

Regular Council Meeting

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December 14, 2023

2023 DEC 12 P 4:02

FRESNO CITY COUNCIL

CITY OF FRESNO
CLERK'S OFFICE



Supplement Packet

ITEM(S)

1-Z (ID 23-1762) Actions related to initiating the Proposition 218 process for proposed updates to the schedule of rates for residential solid waste services:

1. Direct City staff to initiate the Proposition 218 process for proposed updates to rates for residential solid waste services, and
2. Set a public hearing to consider proposed updates to the rates for residential solid waste services on May 2, 2024, at 5:00 p.m.

Contents of Supplement: Summary – SWMD Rate Update and Presentation

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

Americans with Disabilities Act (ADA):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

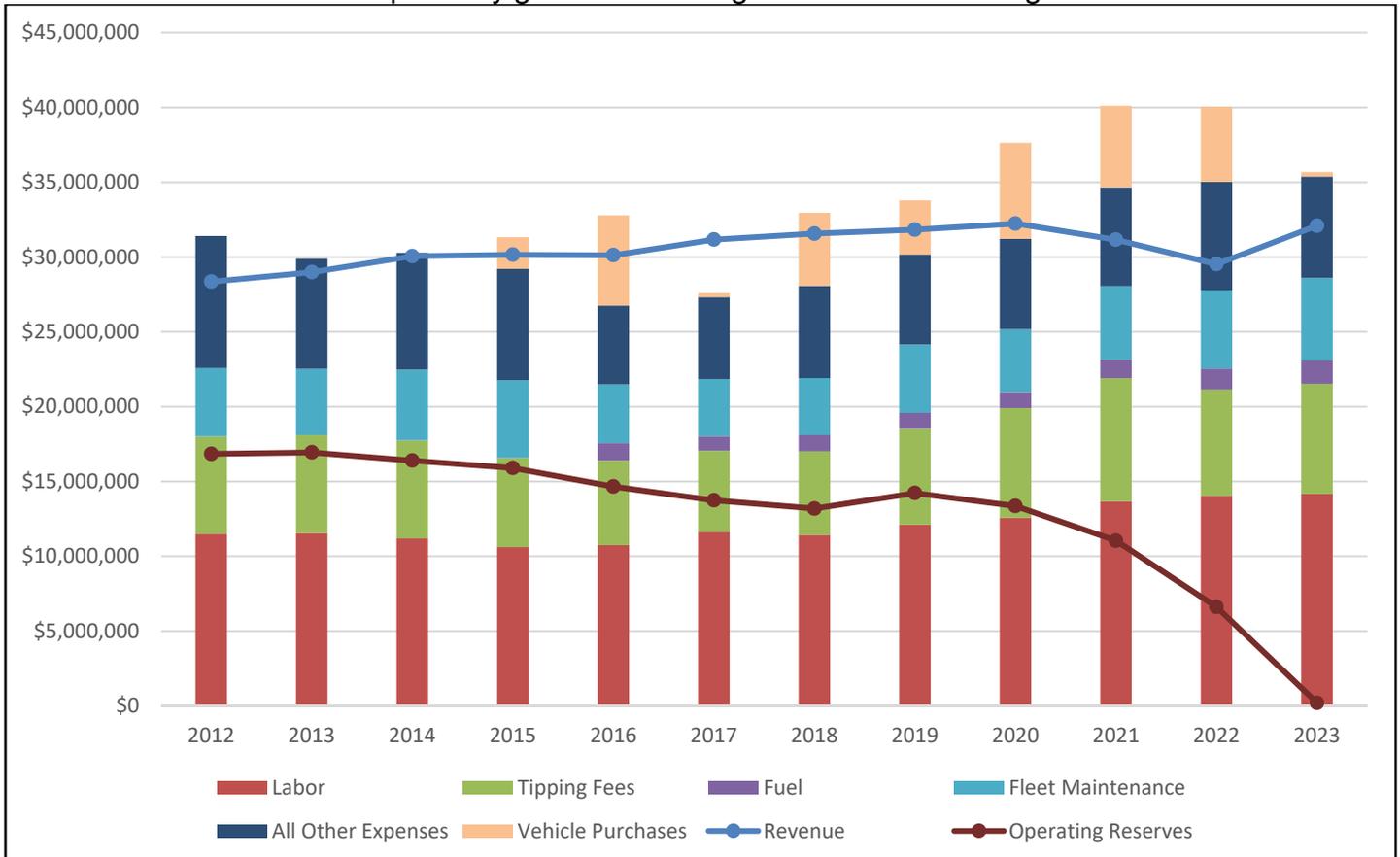
Solid Waste Management Division Service Rates Update

Need for Rate Update:

- Last rate increase was applied in September 2009 from 2007 adopted rate schedule
- Number of residential accounts have grown 16%, but revenues have only increased 14%
- Operational expenses have increased dramatically over the last fourteen years: tipping fees, fuel, labor, fleet maintenance, and carts are 80% of expenses and are up 30%

Expense	2012	2023	Difference	Change
Tipping Fees	\$6.5 million	\$7.4 million	\$856,000	+13%
Fuel	\$927,000	\$1.6 million	\$660,000	+71%
Labor	\$11.6 million	\$14.1 million	\$2.6 million	+22%
Fleet Maintenance	\$4.3 million	\$7.1 million	\$2.8 million	+65%
Collection Carts	\$741,000	\$954,000	\$213,000	+29%
Collection Truck, ea.	\$261,500	\$595,700	\$334,200	+127%
Pickup Truck, ea.	\$32,305	\$51,100	\$18,795	+58%

The Division's revenues are primarily generated through user fees and charges for service to residents.



Solid Waste Management Division Service Rates Update

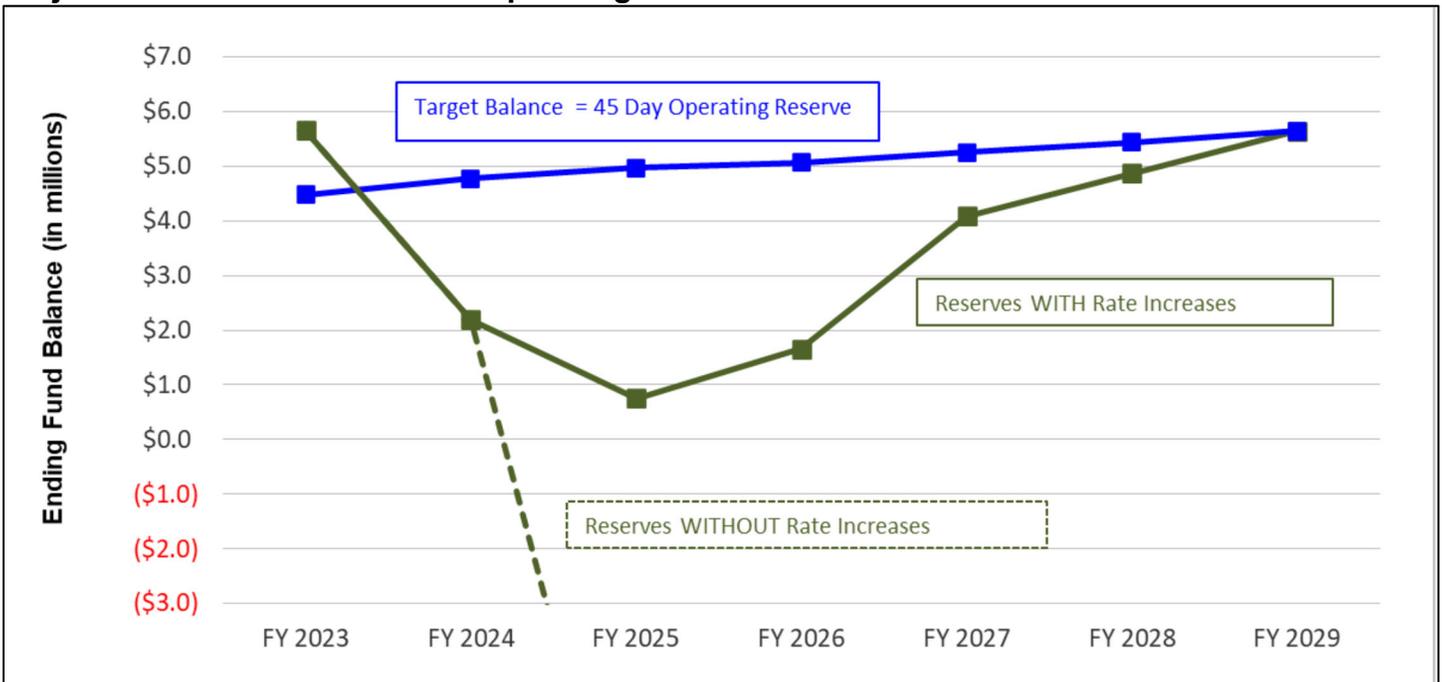
Assumptions for Updated Rates:

- Maintain current levels of service
- Replace aging collection fleet and use lease-to-own purchase for costly vehicles: collection trucks, sweepers & claws
- Incrementally replenish 45-day operating reserve fund by end of 5-yr rate plan period
- Include costs for:
 - Fresno Sanitary Landfill (\$2.5MM FY24)
 - SB 1383
 - O&M Facility
- Add new one-time per year bulky item pick up by appointment beginning FY26
- \$5 million intradepartmental loan (FY24) from Wastewater Management Division

Proposed Increase to Service Rates for Residential Solid Waste

Container Size	Current Rate	Proposed Rates (\$/month)				
		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
rate adjustment effective date:		7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Solid Waste Container Size						
96-gallon Container(s)	\$25.37	\$30.87	\$35.50	\$38.70	\$41.99	\$45.24
\$ Change		\$5.50	\$4.63	\$3.20	\$3.29	\$3.25
64-gallon Container	\$19.20	\$28.12	\$32.34	\$35.25	\$38.25	\$41.21
\$ Change		\$8.92	\$4.22	\$2.91	\$3.00	\$2.96

Projected Year-End Residential Operating Reserve Balance



**Solid Waste Management Division
Service Rates Update**

Comparison of Rates to Neighboring Service Areas & Municipalities***

Agency	Monthly Rate*
Oakland	\$154.10
Fresno County (Mid Valley)** – High	\$98.89
San Jose	\$59.19
Sacramento	\$53.86
Stockton	\$52.82
Modesto	\$51.25
Merced	\$49.06
Fresno County (Mid Valley)** – Low	\$47.51
Selma	\$45.00
Clovis	\$39.10
Madera	\$38.72
Los Angeles	\$36.32
Fresno – Proposed	\$30.87
Bakersfield	\$22.00

* Rates based on trash cart and recycled/green cart, 96-gallon or largest size.

** Range based on zone, and effective 9/1/2023

*** Information compiled in May 2023

Affordability Credit

DPU will propose replacement of existing low-income senior citizen rate with low-income affordability credit that will be available to all that qualify. Eligible customers would submit documentation they qualify for:

- PG&E’s California Alternate Rates for Energy (CARE) Program
- One of Fresno County’s human services programs, such as the Supplemental Nutrition Assistance Program (SNAP), the Women, Infants, and Children (WIC) Program, the National School Lunch Program (NSLP), or
- Medi-Cal Program.

The Solid Waste Affordability Credit Program (SWACP) is currently being developed and will be presented to Council for approval in a separate action at the Council meeting at which the 2025 Rate Plan Prop 218 public hearing will be held. The proposed value of the SWACP for a qualified account holder has not yet been finalized.

Without a Rate Update:

- Secure funding from the General Fund, impacting other City services, or
- Cost cutting measures, reducing services to residential customers

Agenda Item seeks:

- Council direction to initiate Prop 218 process
- Following this direction:
 - Print and mail notice and protest card; customer receipt March 18, 2024
 - 45-day after receipt hold public hearing on May 2, 2024
 - Final count of protest cards
 - Council discussion
 - Council action
 - If approved, implement new rates July 1, 2024

Solid Waste Management Division Rate Update



Today's Discussion



**PROVIDING LIFE'S
ESSENTIAL SERVICES**

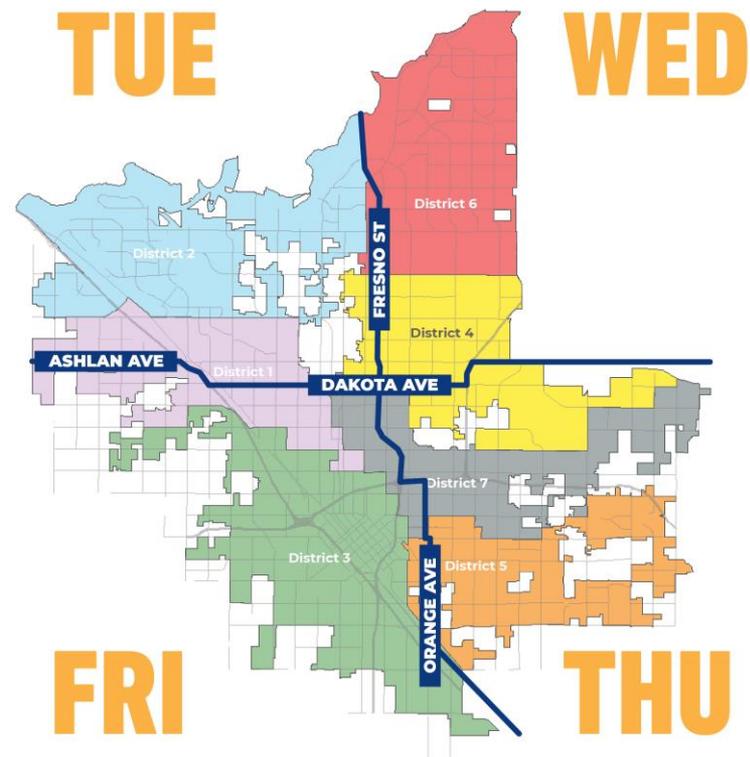
1. Solid Waste Management Division (SWMD) Provided Services
2. SWMD's Current Cost Realities and Financial Health
3. Rate Study and Updated Rates
4. Today's Requested Action



Solid Waste Management Division

Residential Program

- 119,000 customers
- 4 collection days per week
- 64 daily collection routes
- 353,000 carts
 - Gray – Solid Waste
 - Blue – Recycling
 - Green – Organics





Solid Waste Management Division

Additional Services

Operation Clean Up



Free Shred Days



Free Dump Days



Recycling Education & Outreach



Citywide Litter Control Activities



Solid Waste Management Division

Current Service Levels

Standard Service:
\$25.37 per month



Alternate Service:
\$19.20 per month





Solid Waste Management Division

Accounts, Waste Volume, and Annual Revenue

- **Service Accounts**

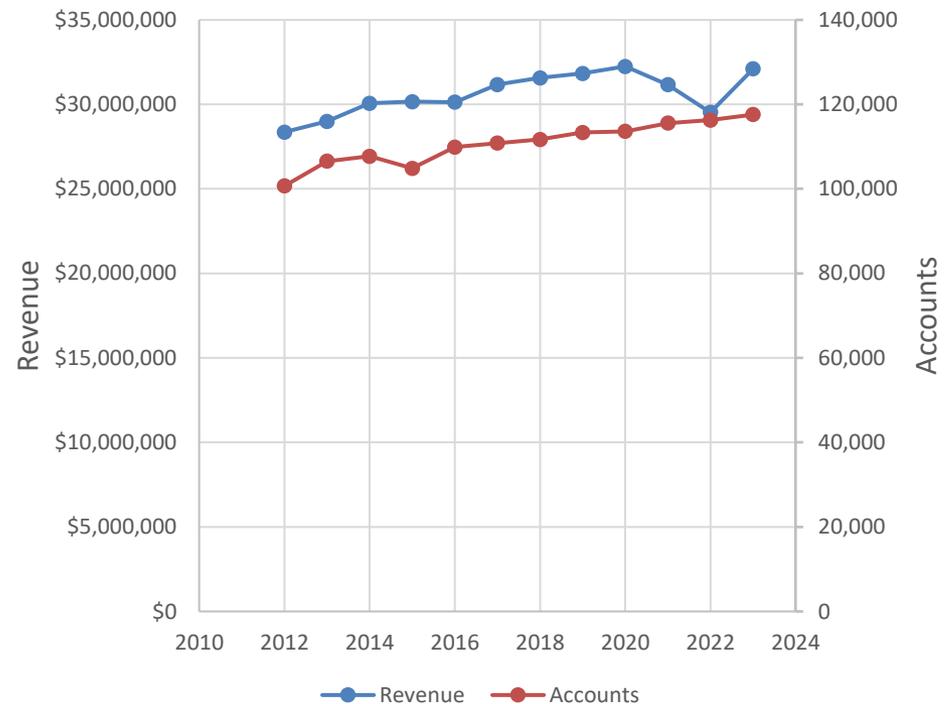
- 103,000 in 2012
- 119,000 today

- **Revenues**

- \$28,356,483 in FY2012
- \$32,234,917 in FY2023

- **Waste Tonnage**

- 231,340 tons in FY2012
- 260,263 tons in FY2023



The current solid waste rates were last updated in 2009 and based on a rate plan adopted in 2007.



Cost Reality: Continued Cost Increases

Expense	2012	2023	Difference	% Change
Tipping Fees	\$6.5 million	\$7.4 million	\$856,000	+13%
Fuel	\$927,000	\$1.6 million	\$660,000	+71%
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Collection Vehicles	\$261,500	\$595,700	\$334,200	+127%
Pickup Trucks	\$32,305	\$51,100	\$18,795	+58%

Operational expenses have increased dramatically over the last fourteen years: tipping fees, fuel, labor, fleet maintenance, and carts comprise 80% of expenses and have increased 30%



Cost Reality: Need to Catch Up Vehicle Replacements

- 1.3 million miles per year across entire 176 vehicle fleet
- 109 collection trucks operate in severe duty environment
- 25% of fleet is beyond expected 8-year service life
- Deferred needed replacements in 2023





Cost Reality: Fresno Sanitary Landfill Regulatory Action

- Under USEPA enforcement action
- City required to collect and treat landfill gas and groundwater
- \$2.5M included in FY24 budget for regrading and treatment improvements





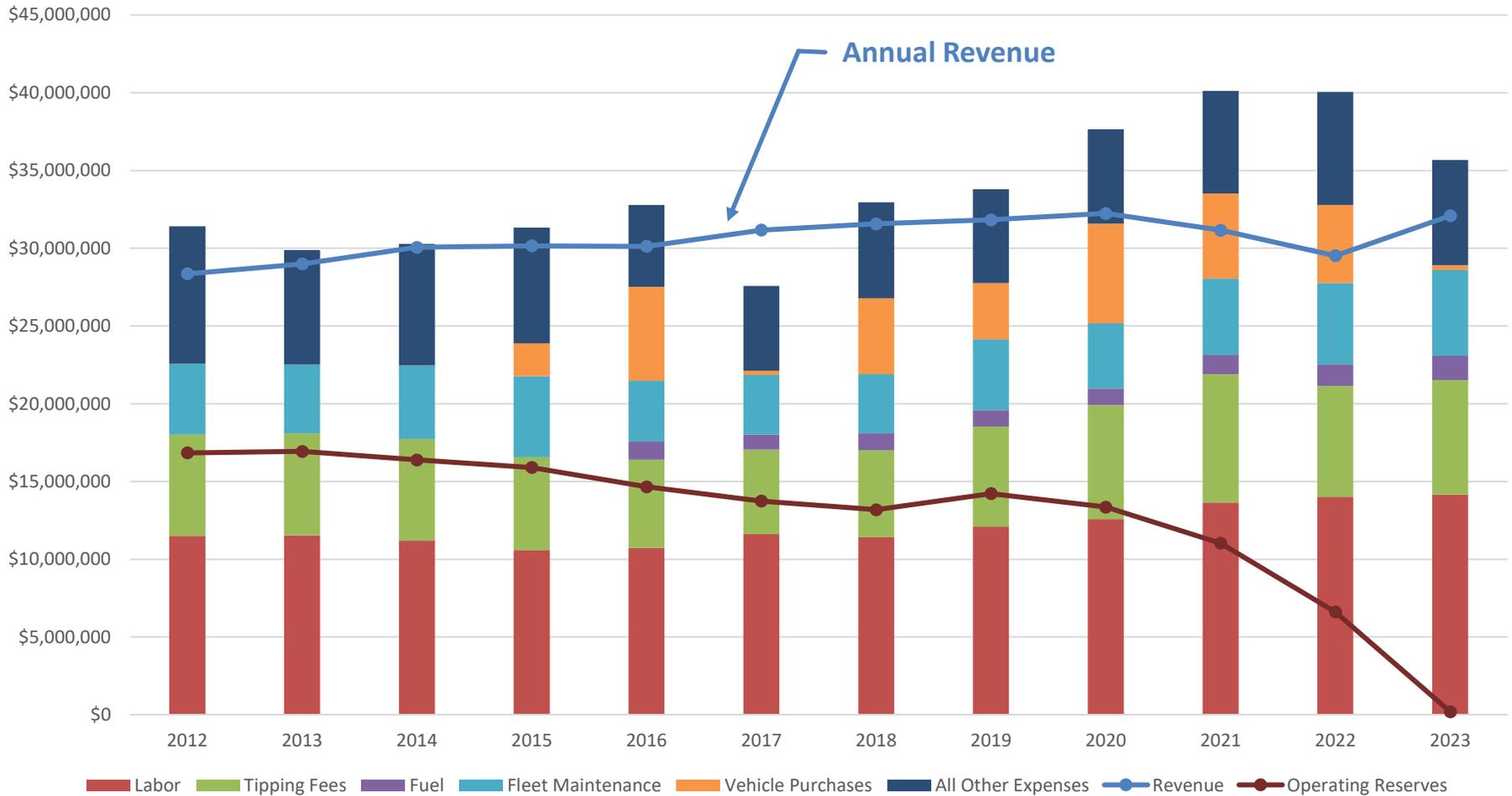
Cost Reality: SB1383's Additional Cost Pressure

- SB1383 is California's Short-Lived Climate Pollutant reduction regulation
- Requires reducing landfilling of green waste and organics
- Public education, collection, and composting will require more effort





Overall Financial Situation





Rate Study: Model Assumptions

- **Loan from wastewater utility in FY 2024**
 - To cover current expenses and make the Division whole
- **Maintain current level of service**
 - Weekly curbside collection of solid waste, recyclables, and green waste/organics carts
- **One Operation Clean Up event per year**
 - On scheduled dates set by the City
- **Adds bulky item pickup by appointment in FY 2026**
 - One curbside bulky item collection per year, by appointment



Rate Study: Model Assumptions

- **SB 1383 Short-Lived Climate Pollutant reduction regulation costs**
 - Compliance, monitoring, and reporting requirements
- **Improvements for DPU O&M Facility**
 - SWMD's anticipated portion of improvements
- **Fresno Sanitary Landfill improvements**
 - In accordance with USEPA enforcement action
- **Replacement of aging fleet**
 - Lease purchase of costly vehicles: Collection vehicles, sweepers, and claws
- **Replenish 45-day operating reserve fund by FY2029**



Rate Study: Cost of Service

- **FY 2025 proposed rate adjustment will:**
 - Provide for an overall increase in revenue
 - Realign rates to reflect current costs of service for each service level
- **FY 2026 – FY 2029 rates:**
 - Rates for each service level will increase at the same percentage each year



Rate Study: Proposed Rates

Container Size	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
96-gallon Solid Waste Service	\$25.37	\$30.87	\$35.50	\$38.70	\$41.99	\$45.24
<i>\$ Change</i>		<i>\$5.50</i>	<i>\$4.63</i>	<i>\$3.20</i>	<i>\$3.29</i>	<i>\$3.25</i>
64-gallon Solid Waste Service	\$19.20	\$28.12	\$32.34	\$35.25	\$38.25	\$41.21
<i>\$ Change</i>		<i>\$8.92</i>	<i>\$4.22</i>	<i>\$2.91</i>	<i>\$3.00</i>	<i>\$2.96</i>
ADDITIONAL CONTAINERS						
96-gallon Solid Waste Cart	\$10.25	\$8.26	\$9.50	\$10.36	\$11.24	\$12.11
<i>\$ Change</i>		<i>(\$1.99)</i>	<i>\$1.24</i>	<i>\$0.86</i>	<i>\$0.88</i>	<i>\$0.87</i>
64-gallon Solid Waste Cart	\$7.43	\$5.50	\$6.33	\$6.90	\$7.49	\$8.07
<i>\$ Change</i>		<i>(\$1.93)</i>	<i>\$0.83</i>	<i>\$0.57</i>	<i>\$0.59</i>	<i>\$0.58</i>
96-gallon Recycling Cart	\$3.74	\$3.47	\$3.99	\$4.35	\$4.72	\$5.09
<i>\$ Change</i>		<i>(\$0.27)</i>	<i>\$0.52</i>	<i>\$0.36</i>	<i>\$0.37</i>	<i>\$0.37</i>
96-gallon Green Waste Cart	\$3.87	\$4.95	\$5.69	\$6.20	\$6.73	\$7.25
<i>\$ Change</i>		<i>\$1.08</i>	<i>\$0.74</i>	<i>\$0.51</i>	<i>\$0.53</i>	<i>\$0.52</i>



Rate Study: Rates Comparison***

Agency	Monthly Rate*
Oakland	\$154.10
Fresno County (Mid Valley)** – High	\$98.89
San Jose	\$59.19
Sacramento	\$53.86
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Fresno – Proposed	\$30.87
Bakersfield	\$22.00

Fresno's Current Rate:
\$25.37

Notes:

- * Rates based on trash cart and recycled/green cart, 96-gallon or largest size.
- ** Rate range based on zone and effective 9/1/2023
- *** Information compiled in May 2023



Affordability Considerations

- **Replacement of low-income senior citizen rate with a Solid Waste Affordability Credit Program**
 - In compliance with Prop 218
 - Will mirror the existing Water Affordability Credit Program
 - Would be combined into a single application with the same eligibility requirements, which includes qualification for:
 - PG&E's California Alternate Rates for Energy (CARE) Program
 - One of Fresno County's human services programs such as the Supplemental Nutrition Assistance Program (SNAP), the Women, Infants, and Children (WIC) Program, the National School Lunch Program (NSLP), or
 - Medi-Cal Program
 - To be presented during Public Hearing on May 2, 2024



Community Relations

- **Community Meetings**

- Four public meetings held over two-week period
- Reviewed SWMD's services and current rates
- Discussed current cost realities
- Provided an overview of Prop 218 rate-setting process

For Additional Information:



Website: www.fresno.gov/prop218

E-Mail: prop218@fresno.gov

Phone: (559) 621-8218



Timeline

- Dec 14, 2023:** City Council considers initiating Prop 218 process
- March 18, 2024:** Prop 218 Notices delivered to property owners and customers
- May 2, 2024:** Public Hearing and final protest deadline
- July 1, 2024:** New rates go into effect



Today's Requested Action

- **Requesting Council authorization to move forward with Prop 218 rate-setting process**
 - No action on rates
- **If not authorized to move forward:**
 - SWMD will need subsidy from City's General Fund, impacting other City services; or
 - Additional cost-cutting measures will need to be taken which will impact SWMD's services to residential customers