



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 8, 2025**
FROM: PUBLIC WORKS DEPARTMENT **WARDS: ALL**
SUBJECT: PROPOSED 3-YEAR COMMERCIAL SOLID WASTE RATE PLAN THROUGH
JUNE 30, 2028 - SET PUBLIC HEARING

ISSUE:

Receive and provide input on the establishment of a three-year rate plan for commercial solid waste services and set public hearing for the proposed three year rate plan for commercial solid waste services

RECOMMENDATIONS:

That the City Council:

1. Receive a report and provide input on proposed changes to commercial solid waste 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 June 10, 2025 at 3:00 p.m., with new rates effective July 1, 2025.

COMMITTEE RECOMMENDATION:

The Finance Committee met on March 12, 2025. After discussion, the Committee voted unanimously to recommend that the City Council set a public hearing for proposed commercial solid waste rates.

LEGISLATIVE HISTORY:

AB 939 was adopted in 2000 and began California's waste management transformation by setting a 50% waste reduction target through source reduction, recycling, and composting.

AB 341 (Mandatory Commercial Recycling – "MCR") and AB 1826 (Mandatory Organics Recycling – "MORE") are regulations that mandate recycling programs and were established in 2012 and 2014, respectively. Businesses that meet State thresholds for waste disposal are required to have recycling and organics recycling programs in place.

In 2016, the State of California passed Senate Bill (SB) 1383, California's Short-Lived Climate Pollutant Reduction Strategy, which aims to reduce methane and other greenhouse gas (GHG) emissions statewide. To meet this goal, the bill establishes two targets:

- Reduce organic waste disposal by 75%
- Recover at least 20% of currently disposed surplus food to feed people in need

On January 1, 2022, SB 1383 requirements went into effect, and jurisdictions became responsible for providing organic waste collection services to all residents and businesses, along with the requirement to recycle organic materials using recycling facilities such as anaerobic digestion facilities that create biofuel and electricity, and composting facilities that make soil amendments. As California collects and recycles organic materials, local governments will be required to use the recycled material and convert them into different products, such as renewable energy, compost, or mulch. The bill has generated a need for a substantial infrastructure investment to process organics into certain specifications and to reduce contamination. There is an additional need to establish markets for compost and renewable fuels.

In 2018, China adopted the "National Sword" policy, banning the import of recyclable waste various other materials. This resulted in a significant shift 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).

BACKGROUND:

In June 2020, the City Council approved a commercial solid waste rate plan through June 30, 2025. Since 2001, commercial solid waste collection services to businesses and multi-family units within the City of Riverside have been provided through non-exclusive agreements by Arakelian Enterprises, Inc. doing business as Athens Services, Burrtec Waste Industries, and CR&R Environmental Services. These agreements sunset on June 30, 2028.

A 15-year exclusive franchise agreement with Arakelian Enterprises, Inc. doing business as Athens Services, Inc. (Athens Services) became effective on July 1, 2023. Public Resources Code Section 49520 provides for a 5-year transitional period where a public agency moves from a non-exclusive solid waste collection contract to an exclusive collection contract. The prior non-exclusive contractors are permitted to continue services for 5 years under the same terms and conditions of the contract. At the end of this 5-year transitional period, on June 30, 2028, Athens Services will exclusively take over all commercial accounts. There are approximately 4,500 commercial accounts in Riverside.

The City has a Transfer Service Agreement with Agua Mansa Transfer Station/Material Recovery Facility (MRF) to handle all trash and organic recyclable material which includes source-separated food waste, and residential recyclable material. The Transfer Service Agreement requires haulers to transfer most types of commodities to the MRF through March 30, 2029. Commercial recyclables and green waste are not contractually required to be transferred to the MRF.

DISCUSSION:

Engagement with the Chambers of Commerce

On February 25, 2025, staff presented on the proposed commercial solid waste rate increases to the Greater Riverside Chambers of Commerce Economic Development Council. The attendees were engaged in the discussion and Athens Services was present to provide insight from the commercial waste hauler perspective.

Commercial Solid Waste Services

Commercial solid waste customers are required to sort and dispose of all commodities (trash, recycling, organics which include food waste and green waste) in separate containers.

Commercial accounts that produce more than 4 total yards of solid waste per week (trash, recycling, mixed organics, food waste, and green waste) are considered Mandatory Commercial Recycling ("MCR") covered generators and must subscribe to commercial recycling services. Mandatory Organics Recycling ("MORe") covered generators are commercial accounts that produce more than 2 total cubic yards of solid waste per week and must subscribe to commercial organics collection services. Commercial accounts may apply for an organics waiver if:

- 1) Green waste recycling is provided by a landscaper or other 3rd party; or
- 2) Total disposal is 2 or more cubic yards or trash per week and less than 20 gallons of organics waste per week; or
- 3) Total disposal is less than 2 cubic yards of trash per week and less than 10 gallons of organics waste per week; or
- 4) There is a space constraint that cannot be resolved by downsizing containers or other solutions.

Rate Structure

Commercial solid waste rates are made up of collection and processing. These two functions operate independently under separate contracts but together contain the elements of the commercial rate. This includes a *collection (base) rate, landfill and transfer processing fee, and franchise fee and City administrative fee.*

Historically, each contract provides a provision to adjust compensation and commercial solid waste rates annually using the Consumer Price Index for all Urban Consumers (CPI) published by the United States Bureau of Labor Statistics for the Riverside-San Bernardino-Ontario region of California. This CPI is also used by the Agua Mansa Material Recovery Facility (MRF) and Riverside County Landfill to calculate annual cost increases at these facilities. CPI is measured by the Bureau of Labor Statistics (BLS), U.S. Department of Labor, and is a commonly accepted economic indicator of inflationary price changes using a market basket of goods and services for a prescribed geographic area.

Commercial customer rates are calculated using the components outlined below, annual tonnage costs for each commodity provided by the Agua Mansa Transfer Station/Materials Recovery Facility (MRF), container size offerings, and collection frequency (1-6 times per week). Commercial customer rates are set as maximum rates and are charged to the customer by the haulers. The hauler then remits the City portion of the rates back to the City.

Collection (Base Rate): Collection is the physical process of picking up the trash and represents the vast majority of the cost associated with solid waste service. The size of the collection container and associated amount of material collected has a relatively small impact on the overall

cost. Beginning July 1, 2025, the commercial franchise agreement provides for an annual increase to the Collection element based on CPI increases. However, the franchise agreement allows Athens Services to request extraordinary adjustments where CPI increases have been insufficient to cover costs (see attached Hauler Letter).

Processing (Landfill and Transfer Processing Fees): The disposal (landfill) fee is set each year by the County of Riverside and is a pass-through cost under the terms of the City's agreement with the County. Increases have historically adjusted annually at approximately 3%, though additional increases have been dependent on final County of Riverside numbers released each May. Processing includes costs associated with mixed organic processing.

Other (Franchise Fee and City Administrative Fee): Franchise fees are established by the City in commercial hauling agreements. Revenue generated by the franchise fee is deposited into the City General Fund. Franchise fee revenue is intended to compensate the City for the use and impact by a private entity (waste haulers) on City infrastructure such as streets, in providing a utility service.

The Refuse Fund has experienced financial instability in recent years, due to a combination of factors including increased costs of processing waste, changes in the recycling market, and costs resulting from California regulations. City administrative fees contribute to these costs and other commercial solid waste needs, such as post-closure maintenance of the City-owned 120-acre Tequesquite Landfill including monitoring and reporting on water quality and the landfill's gas collection system, and an upcoming project to replace the flare and a portion of the wellheads that mitigate gas generated by the landfill. The Solid Waste Fund allocated \$1.5 million in FY2024/25 for close landfill repairs, and in August 2024, the City Council awarded a bid and approved the first construction contract related to this project, for well head enclosure repairs. Due to a funding gap of approximately \$132,000 for well head enclosure repairs at the time of bid award, the scope of work was reduced to 24 well head enclosures, with 72 wellheads deferred for repair until sufficient funding is available from the Solid Waste Fund to advance the next round of repairs.

To meet California edible food recovery requirements, the City contracts with a third-party to inspect all food generators in the City. In November 2023, the City Council authorized a five-year agreement in the amount of \$299,999 with ReCreate Waste Collaborative, LLC, to provide professional services to implement the City's edible food recovery program, in accordance with Senate Bill 1383 regulations. The City is able to use \$150,000 from a grant provided by CalRecycle to fund this third-party service through April 2026, after which City administrative fees will be used to support this program.

As discussed earlier in this report, commercial solid waste customers are eligible for waivers for organics, under certain conditions. The City has approved more than 3,400 waivers for commercial solid waste customers. City administrative fees provide funding for City Environmental Compliance personnel, who perform required inspections for waiver compliance.

Additionally, City administrative fees provide funding for regulatory requirements, reporting, and compliance; the City's agreement with Keep Riverside Clean and Beautiful; street sweeping and illegal dumping collection; and costs associated with contract administration, review and processing of organics waiver requests, outreach and education initiatives, and contamination monitoring.

Commercial Rate History

Commercial solid waste rates have consistently increased by CPI over the past ten years, as depicted in the following table which looks at the rate for a 3-yard trash container serviced once per week (the most common service):

Fiscal Year	Trash Rate	Rate Adjustment
2015/16	\$104.25	CPI
2016/17	\$108.45	CPI
2017/18	\$108.45	CPI
2018/19	\$113.95	CPI
2019/20	\$118.20	CPI
2020/21	\$123.65	CPI+1%
2021/22	\$128.35	CPI+2%
2022/23	\$140.12	CPI+1%
2023/24	\$151.04	CPI
2024/25	\$154.59	CPI

The collection and processing contracts permit extraordinary increases or adjustments not reflected in CPI (i.e. those associated with regulatory requirements and programs or changing market conditions) which has occurred on a very limited basis. Extraordinary adjustments require City Council approval. The extraordinary rate increases in FY 2020/21, FY2021/22 and FY2022/23 were approved in response to changes in the recycling market, to help the contract haulers keep pace with higher operating costs driven by rising labor costs and California regulations.

Proposed Commercial Rates

Staff recommends allowing an extraordinary increase to commercial solid waste rates by CPI+1% for the years beginning July 1, 2025 and July 1, 2026, and by CPI for the year beginning July 1, 2027, using the January CPI index for the rate effective the following July. For commercial haulers, CPI increases have not kept pace with actual operating costs driven by rising labor costs and regulations. (See attached letter from Athens Services).

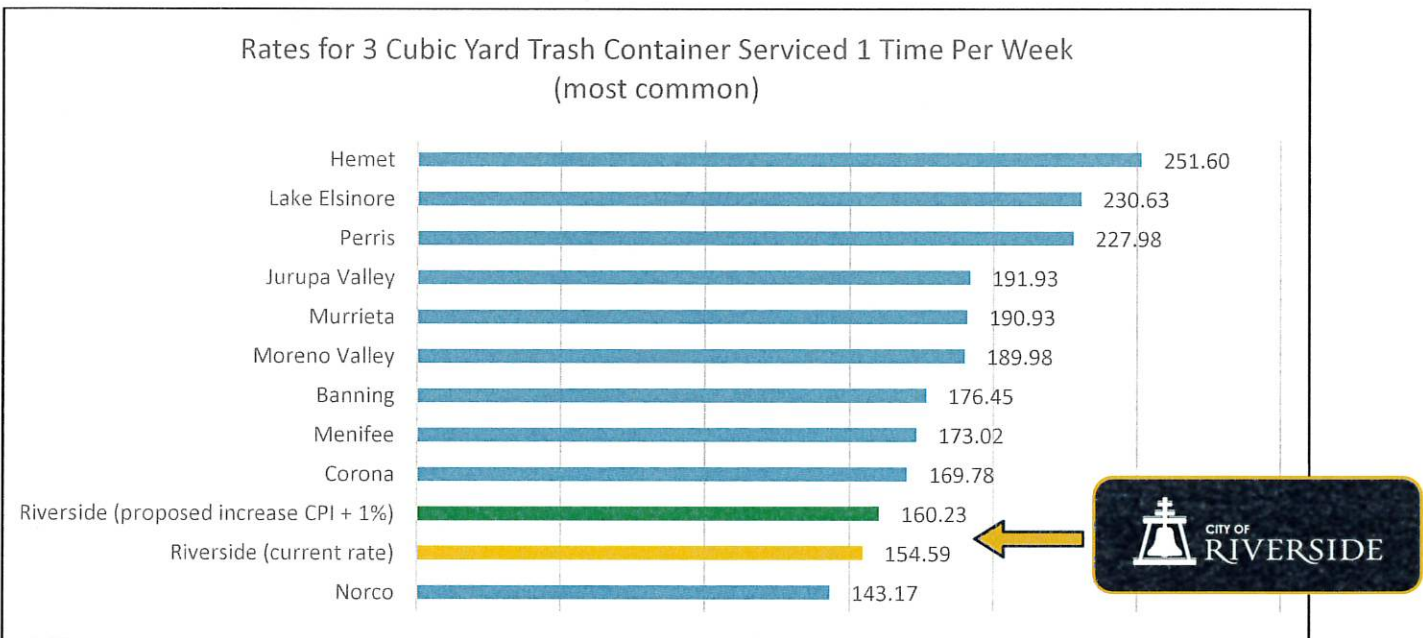
Using the January CPI index, the commercial rate schedule aligns with annual CPI increases for costs associated with the Agua Mansa Material Recovery Facility and the County landfill. A three-year rate plan aligns the commercial rate schedule with the sunset date of the non-exclusive commercial solid waste agreements with Burrtec and CR&R.

The rate increases will ensure that commercial rates remain consistent with CPI increases included in the above contracts for hauling and processing services, and help haulers and the City keep pace with California regulations requiring composting, compliance inspections, edible food recovery programs, and continued growth of education and outreach programs.

The following chart depicts the impact of a CPI rate increase for the rates effective July 1, 2025, using the January 2025 CPI of 2.94% + 1%. A detailed table containing all maximum commercial rates and the impact of a CPI increase effective July 1, 2025 is provided as an attachment to this report.

Service	Common Container Sizes	Current Monthly Rate for 1/week Svc	Year 1 Proposed New Monthly Rate for 1/wk Svc (CPI of 2.94%+ 1%)	Amount of Increase	Year 2 Rate	Year 3 Rate
Trash	3 cubic yards	\$154.59	\$160.23	\$5.64	CPI + 1%	CPI
Recycling	2 cubic yards	\$136.35	\$141.91	\$5.56	CPI + 1%	CPI
	4 cubic yards	\$170.32	\$177.43	\$7.11	CPI + 1%	CPI
Green Waste	2 cubic yards	\$197.47	\$204.75	\$7.28	CPI + 1%	CPI
Mixed Organics (food waste + green waste)	2 cubic yards	\$343.81	\$358.71	\$14.90	CPI + 1%	CPI
Food Waste <i>new rate</i>	95 gallons	N/A	\$137.98	N/A	CPI + 1%	CPI
	2 cubic yards	N/A	\$355.98	N/A	CPI + 1%	CPI

Riverside offers among the lowest commercial solid waste rates in the Inland Empire and the proposed rate increases will continue that trend as shown in the following chart.



STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.4 – Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

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

1. **Community Trust** – The proposed commercial rates will enable the haulers to continue to provide high quality service to commercial solid waste customers.
2. **Equity** – The proposed commercial rates offer a range of options in container sizes and service frequency to commercial customers, so that they receive service levels that best fit their needs.

3. **Fiscal Responsibility** – The proposed commercial rates will enable the haulers to keep pace with rising costs of service and provide the City and haulers needed resources to facilitate required programs and maintain regulatory compliance.
4. **Innovation** – This item is neutral toward this Cross-Cutting Thread.
5. **Sustainability and Resiliency** - The new rates will allow the City and haulers to continue to meet compliance requirements for state-mandated programs with sustainability objectives, such as SB 1383.

FISCAL IMPACT:


There is no immediate impact to receiving this report. However, the recommendations that accompany this report could result in additional fiscal impact depending on the outcome of the recommended actions.

The proposed commercial solid waste rate plan is projected to generate an additional \$160,000 in City administrative fee revenue for the Solid Waste (Refuse) Fund in FY2025/26. The proposed commercial rates would increase the City administrative fee by the corresponding amount each year.

Franchise fee payments to the City's General Fund for commercial solid waste services are projected to increase by approximately \$134,000 in FY2025/26. The proposed commercial rates would increase franchise fees by the corresponding amount each year.

Prepared by: Lee Withers, Deputy Public Works Director
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Concurs with;



Steve Hemenway, Chair
Finance Committee

Attachments:

1. Proposed Commercial Rate Schedule
2. Athens Services Rate Adjustment Request Letter
3. Agua Mansa MRF and County Landfill Annual Increases
4. Presentation