



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

9/23/2019

SUBJECT:

Recology of the Coast Rate Adjustment for 2020

RECOMMENDED ACTION:

Move that the City Council adopt a Resolution of the City of Pacifica Directing Staff to Issue Notice of Public Hearing for New or Increased Solid Waste Collection Services Fees and Charges.

STAFF CONTACT:

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BACKGROUND/DISCUSSION:

In February 2010, the City of Pacifica entered into a franchise agreement with Recology of the Coast (“Recology”) for Recyclable Materials, Organic Materials, and Solid Waste Collection Services. The agreement was amended in October 2016, extending the contract to December 31, 2022.

The Agreement:

The agreement generally grants Recology the exclusive right and franchise to collect the following materials in the City service area:

1. Solid waste generated at residential premises, commercial premises and city facilities;
2. Targeted recyclable materials generated at residential premises and city facilities;
3. Organic materials generated at residential premises, commercial premises and city facilities; and
4. Construction and demolition debris generated at residential premises, commercial premises and city facilities.

The agreement also generally grants Recology a non-exclusive right and franchise to collect the following materials in the Service Area:

1. Targeted recyclable materials generated at commercial premises; and
2. Major appliances and specialty recyclable or reusable materials generated at residential premises and commercial premises.

Annual Operational Rate Adjustment Request:

The Recology Franchise agreement allows Recology to submit annual rate increase adjustments for the City Council's approval. The rate adjustment for Rate Period number eleven (January 1, 2020 through December 31, 2020) requires submittals of documentation to the City by September 1, 2019. The City has received the submittal and has reviewed the operational rate adjustment request of 2.75%. This is an "index-based" rate adjustment pursuant to Section 11.03 of the Franchise Agreement Annual Rate Application Process.

Additional Rate Increase Request:

In November 2018, Council adopted a Resolution Confirming the 2.75% rate adjustment per Recology of the Coast's Rate Application for the Period of January 1, 2019 to December 31, 2019.

During this meeting, prior to Council action, the City Manager clarified for the record, that Recology was still negotiating with their recyclables processor, Green Waste Recovery, about the impact of China's recent policy, called National Sword, which impacts recycling markets. The City Manager further clarified that those impacts were not factored into the 2019 rate adjustment and, depending on the results of those negotiations, Recology may seek a future rate adjustment depending on how that marketplace pans out.

In 2018, China implemented its new National Sword policy, which bans the import of 24 recyclable commodities, increases enforcement, and limits contamination levels for imported bales of plastic and mixed paper. Since California exports an estimated 60 to 80 percent of recyclables generated in California, this has significant implications for California's waste management system.

At the time of the 2019 rate application, Recology of the Coast was operating under a signed agreement with Green Waste Recovery in San Jose guaranteeing a \$35 a ton payment for clean recyclable materials. The agreement expired September 30, 2018. In the subsequent months, Recology of the Coast, in conjunction with other local Recology locations, negotiated with Green Waste Recovery to formulate a contract that was agreeable to all involved recognizing that landfilling of recyclable material was not acceptable to our customers or the City. That agreement was not finalized until December 2018. Since October 2018, the average charge has been \$19.40/ton. The new processing agreement results in a \$54.40/ton reversal on the previously substantial recycling Income. In the previous year, recycling income amounted to \$210,409.

Currently the rates (Attachment K, section 2.19 of the Recology Franchise Agreement) include a Recycling Commodities Sales Offset totaling \$269,300. This offset represents revenue that Recology experiences when it was able to sell recyclables. The additional revenues reduced the cost of Recology's operational expenses thus requiring less support (via lower rates) from the ratepayers.

Now that the recycling policy has changed, requiring Recology to pay for recyclable processing, Recology anticipates additional annual costs totaling \$386,805. Recology proposes to split the impact of the increased processing cost - 50% borne by Recology (\$193,403) and 50% borne by ratepayers (\$193,403). This is a \$1.00 per month charge on each residential account and 1.7% increase for commercial accounts. For example, a twenty-gallon cart will increase from \$23.66 a month to \$25.31.

Recology is requesting that the Rate Period number eleven (January 1, 2020 through December

31, 2020) rate modification include an adjustment for the aforementioned increase in recyclables processing costs. This adjustment equates to \$1.00/month for each residential rate and 1.7% for each commercial rate, with no change to ancillary fees. Recology is *not* requesting retroactive adjustment to the rates to reflect increased recycling costs, but merely to reflect the increased costs going forward.

Rate Setting Process:

In accordance with the agreement between the City of Pacifica, Recology and Lionel Emde, a public notice will be sent to all customers liable for payment of the proposed fee increase informing them of a public hearing on November 25, 2019 and the process for the protest hearing. In order to meet a 45-day noticing period, notices will be mailed on or before October 1, 2017. See Attachment 2 for more information.

Individuals will have the opportunity to comment on the proposed rate increase during the 45-day period as well as during the public hearing on November 25, 2019. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fee, which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

FISCAL IMPACT:

Composite Modification

This annual index-based operational increase combined with the recyclables related additional request brings the total Rate Period number eleven (January 1, 2020 through December 31, 2020) increase to an average increase of 5.03%. However, due to the separate methodologies applicable to the increase the modified rates should be calculated per the following:

- 2019 rate multiplied by the Rate Period eleven operational increase (2.75%) plus \$1 (residential) or 1.7% (commercial)
- Using the 20 gallon cart (residential):
 - $\$23.66$ (2019 monthly charge) x 2.75% + \$1 = \$25.31
- Using the 1 cubic yard bin collection services
 - $\$63.37$ (2019 monthly charge) x 2.75% + 1.7% = \$66.22

Enclosed is a proposed rate schedule that includes both the Index-Based Rate Adjustment and the adjustment for recyclables processing. Recology’s six-year (2015 to 2020) average operationally based modification is 1.16%, including this requested modification:

Year	Modification Pct. Change
2015	1.87%
2016	-9.37%
2017	0%
2018	6.66%
2019	2.75%
2020	5.03%

To reiterate, residential customers, most of whom subscribe to the 20-gallon can monthly rate

would increase from \$23.66 to \$25.31 per month or an increase of \$1.65 per month or \$19.80 annually as a result of this request.

ORIGINATED BY:

City Manager's Office
City Clerk

ATTACHMENT LIST:

Notice of Public Hearing Regarding Refuse Collection and Rate Schedule Current and Proposed - Attachment 1 (DOC)
Procedures for Conducting Protest Hearings and Submitting Protests - Attachment 2 (PDF)



RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA DIRECTING STAFF TO ISSUE NOTICE OF PUBLIC HEARING FOR NEW OR INCREASED SOLID WASTE COLLECTION SERVICES FEE AND CHARGES

WHEREAS, The City of Pacifica (“City”) entered into a Franchise Agreement (“Agreement”) with Recology of the Coast (“Recology”) pursuant to which Recology provides services regarding recyclable materials, organic materials, and solid waste collection (“Services”);

WHEREAS, pursuant to the Franchise Agreement, Recology has the right to charge and collect from customers rates for services subject to a maximum not to exceed the amount set forth in the Franchise Agreement;

WHEREAS, Recology has applied for a rate adjustment to be approved at a public hearing; and

WHEREAS, the City Council desires to initiate proceedings to review Recology’s request to revise the rates effective beginning January 1, 2020.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pacifica that:

Section 1. The City Council directs staff to schedule a public hearing at which all interested persons shall be permitted to present oral and written testimony with respect to the proposed rate revision. The City Council further directs staff to give written notice of the hearing via the United States Postal Service, postage prepaid, at least forty-five (45) days before the date set for the public hearing.

Section 2. The City Council finds that this Resolution is exempt from the California Environmental Quality Act (“CEQA”) pursuant to Section 15273 of the CEQA Guidelines.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Pacifica, California, held on September 23, 2019 by the following vote of the members thereof:

- AYES**, Councilmembers:
- NOES**, Councilmembers:
- ABSENT**, Councilmembers:
- ABSTAIN**, Councilmembers:

Sue Vaterlaus, Mayor

APPROVED AS TO FORM:

ATTEST:

Michelle Marchetta Kenyon, City Attorney

Sarah Coffey, City Clerk