Text

File #: 20-064, Version: 1

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SUBJECT: Public Hearing to Consider Rate Increases to Solid, Organic, and Recycle Waste Collection and Other Related Services Rates Over a Five Year Period Beginning July 1, 2020 and Introduction of an Ordinance to Amend Chapter 8.04 - Garbage and Rubbish

REPORT IN BRIEF

Hold a Public Hearing to consider approving rate increases to the solid, including green and organic waste, and recycling rates for all customer classes including residential, commercial, and industrial and related services.

RECOMMENDATION

City Council - Adopt a motion approving the proposed Solid Waste Collection and Related Services Rates and introducing **Ordinance 2514**, an Ordinance of the City Council of the City of Merced, California, Amending Chapter 8.04, "Garbage and Rubbish," of the Merced Municipal Code.

ALTERNATIVES

1. Deny the Solid Waste Collection and Related Services rate adjustments; or,
2. Refer back to staff for reconsideration of specific item(s); or,
3. Continue action until a future City Council meeting, specifying date.

AUTHORITY

City of Merced Charter Article II, Section 200 - Powers and Article IV, Section 405 - Powers Vested in the City Council, Proposition 218, and Merced Municipal Code Chapter 8.04 - Garbage and Rubbish.

CITY COUNCIL PRIORITIES

As provided for in the Fiscal Year 2019/2020 Adopted Budget.

DISCUSSION

The City's Solid Waste Collection and Related Services are considered a self-supporting enterprise fund where revenue is derived primarily from solid waste collection service. Rates for collection services were last revised January 2015 with minimally set annual increases through December 2019. While the Solid Waste Division has been maximally efficient with funds and resources, due to operation changes beyond our control and increased costs, the current rate structure is no longer capable of sustaining on-going operations and maintaining appropriate reserves, as a result the City sought to have a solid waste rate study and financial plan analysis.

On June 4, 2018, Council approved an agreement with R3 Consulting Group, Inc., (R3) to produce

an amended 5-year revenue program with rate adjustments structured to meet the projected needs of the City, including future growth, capital improvement projects, and achieving adequate reserves.

On December 2, 2019, Council approved the Solid Waste Collection and Related Services Rate Study, selected the revised version of Scenario 3 with an additional 3rd party litter abatement program, a 16% reserve fund balance minimum (approximately two months of operating expenses), and authorized staff to proceed with the Public Notification process following Proposition 218 guidelines with a Public Hearing set for March 2, 2020.

The proposed rates are needed to fund the operational and other costs of the Solid Waste Division. Costs of operation have continued to increase and have contributed to a budgeted deficit of approximately \$2.2 million and a reduction in operating reserves. The increase is also needed as a result of the State of California passing legislation that affects solid waste and adds services without funding for those added services. New regulatory changes have come from the California Air Resources Board that impact vehicles, forcing replacement prior to depreciation expectations. In addition, revenues that were generated from collected recyclables have reduced due to the China National Sword Policy, and the cost of processing recyclable has increased.

On January 8, 2020, customers were mailed the City of Merced Notice of Public Hearing on Proposed Rate Increase to Solid, Organic Waste and Recycling Rates in accordance with Proposition 218 guidelines.

Staff is seeking Council's approval to accept the proposed Solid Waste and Related Services Rate increases set forth in the attached Public Notice, with increases beginning July 1, 2020, and approval of an amendment to the City of Merced Ordinance Chapter 8.04 - Garbage and Rubbish.

IMPACT ON CITY RESOURCES

No appropriation of funds is needed.

ATTACHMENTS

1. Final Report on the Solid Waste and Related Services Rate Study
2. Notice of Public Hearing on Proposed Rate Increase to Solid, Organic Waste and Recycling Rates
3. Ordinance to Amend Chapter 8.04 - Garbage and Rubbish Redlines
4. Ordinance to Amend Chapter 8.04 - Garbage and Rubbish