



Date: December 4, 2018
To: Patrick H. West, City Manager *T.H.W.*
From: *C.A.B.* Craig A. Beck, Director, Public Works
For: Mayor and Members of the City Council
Subject: **Proposed Refuse and Recycling Rates**

In May 2018, the Department of Public Works (PW) engaged HF&H Consultants to conduct a comprehensive Cost of Service and Rate Study (Study) for refuse and recycling collection services. The objective of the Study was to develop recommendations for an updated rate structure, incorporating best practice cost of service methodologies in compliance with the requirements of applicable laws.

The Study concluded that rate increases are necessary. Several reasons for the increases were identified, including: (1) the City's rates have not generated sufficient revenue to cover the costs for service; (2) solid waste collection costs have increased; and, (3) new State-mandated diversion programs (including organics) require additional funding. The Study describes how the rate should be designed for each rate class to ensure customers are paying their proportionate share of costs.

Refuse and recycling rates were last adjusted for cost of service on October 1, 2002. Since then, only Consumer Price Index (CPI) adjustments have been made, with the last one going into effect October 1, 2015 for 0.8 percent. Subsequently, the Refuse Fund has closed all, but one, of the past ten fiscal years with an operating deficit. That deficit peaked in FY 13 at nearly \$3,000,000. As identified in the report, the Refuse Fund can no longer sustain annual operating deficits and maintain a fund balance adequate to support operations.

At the time of diminishing revenue, the public's demand for services have risen. Service requests for bulky item collection and illegally dumped items have increased significantly. As a result, the public has experienced longer wait times to receive these services. The charts below show the increase in both calls for service and requests received on the GoLongBeach app.



Costs

Waste collection and recycling costs are rising. As shown in the adjacent chart, disposal costs have grown 19 percent in the past five years, and staff anticipates continued cost increases in the coming years. Fleet costs are also increasing. The City is actively replacing the approximately 70 clean fuel (CNG) refuse trucks purchased in 2009. These vehicles cost 30 percent more since the 2009 purchase.



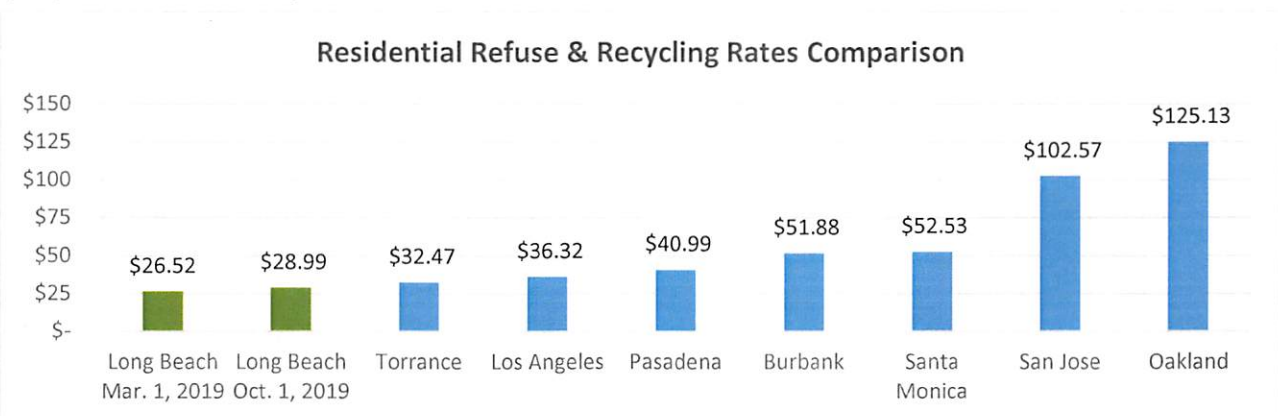
Over the past few years, the State has enacted legislation increasing each City's requirement to recycle and provide waste diversion programs. In response to these and other requirements, PW is currently in the early stages of creating a Zero Waste Plan. This plan will develop a path for the City's compliance with current and upcoming legislation including, but not limited to, AB 341 (mandatory commercial and multi-family recycling and sets a statewide 70 percent diversion target), AB 2176 (large venue and special event recycling), AB 1826 (commercial organics recycling), and AB 1383 (short-lived climate pollutants: organics methane emissions reductions). Upcoming rate increases will fund needed studies and staffing to develop a plan for the City's compliance.

Rate Adjustment

The Study proposes a two-step rate adjustment. With the City Council's approval, the first adjustment will go into effect on March 1, 2019. This will increase the average residential customer's account by \$2.41 per month (\$24.11 to \$26.52). The second increase will go into effect on October 1, 2019, adding \$2.47 per month (\$26.52 to \$28.99).

Comparison to Other Cities

Staff understands the proposed rate increase may seem significant to some customers, but it is necessary to meet operational cost increases. The graph below shows the City's proposed rates compared to other California cities' current rates.



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As shown in the chart above, Long Beach rates will still be lower than many comparable California cities.

Pursuant to State law, the City Council will consider the adoption of the proposed solid waste and recycling rates at a public hearing on February 5, 2019 at 4:00 p.m., in the Council Chamber. A letter noticing the public of the hearing will be mailed to all refuse customer accounts the week of December 17, 2018.

If you have any questions regarding this matter, please call Diko Melkonian, Environmental Services Bureau Manager, at (562) 570-2856.

Refuse and Recycling Rate Increase.docx
CB:DM;JM:JC

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