



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 27, 2023**
FROM: PUBLIC WORKS DEPARTMENT **WARDS: ALL**
SUBJECT: RESIDENTIAL SOLID WASTE SERVICES FIVE-YEAR RATE PLAN PROPOSAL

ISSUE:

Receive a report and set a public hearing for the establishment of a five-year rate plan for residential solid waste services.

RECOMMENDATIONS:

That the City Council:

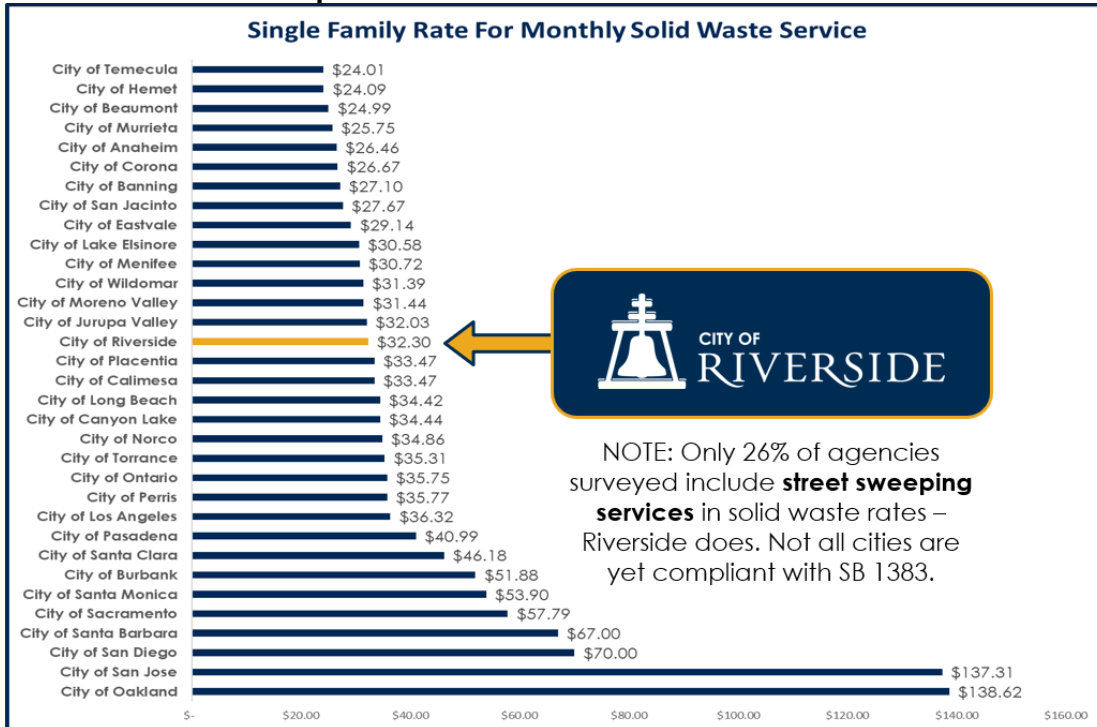
1. Receive a report on proposed changes to residential trash service rates; and
2. Direct the City Manager to prepare all documents necessary for public noticing of the rate proposal and set a public hearing for September 19, 2023 at 6:15 p.m., with new rates effective November 1, 2023.

BACKGROUND:

Solid waste collection and street sweeping services for the City’s 63,484 residential solid waste accounts and 7,408 commercial accounts are currently provided through a combination of City staff and contract haulers. City staff provide residential waste collection services for approximately two-thirds of the City’s residential customers (42,323 customers). The remaining one-third of residential customers (21,161 customers) will be serviced by a new hauler through an exclusive agreement effective July 1, 2023 through June 30, 2038. Additionally, City staff provide street sweeping on more than 800 miles of streets twice monthly to ensure compliance with State regulations.

Table 1 below demonstrates how Riverside’s solid wastes rates compare to other California cities. Only 26% of these agencies provide street sweeping as part of solid waste services like Riverside does. Additionally, not all of the surveyed cities are currently compliant with Senate Bill (SB) 1383 which requires the recycling of organic food waste amongst other regulatory requirements. Program requirements went into effect on January 1, 2022.

Chart 1 – Comparison of Residential Solid Waste Service Rates



Rates from 2008 to 2018

Following the Great Recession, solid waste services rate increases were at or below 2% for ten years as depicted in the table below.

Table 1 – 2008-2018 Solid Waste Services Rates

Year	Rate Increase
2008/09	0.00%
2009/10	0.10%
2010/11	1.00%
2011/12	1.00%
2012/13	1.00%
2013/14	1.90%
2014/15	1.10%
2015/16	0.70%
2016/17	2.00%
2017/18	2.00%

Rates from 2019 - 2023

On December 18, 2018, the City Council approved an extraordinary increase request for waste processing and an 18-month solid waste rate plan through June 30, 2020.

Table 2 – Solid Waste Rates for 2018/19 – 2019/20

Year	Rate Increase
2018/19	9.80%
2019/20	3.20%

On January 14, 2020, the City Council received a comprehensive report on a solid waste and recycling program strategy and economic study by R3 Consulting Group, Inc., which addressed the City’s own residential solid waste operation, a review of our commercial contracts, compliance with state-mandated programs, and a preliminary rate analysis to support operations and required programs.

On September 15, 2020, the City Council approved a five-year rate structure for residential and commercial solid waste services. The residential and commercial rate structure was approved for January 1, 2021 to June 30, 2025. At the time of adoption, the scale and impacts of SB 1383 were not known.

Table 3 – Current Solid Waste Rate Plan

	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Monthly Rate	\$28.92	\$30.85	\$32.30	\$33.78	\$34.80
Increase by %	7.71%	6.67%	4.70%	4.58%	3.02%
Monthly Increase	\$2.07	\$1.93	\$1.45	\$1.48	\$1.02

In an effort to keep rates low, an average of \$2 million from the Refuse Fund Reserves has been used each year to fund operations, in addition to a subsidy from the General Fund of \$11 million for Solid Waste and Street Sweeping vehicles and equipment. During this time, the City was awarded \$1.3 million in grant funds which further helped to offset increasing costs.

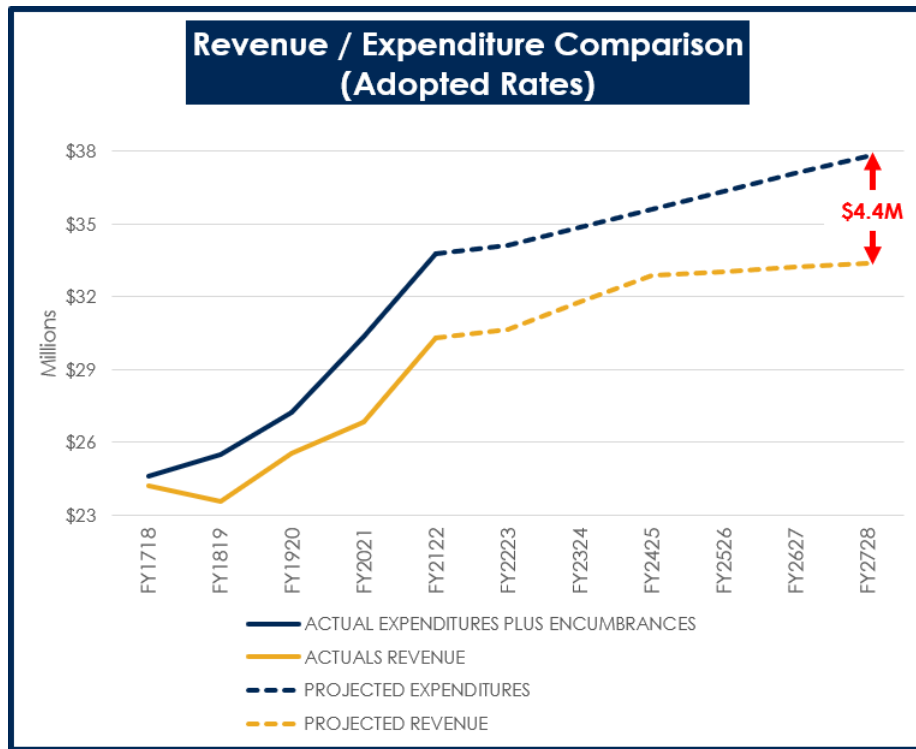
DISCUSSION:

The current five-year solid waste rate plan, effective through June 30, 2025, is being outpaced by the acceleration of inflation in the general economy, and like many other cities throughout California and the U.S., the City of Riverside's solid waste services face various other challenges.

Solid Waste revenue has been severely impacted by the “National Sword” policy adopted by China in 2018, which established strict contamination thresholds including bans on mixed paper and other materials. This resulted in a significant swing in recycling markets and severely impacted commodity sales such that revenues no longer offset the costs of processing, transportation, and residual disposal (contaminated recycling or non-recyclable material, i.e., trash). The COVID-19 pandemic further exacerbated recycling commodity challenges, with more markets declining the import of recycling and increased shipping challenges. Additionally, the implementation of SB 1383 has resulted in increased costs for processing solid waste. Cities not complying with SB 1383 requirements are subject to fines ranging from \$500 to \$10,000 per day for failure to subscribe or enforce programs.

If unchanged, the Refuse Fund will exhaust all reserves by FY 2026/27 and the gap between revenues and expenditures will widen to \$4.4M per year by FY 2027/28 as shown in the following chart.

Chart 2 – Projected Solid Waste Revenues and Expenditures



Overview of Rate Proposal

Residential solid waste rate calculations include several components such as a base rate (collection), processing/disposal (landfill and transfer processing fees), and Other (Franchise and City Compliance Fees). Historically, these rate components have increased with inflation (Consumer Price Index or “CPI”), and collection and processing contracts allow for increases not included in CPI such as for costs associated with new regulations or for changing market conditions like recycling. Extraordinary adjustments to collection and processing contracts are rare and require City Council approval.

Staff expanded upon the solid waste rate increase analysis conducted by R3 Consulting Group, Inc., in 2020 by benchmarking against other jurisdictions. To establish reasonable, sound, and acceptable solid waste rates, staff calculated the revenue required to deliver the desired service levels, fleet replacement strategies, operational activities, and operational costs for mixed organic processing cost. Additional costs considered included hiring extra staff to assist with outreach and education initiatives, purchasing software required to complete reporting requirements, and hiring a third party to inspect all food generators in the City of Riverside to remain in compliance with State regulations.

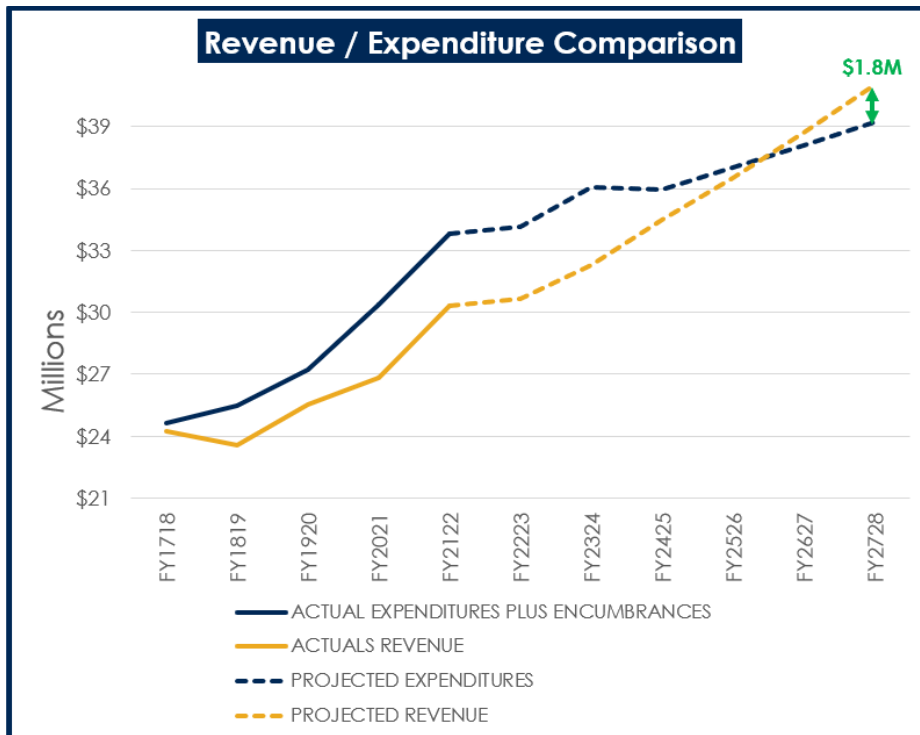
The Public Works Department is proposing a five year (2023-2027) solid waste services rate plan that will result in fiscal sustainability for the Refuse Fund and end General Fund subsidies, as illustrated in the following table and chart.

Table 5 – Proposed Five-Year Residential Solid Waste Services Rate Plan

Proposed Solid Waste Rate Increases		
Years 2023-2027		
Proposed for consideration		
Date	Rate Increase	Dollar Increase
November 2023	7.5%*	\$2.42 / Month
July 2024	7.5%*	\$2.60 / Month
July 2025	6.5%	\$2.43 / Month
July 2026	6.5%	\$2.58 / Month
July 2027	6.5%	\$2.75 / Month

*Inclusive of existing adopted rates. Residential rates only (no commercial at this time)

Chart 2 – New Project Revenues and Expenditures



The five-year rate plan will enable the City to provide quality residential solid waste services in a number of ways such as addressing the rising cost of processing recycling and organics, meeting operational cost increase not covered by CPI (higher costs of refuse bins, vehicles, maintenance, and repairs), adding five relief drivers to increase staffing coverage to minimize overtime, addressing technology and software needs to comply with State requirements, adding two Environmental Compliance Inspectors to assist with refuse mandate compliance, and providing

additional funding for maintenance and repair of the Tequesquite Landfill Flare Station. The Solid Waste Division has recently ordered 19 new vehicles for the Solid Waste Division and the new rate schedule will allow for a replacement schedule of one to two new vehicles annually.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 4 – Environmental Stewardship**, and **Goal 4.4 – Implement measures and educate the community to responsibly manage goods, products, and services throughout their life cycle to achieve waste reduction outcomes.**

This project aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The proposed rates will allow the City to significantly improve solid waste service for residents.
2. **Equity** – The Riverside Public Works-Solid Waste Division provides additional services to elderly and disabled residents requiring assistance at no additional charge.
3. **Fiscal Responsibility** – Adopting new rates will minimize revenue losses to the Refuse fund and allow for critical investment in service and fleet maintenance.
4. **Innovation** – Adopting the new rates will facilitate innovative technologies to improve driver safety and vehicle management and provide more efficient services to the community.
5. **Sustainability & Resiliency** – The new rates will allow the City to continue to meet compliance requirements for state-mandated programs with sustainability objectives, such as SB 1383.

FISCAL IMPACT:

There is no fiscal impact related to this report. Fiscal analysis and discussion were brought forward to Council on May 23, 2023, related to the Refuse Franchise Agreement.

In FY 2022/23, the Refuse Fund is operating at a deficit of \$3,471,583 and is projected to close out the fiscal year with a remaining fund balance of approximately \$3.8 million. The Refuse Fund is trending toward a \$4.4 million shortfall between projected expenditures and projected revenues by FY 2027/28 due to anticipated cost increases related to the above-mentioned issues. Fund reserves are projected to be depleted by FY 2026/27.

Increased rates will provide timely and consistent service, end General Fund subsidies, and achieve fiscal sustainability.

Prepared by:	Gilbert Hernandez, Public Works Director
Certified as to availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Solid Waste Cost Analysis
2. Refuse Fund – Residential Rate Increase Projections
3. Presentation