

TO: City Council
FROM: Dick McKinley, Public Works Director
SUBJECT: Solid Waste Service – Proposed Rate Increase
DATE: July 21, 2015

NEEDS: For the City Council to introduce proposed solid waste collection service increases and authorize customer notification.

FACTS:

1. Paso Robles Waste & Recycling (“PRW&R”) has provided solid waste collection services to homes and businesses throughout the City since 1993 through a franchise agreement with the City. The current Franchise Agreement is dated April 1, 2013.
2. Solid waste collection fees have remained constant since 2008.
3. Tipping fees at the City landfill increased in July 2014, with advance notice provided to PRW&R, as required by the Franchise Agreement.
4. PRW&R applied for a rate increase in August 2014, and amended that request in December 2014.
5. In December 2014, City Council authorized preparation of a rate study by R3 Consulting Group (“R3”) to evaluate the requested increase and determine whether it met the requirements of Articles XIII C and D of the California Constitution (a.k.a. “Proposition 218”) in accordance with Resolution No. 14-166.

**ANALYSIS &
CONCLUSION:**

The R3 rate study, attached hereto as **Attachment A**, concludes as follows:

- a. A rate increase is warranted and is recommended to be implemented over a 5-year period, beginning on January 1, 2016;
- b. PRW&R proposes providing new services, such as a 20-gallon residential container and 1-yard commercial bin service, both of which are recommended;
- c. It recommends making certain adjustments to PRW&R’s projected expenses, such as disallowing charitable contributions, reducing travel and entertainment expense, eliminating “contract negotiation expense”, etc.;
- d. It recommends a variation to the annual rate increase schedule proposed by PRW&R..

Based on the rate study, proposed solid waste collection rate increases are proposed as follows. A complete list of the proposed residential and commercial services is contained in **Attachment B**:

Effective Date	Proposed Rate Increase
January 1, 2016	9.46%
January 1, 2017	5.90%
January 1, 2018	3.41%
January 1, 2019	3.13%
January 1, 2020	2.44%

Acceptance of the proposed rate increases, as recommended by R3, will allow staff to initiate the Proposition 218 process of preparing mailers with the required information regarding the proposed rate increase, majority ballot procedures and public hearing.

POLICY

REFERENCE:

April 1, 2013 “Exclusive Franchise Agreement for Collection and Handling of Solid Waste Between the City of El Paso de Robles and Paso Robles Waste Disposal, Inc.,” 2011 “Solid Waste Franchise Contracts Financial and Operational Audit”, and Article XIII D, Section 6(b), (Proposition 218) of the California Constitution.

Proposition 218 requires that the City send out information regarding the proposed rates to all property owners and tenants, follow a majority protest ballot procedure, and conduct a public hearing at least 45 days after the ballots have been mailed.

FISCAL IMPACT:

Allowing the proposed rate increase would increase customer service rates for the first time in eight years. An increase would allow the City’s franchise hauler to keep pace with increasing expenses such as fuel, insurance, labor, etc. while sustaining a favorable level of service. It also would provide the City with the full share of tipping fees it is entitled to receive for maintenance and eventual closure of the City landfill

PRW&R is obligated to cover the required costs to complete the Proposition 218 process and has deposited the full amount of the estimated costs with the City. The funds are being held in a Trust Account and are drawn upon to cover costs as they are incurred. Any unused funds would be returned to PRW&R; should actual costs exceed the funds on deposit, PRW&R would be required to deposit additional funds.

Fiscal impact on ratepayers is enumerated above.

OPTIONS:

- a. Adopt Resolution No. 15-xxx (**Attachment C**) Proposing Increased Solid Waste Collection Service Rates and Authorizing Initiation of Proposition 218 Procedures;
or
- b. Amend, modify or reject the above options.

ATTACHMENTS:

- A. Solid Waste Collection Rate Study by R3 Consulting Group, Inc.
- B. Proposed Maximum Service Rates
- C. Resolution 15-xxx