



City Council Report

City Council Meeting: February 28, 2023
Agenda Item: 7.A

To: Mayor and City Council
From: Rick Valte, Public Works Director, Public Works, Resource Recovery & Recycling
Subject: Solid Waste Rate Study

Recommended Action

Staff recommends that the City Council:

1. Receive staff analysis of the Resource Recovery and Recycling solid waste rate study.
2. Review rate adjustment options and provide direction.
3. Consider the creation of a solid waste rate discount program and provide direction.

Executive Summary

The City's Resource Recovery and Recycling Division (RRR) is an enterprise fund operation that provides sanitation and waste services to foster a clean, safe, and sustainable Santa Monica. In FY 2022-23, RRR has an annual budget of \$37 million and employs a workforce of 93.9 full-time equivalent (FTE) essential workers who provide services to Santa Monica residents, businesses, and visitors. The City was due for solid waste rate adjustments in 2020 but made a conscious decision to defer rate increases as a way to protect ratepayers from further financial challenges during the COVID-19 pandemic. After three years without any adjustment in rates, RRR must adjust its rates in 2023 to ensure financial self-sufficiency, operational resiliency, and adapt to both new State mandates and the changing needs of RRR customers.

The RRR operation is self-sustaining through its revenue-generating services and requires no financial subsidy from the General Fund. In fact, 92% of RRR's revenue

comes from solid waste utility billing. Due to the three-year delay in evaluating rates, RRR today relies on reserves to make up the difference between revenues and operational costs. Adding to the immediacy of the situation is emerging service mandates from the State's Short-Lived Pollutants Act (SB 1383) and a significant increase in requests for bulky item pick up and other services. A solid waste rate increase is necessary beginning in FY 2023-24 to remain solvent and sustain RRR operations. Without a rate increase, RRR would deplete its reserve funds in early FY 2024-25, unable to continue providing sanitation and recycling services to the community and fail to meet State regulations on mandatory recycling.

In this report, staff will discuss the RRR services that are funded by the solid waste rates, the status of the RRR enterprise fund, why a rate adjustment is necessary, two rate adjustment options, and the proposed timeline for the next six months.

Staff recommends that the City Council review the two rate options presented in this staff report and provide direction. Based on comments received from Council and through the community outreach process, staff will present the final solid waste rate study for Council approval in June 2023 and implement new rates beginning August 2023 and on July 1st thereafter from 2024 through 2028.

Background

Resource Recovery and Recycling Services

The City provides more services funded by its solid waste rates than most other jurisdictions in Los Angeles County or the State. These services include:

1. **7-day-a-week year-round sanitation services** to over 93,000 Santa Monica residents (service ratio: 1 RRR employee serves 1,000 people) and an estimated 147,000 (post-pandemic) to 250,000 (pre-pandemic) of daytime population including international and regional tourists, shoppers, and workers (service ratio: 1 RRR employee serves 1,565-2,662 people)
2. **Regulatory compliance**, implementing California's mandatory recycling laws, and leading the City Council's Zero Waste by 2030 sustainability goal

3. **Collecting, transporting, and recycling/disposing** three streams of solid waste materials from 7,000 single-family, 5,000 multi-family, and 1,450 commercial customers: landfill trash, recyclables, and organics
4. **Bulky item pickup and illegal dumping** collection and alley cleanup
5. **Sweeping all streets** to prevent debris from entering the storm drains and polluting the Santa Monica Bay
6. **Servicing sidewalk litter and recycling containers** (excluding containers in: Downtown Santa Monica -- maintained by the City's Promenade Maintenance division; Santa Monica Beach – maintained by the City's Beach Maintenance division; and all City parks – maintained by the City's Public Landscape division)
7. **Household and small business hazardous waste collection program**
8. **Zero waste programs**, including construction and demolition material recycling, zero waste event management, education and outreach, on-demand door-to-door household hazardous waste collection, community recycling events (e.g. paper shredding and compost giveaway), and edible food recovery
9. **Pressure-washing services** (fee-based service)



Figure 1. RRR Services. RRR staff provide *more services than most jurisdictions*, including alley cleanup, street cleaning, collecting and transferring the City’s recyclables and organics, community recycling events, door-to-door hazardous material pickup for residents, and zero waste programming.

With a full-service municipal solid waste operation, Santa Monica enjoys the added benefits of:

1. Local control over operations and cost.
2. Flexibility in service offerings.
3. Ability to pivot to meet public needs, City and State policies, and Council priorities.

Santa Monica is one of only three cities in Los Angeles County that provides the above services to both its residential and commercial customers as a municipal service (the other two cities are Culver City and Claremont). Table 1 provides a service comparison with Culver City, Claremont, and other neighboring cities.

Table 1. Solid Waste Service Comparison

City	One Bundled Rate for Trash, Recyclables, and Organics to Incentivize Recycling	Unlimited Bulky Item and Illegal Dumping Collection Included in Rate	Door-to-Door Household Hazardous Material (HHW) Collection Included in Rate	Monthly Recycling Events Included in Rate (e.g. paper shredding, compost giveaway, etc.)	Zero Waste Goal Programs
Santa Monica	Yes	Yes	Yes, for all residential customers	Yes, for all residential customers	Yes
Culver City	Yes, for single-family residents only; multi-family and commercial customers must pay for each container separately	Yes, for residential customers	No	No	No
Claremont	Yes	Yes – 3 items per year for residential customers only	No	No	No
Burbank	Yes, for single-family residents only; multi-family and commercial customers must pay for each container separately	No	No	No	No
Beverly Hills	Paid via tax roll based on home's square footage	Yes	No	No	No
West Hollywood	No - all customers must pay for each container separately	Yes	No	No	No

Santa Monica’s rates also compare favorably to that of these cities. Single-family rates are slightly higher than comparable cities to account for the additional services provided above. The rates for multi-family and commercial are substantially lower than the comparable cities and will be examined further in the discussion section below.

RRR Expenditures: Where Does the Money Go?

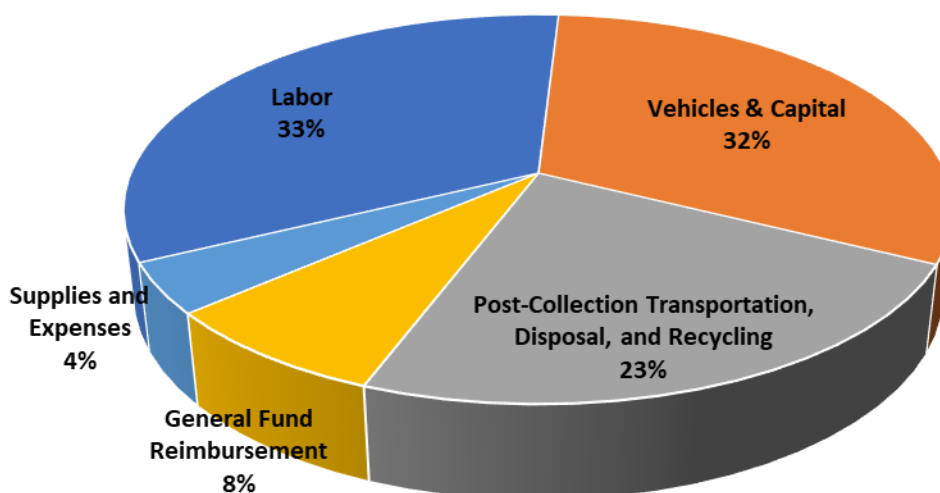
RRR provides high levels of service to the community, with a history of low-rate increases, controlled expenses, and steady reserves in the years leading up to 2020. After reviewing financial data from the last ten years, the City’s rate study consultant concluded that the RRR Enterprise Fund was very healthy in all years.

In addition to maintaining financial stability, RRR was able to successfully navigate through the global downturns in recycling markets resulting from China’s National

Sword Policy in 2017 while implementing several important State mandates, including mandatory commercial recycling (AB 341) in 2012, mandatory commercial organics recycling (AB 1826) in 2016, and the Short-Lived Pollutants Act for mandatory organics recycling (SB 1383) in 2022.

RRR has a total budget of \$37 million for FY 2022-23, which includes operating costs, capital improvement programs, and non-departmental transactions. As illustrated in Figure 2, the majority of expenses fall into either labor (33%), vehicles and capital assets (32%), or post-collection activities including the transportation, disposal, and recycling of solid waste materials (23%).

Figure 2. RRR Expenditures Breakdown, FY 2022-23

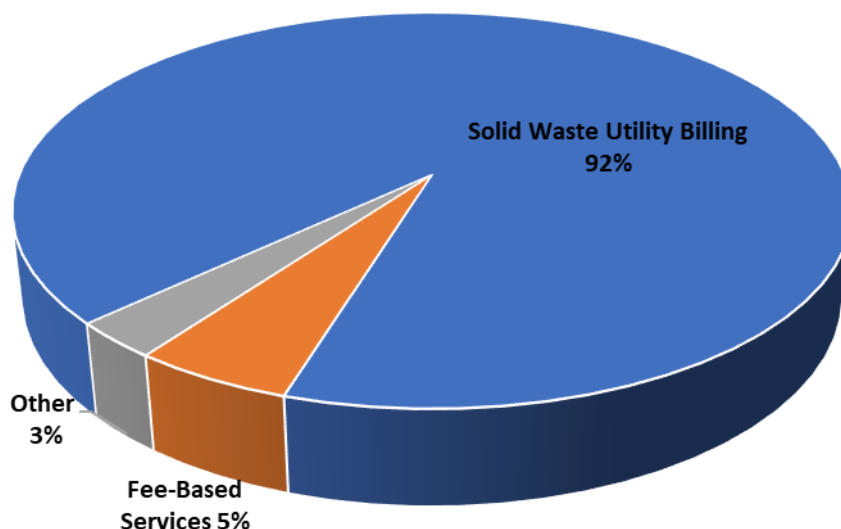


RRR Revenues: Where Does the Money Come From?

The RRR operation is funded by the RRR Enterprise Fund. Independent from the General Fund, enterprise funds operate like private enterprises – revenues must cover expenditures, and proper reserves must be maintained for unexpected expenses. The RRR Enterprise Fund functions as a separate financing entity, and it is self-sustaining through its own revenue sources and expenditures without any General Fund subsidy.

RRR is projected to generate \$29 million in revenues in FY 2022-23. Figure 3 demonstrates that over 92% of revenue comes from solid waste utility billing – the predominant source of revenue to fund RRR services. The rest comes from fee-based services (5%), such as pressure washing, plan checks, and permit fees, and other miscellaneous sources (3%), including Federal and State government rebates for alternative fuel credits and recycling programs.

Figure 3. RRR Revenues Breakdown, FY 2022-23



RRR Rate Study

The mechanism through which to analyze and set solid waste utility rates is called a rate study, commonly conducted by an independent solid waste consulting firm. The City’s fiscal policy for utility enterprise funds is to conduct a rate study every five years to set new rates for the next five years. The last solid waste rate study was approved by City Council nearly nine (9) years ago in 2014 (Attachment A). In 2019, staff engaged R3 Consulting Group, Inc. to conduct a new rate study. The rate study was near completion in early 2020, with planned rate updates beginning in FY 2020-21, when the COVID-19 global pandemic brought the process to an abrupt halt.

COVID-19 Impacts

In March 2020, the RRR rate study was suspended at the onset of the COVID-19 pandemic and the subsequent stay-at-home orders and business shutdowns in the

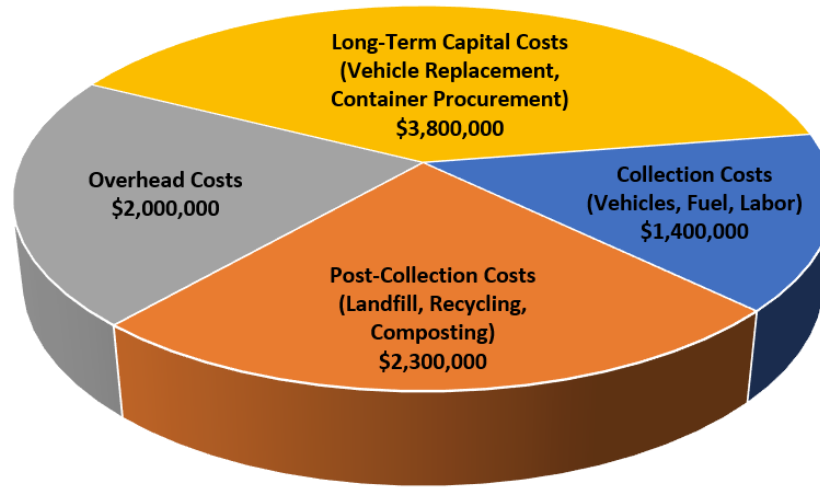
United States. Mindful of the uncertainties and hardships faced by many, the City made a conscious decision to avoid placing additional financial burdens on ratepayers by putting the RRR rate study and proposed rate increases on pause. The pandemic lasted longer than expected, resulting in a three-year rate freeze in 2020, 2021, and 2022. Solid waste utility rates have not increased since FY 2019-20. The historical rate increases since the 2014 rate study, and the three-year rate freezes since 2020, are shown in Table 2 below.

Table 2. City’s Historical Solid Waste Rate Increases

Year	Single-Family Customers	Multi-Family Customers	Commercial Customers
2014-15	3.85%	1%	7.25%
2015-16	3.85%	1%	7.25%
2016-17	3.85%	1%	7.25%
2017-18	CPI - 2.5%	CPI - 2.5%	CPI - 2.5%
2018-19	CPI - 3.7%	CPI - 3.7%	CPI - 3.7%
2019-20	CPI - 2.6%	CPI - 2.6%	CPI - 2.6%
2020-21 COVID	0%	0%	0%
2021-22 COVID	0%	0%	0%
2022-23 COVID	0%	0%	0%

While the City’s solid waste rates sustained a 0% increase for the past three years, inflation and the cost of doing business kept rising. The nation’s inflation rate skyrocketed to 7.1% in 2021 and 6.5% in 2022, while the previous average between 2012 to 2020 was 1.6%. Concurrently, the State’s mandatory organics recycling law SB 1383 came into effect in 2022, necessitating the adoption of a local mandatory organics recycling ordinance, investment in additional resources to implement the State and local laws, and meeting regulatory compliance. The combination of inflation, contractual and supply cost increases, and new mandated compliance resulted in a \$9.5 million expenditure increase in the RRR Enterprise Fund for FY 2022-23, as demonstrated in Figure 4.

Figure 4. While COVID-19 Triggered a Three-Year Rate Freeze, Cost of Doing Business Increased by \$9.5M
 FY 2022-23 Increases



After a three-year rate freeze, updated solid waste rates are necessary at this critical juncture to sustain the RRR operation. Accordingly, staff re-engaged the rate consultant to update and complete the 2022 solid waste rate study (Attachment B). The rate findings (Attachment F) are summarized in the Discussion section below.

Past Council Actions

<u>Meeting Date</u>	<u>Description</u>
5/13/2014 (Attachment A)	Adoption of Solid Waste Rates
2/14/2023 (Attachment B)	2022 Solid Waste Rate Study Third Contract Modification

Discussion

Current Fund Status

The three-year rate freeze and the increased cost of doing business created the perfect storm for the RRR Enterprise Fund. Despite prudent budget management, organizational restructuring, deferring capital projects, and leveraging reserves on a one-time basis during the difficult COVID years to postpone a rate increase to the ratepayers, much of the available RRR Fund reserves have been spent down. As explained earlier, revenues generated from solid waste utility billing and other

miscellaneous programs (\$29 million) are projected to be \$8 million lower than the required operating and capital funds to maintain operation (\$37 million) in FY 2022-23. In other words, the Fund is currently operating at a structural deficit of \$8 million and relying on reserves to sustain RRR services. The current fiscal year started with \$22.5 million in reserves in July 2022, of which 35% (estimated at \$8 million) is projected to be used to fund RRR's operation until the end of June 2023.

Trends Impacting the Fund

Since the last rate study was approved in 2014, there have been significant changes to the solid waste industry. Any new rate study looking forward must take into account a number of dynamic factors.

New State Mandates

The mandates of the State's Short-Lived Pollutants Act (SB 1383) and the City's corresponding mandatory organics ordinance adopted in November 2021 means increasing service demand for organics collection. Since adoption, over 2,500 additional organics containers have been, and more will continue to be, distributed to new locations as RRR implements green container rollout to all neighborhoods. This is an additional route of service that must be provided to every customer.

SB 1383 also mandates the City to educate and enforce organics recycling by inspecting locations to ensure compliance. Currently, RRR has one Zero Waste Assistant to cover the outreach, education, and compliance inspection of over 13,000 solid waste account locations in the City.

Staffing

Solid waste collection is an incredibly labor-intensive operation. The quantity and quality of staff make a huge difference in establishing a resilient and efficient workforce. A total of 24 as-needed frontline personnel and 4 permanent positions were eliminated from RRR during COVID-19 restructuring. As staffing reduced, remaining workers had to work faster and longer hours to cover services, resulting in an unsustainable work environment. As a result, daily absences rose 57% from 5.15 FTE in FY 2019-20 to

8.09 FTE in FY 2021-22 and continue to rise in FY 2022-23. These statistics already excluded callouts related to COVID-19 illnesses. These open and unassigned collection routes that currently exist on most days must be added to other RRR Equipment Operators' daily workload regardless of their original route assignment (Landfill Trash, Recyclables, or Organics). Workers oftentimes struggle to finish their original assigned route plus the additional stops. Uncollected stops are rolled over to the following days, leading to further service delays and customer frustration. Therefore, staffing shortages cause an adverse domino service impact on the overall collection schedule and operation. Without right sizing the collection staff, missed or delayed collections will continue to increase as existing staffing is insufficient to meet new mandated demand and frequencies.

Changes in Customer Needs

There has been a notable uptick in illegal dumping activities and bulky item collection requests. One observation is consumer behavior changed during the pandemic and exacerbated the problem of discarded items. Many residents cleaned out large items from their homes, purchased "fast furniture" (Attachment C) that are not meant to be durable, and switched to online shopping and delivery services for groceries and other goods that resulted in additional discarded packaging materials. Many of those new habits persist today.

Figure 5. Alley Cleanup is a Critical Service to Maintain a Clean and Safe Santa Monica



Before and after photos of an alley cleaned up by RRR

Simultaneously, the inception of the City's 311 team in March 2021 made it easier than ever for residents to report on issues or request services, including bulky item and illegal dumping removal. As a result, the number of 311 requests the City received for bulky item and illegal dumping collection gradually increased over time and surged to a staggering 180 requests *per day* in January 2023. Bulky item and illegal dumping cleanup was the number one requested City service of all 311 tickets citywide.

Beyond just the additional trash in the alleys, the City's street sweeping operations are also in a period of transition. The City is projected to have constructed 3.56 miles of protected bike path by the end of FY 2022-23 to promote car-free transportation and improve bike rider safety. The total mileage of protected bike path is anticipated to expand threefold to 10.41 miles in FY 2023-24 and almost seven times to 21.05 miles in FY 2025-26.

Protected bike paths create additional sweeping needs that cannot be accommodated within the current street sweeping structure. The City's streets are divided into different street sweeping districts, each with a different "No Parking" two-hour window as enforced by Traffic Services in the Police Department. Therefore, street sweeping is a time-sensitive service: RRR workers must complete sweeping dozens of streets within the same two-hour window before parking restrictions are lifted and parked cars return.

Meanwhile, protected bike path sweeping requires a different vehicle and timing. As the quantity increases, additional resources will be required to maintain clean and safe paths moving forward.

Sustainability

Santa Monica maintains a long-standing commitment to sustainability and fighting climate change. A central tenet of that effort has been the mandate of achieving Zero Waste by 2030. Above and beyond what has been mandated by the State, Council adopted in [2014](#) (Attachment D) and updated in [2019](#) (Attachment E) the City's Zero Waste Strategic Operations Plan (Zero Waste Plan) to provide an environmental policy framework that can guide the City on its path to achieving zero waste (1.1 pound per person per day, or PPD, of landfill waste disposal by 2030).

The City currently generates 3.5 PPD, and much progress is needed in zero waste strategy implementation during the span of this rate study in order to achieve the 2030 goal. Staff continue to identify new and expanded zero waste opportunities that help to increase diversion from landfills as techniques and technologies become available.

How Proposed RRR Rates are Calculated

It is important to understand the City's rate setting methodology. The 2023-2028 Five-Year Solid Waste Rate Study forecasts the future performance of the RRR Fund, including expenses, use of reserves, target reserve levels, and the overall revenues necessary to cover expenses and meet reserve targets over time. Expenses were forecasted based on current expenses as well as conservative increases in those

expenses and other proposed, planned, or known changes to costs over time (i.e., proposed staffing rightsizing and anticipated increases to post-collection expenses, as examples). From there, expenses were allocated to one of two categories – carts or bins – which correspond to the primary service offering types available to residents and businesses. That allocation was made based on a blended metric of the number of accounts served, the number of days they are served, the number of annual tons collected, and the amount of revenue derived from that category. Once the expenses were allocated to carts vs. bins, then the amount of those expenses were compared to the amount of revenue derived from current rates. Because the RRR Fund is currently running a deficit, revenues from both cart and bin customers are less than the expenses attributed to the service provided to each of those categories. Thus, revenues for both cart customers and bin customers need to increase in order to cover forecasted expenses.

Any rate or fee calculated through a rate study must conform with the requirements of Proposition 218. Proposition 218 fees include fees for sewer, water, and refuse service. Proposition 218 imposes the following standards on the amount of fees that can be charged, as follows:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service;
- Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee was imposed;
- The amount of a fee or charge imposed upon any parcel must not exceed the proportional cost of services attributable to the parcel, though a parcel by parcel analysis is not required before imposing the fee;
- The fee or charge may not be imposed for a service unless the service is actually used by, or immediately available, to the owner of the property subject to the fee or charge;
- No fee or charge may be imposed for general services, where the service is available to the public in substantially the same manner as it is to property owners.

Proposition 218 also requires at least 45-day notice of the public hearing at which the rates are considered and an opportunity to protest the rates is provided before the rates are imposed. The City will mail the public notice outlining the proposed rate changes to all property owners and utility account holders no later than 45 days prior to the public hearing date.

Rate Strategies: Next Five Years

As the community slowly recovers from the COVID-19 impacts, the City intends to continue protecting ratepayers and aiding economic recovery by smoothing the necessary rate increases to be consistent across all years and avoiding dramatic near-term rate spikes. In order to gradually phase in the rate increases, the rate study report recommends the continued use of reserves through the next three fiscal years (estimated at \$9.8 million) to offset a portion of the increases that would have been otherwise needed. In other words, the RRR Enterprise Fund is projected to continue operating at a structural deficit (revenues below expenditures) in FY 2023-24, FY 2024-25, and FY 2025-26 even if Council approves the proposed rate increases discussed in the rate adjustment options section of this report.

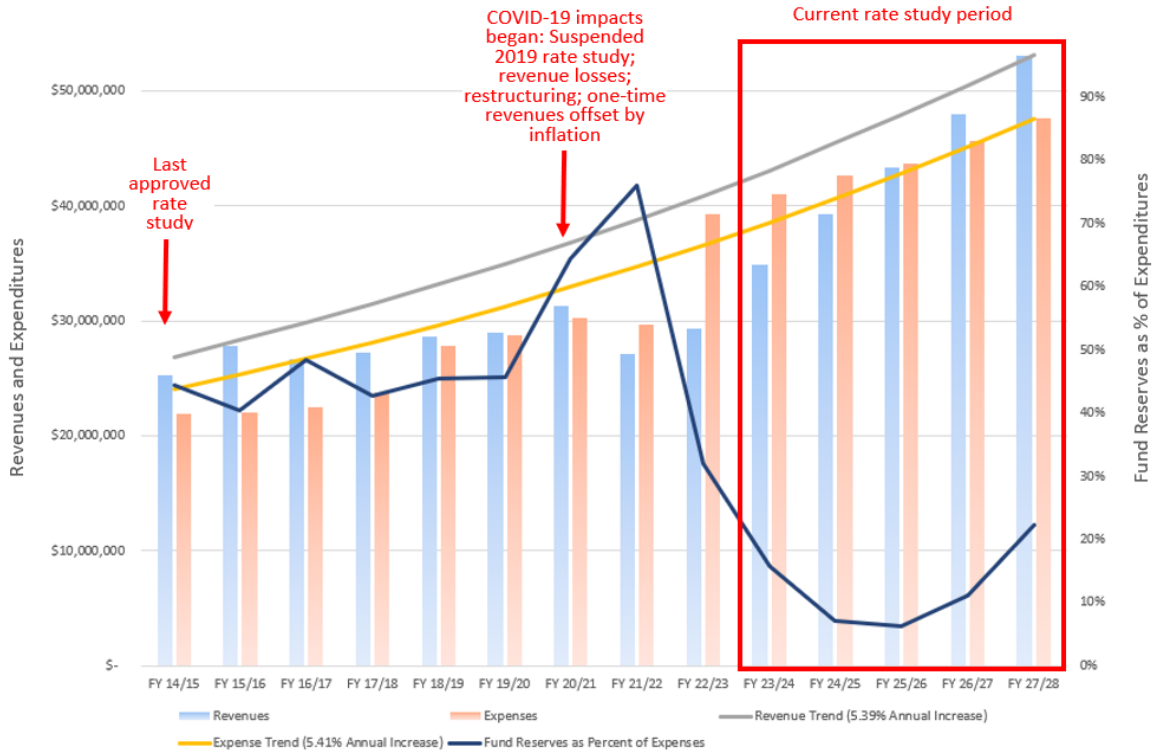
By the end of FY 2025-26 (Year 3 of this rate study period), the fund reserves are projected to dip to 6.9% or \$2.7 million. The rate study strongly advises that the City slowly build up its reserves to the recommended level of 25% or 90 days of operating budget expenses by FY 2027-28 (Year 5 of this rate study period) for the following reasons:

- A 90-day operating reserve is the industry best practice for solid waste enterprise funds in the state.
- A 90-day operating reserve is the City's adopted reserve target for other utility enterprise funds, such as the Water and Wastewater Funds and would provide uniformity across municipal-provided utilities.

- A 90-day reserve can tolerate a higher level of economic uncertainty and absorb more risk around unrealized revenues from utility billing. During the peak of the COVID-19 pandemic, many businesses shut down; offices transitioned to remote or hybrid working; and restaurants shortened their business hours or shifted to takeout service only. All of these changes meant commercial customers were requesting a reduced level of solid waste collection and thereby less billing revenues for the RRR Fund.

Keeping rate increases moderate is important in the current economic climate. Simultaneously, the City bears a fiscal responsibility to keep the RRR Enterprise Fund healthy so that it can continue to provide critical sanitation, public health, and zero waste services to maintain a clean, safe, and sustainable community for residents and businesses. Staff believes maintaining three months of operating expenses in reserve for an operation of this size is a prudent fiscal policy (Figure 6).

Figure 6. RRR Fund History and Forecast, FY 2014-2028



Two rate adjustment options will be proposed and discussed below. Option One – staff’s recommendation -- would accomplish the following five goals for the next five years:

1. Achieve financial stability in the RRR Enterprise Fund to sustain RRR operations and meet State mandated regulatory compliance
2. Build fund reserves to industry standards of 90-day operating budget by Year 5
3. Modernize and simplify the rate structure to meet solid waste industry standards
4. Right-size staffing level to meet current community needs
5. Enhance services to support Council’s priority to maintain a clean and safe city through the establishment of a regularly scheduled alley cleanup service by enhancing the Bulky Item Illegal Dumping (BIID) response team and creating a new quarterly Community Cleanup Program (CCP)

Option Two – a slightly reduced rate increase -- would still accomplish the first four goals. However, it would not allow for the capacity to achieve the fifth goal of enhanced clean and safe services.

Option One: Enhanced Clean and Safe Services (Staff Recommendation)

Option One is the staff recommended “Enhanced Clean and Safe Services” option. Under Option One, rates would be restructured in year one to accurately account for the true costs of services provided and align the fee structure with the best management practices of the industry. The remaining four years of the rate study would then apply a consistent 11% annual increase to all services evenly.

Table 3. Proposed Rates of Typical Services for Option One, Including Annual Change in Rate in Dollar and Percentage

Customer Type	Current FY 2022-23 Monthly	Proposed FY 2023-24 Monthly	Proposed FY 2024-25 Monthly	Proposed FY 2025-26 Monthly	Proposed FY 2026-27 Monthly	Proposed FY 2027-28 Monthly
Single-Family						
One (1) 65-gallon 1x per week	\$41.78	\$46.37 +\$4.60 11%	\$51.47 +\$5.10 11%	\$57.13 +\$5.66 11%	\$63.42 +\$6.29 11%	\$70.39 +\$6.98 11%
One (1) 95-gallon 1x per week	\$53.90	\$59.83 +\$5.93 11%	\$66.41 +\$6.58 11%	\$73.71 +\$7.30 11%	\$81.82 +\$8.11 11%	\$90.82 +\$9.00 11%
Multi-Family						
Four-Unit Apartment Two 95-gallon 1x per week	\$99.28	\$119.65 +\$20.37 21%	\$132.81 +\$13.16 11%	\$147.42 +\$14.61 11%	\$163.64 +\$16.22 11%	\$181.64 +\$18.00 11%
Ten-Unit Apartment One 300-gallon 2x per week	\$222.58	\$275.00 +\$52.42 24%	\$305.25 +\$30.25 11%	\$338.83 +\$33.58 11%	\$376.10 +\$37.27 11%	\$417.47 +\$41.37 11%
Commercial						
Small Retail One 95-gallon 1x per week	\$88.21	\$57.13 -\$31.09 -35%	\$63.71 +\$6.58 11%	\$71.01 +\$7.30 11%	\$79.12 +\$8.11 11%	\$88.12 +\$9.00 11%
Mid-Size Retail One 2-cubic-yard 1x per week	\$131.34	\$154.69 +\$23.36 18%	\$172.01 +\$17.32 11%	\$191.23 +\$19.22 11%	\$212.56 +\$21.33 11%	\$236.23 +\$23.68 11%

Staff is requesting a total of 15.12 full-time-equivalent (FTE) positions beginning FY 2023-24 to right-size the RRR operation to meet the community’s emerging service needs, address service gaps, comply with State SB 1383 regulatory requirement of mandated organics recycling collection, establish a regularly scheduled alley cleanup

service by enhancing the BIID response team, and to create a new, volunteer-driven Community Cleanup Program that would support a more sustainable and resilient operation. The additional positions would break down as follows:

Right-Size Solid Waste and Recyclable Collection Staffing

Staffing requirement: 1 RRR Superintendent, 1 RRR Equipment Operator, 5 Bin Truck Drivers (7 FTE)

This request is intertwined with the section below as it relates to added organics collection required by SB 1383 mandatory compliance.

SB 1383 Mandatory Compliance and Zero Waste by 2030 Implementation

Staffing requirement: 2 RRR Equipment Operators, 1 Zero Waste Assistant (3 FTE)

To ensure timely organics collection services, RRR would need to add new organics collection routes to service these new locations, necessitating additional drivers and collection trucks.

Right-Size Sweeping Services

Staffing requirement: 1 Motor Sweeper Operator (1 FTE)

The current staffing level is unable to provide street sweeping services during the existing time-restricted posted areas or absorb the addition of sweeping within the protected bike paths. As protected bike path infrastructure continues to expand, the sweeping service demand will continue to grow thus requiring a dedicated vehicle and staff member.

Establish a Regularly Scheduled Proactive Alley Cleanup Service by Enhancing the Bulky Item and Illegal Dumping (BIID) Response Team

Staffing requirement: 2 RRR Equipment Operator, 5 Bin Truck Drivers (7 FTE)

RRR's BIID team currently consists of three employees, covering more than 200 miles of streets and alleys in the City daily. Due to staffing shortages discussed earlier, these employees are frequently reassigned to cover residential and commercial collection or other duties, consequently interrupting BIID alley cleanup services.

Proactive, timely alley cleanup is labor-intensive; it requires a consistent service schedule and a sufficient staffing model. The proposed staffing requirement would restore four crews for the BIID response team. This would allow RRR to create an established schedule that customers can count on for alley cleaning and illegal dumping every Monday through Friday, instead of reactively responding to 311 reports of items discarded in the public right of way.

The additional staffing would also allow RRR to assign more workers to container delivery, from replacing damaged or stolen containers to distributing new green organics containers for SB 1383 mandatory organics recycling. The result will be speedier container delivery and achieving State compliance sooner.

Creation of a New Quarterly Community Cleanup Program (CCP)

Staffing requirement: Zero – Work will be absorbed by the BIID response team

Another community benefit of right-sizing to a fully-staffed BIID response team is to provide RRR the required staff capacity to establish and support a new volunteer-driven Community Cleanup Program (CCP).

The City has received requests to create volunteer cleanup events, at which neighborhood group associations and individuals can mobilize teams of volunteers, consisting of City residents and/or businesses, to clean up their neighborhoods. Volunteers at these events would be provided with cleanup supplies and assistance from BIID team workers, trucks, and equipment. To allow these cleanup events to be scalable and successful, the creation of an official City program is necessary. Infrastructure and staffing must be in place. The program would require application intaking, staffing and equipment coordination, overtime, supply procurement, inventory

management, and capacity planning. RRR is currently unable to support such a program due to budget and staffing constraints.

If the proposed rate increases are approved and the BIID response team is right-sized, the team would be able to support a new CCP program in addition to their routine alley cleanup duties. The CCP program would be piloted at a quarterly frequency.

Offset with a Reduction of 2.88 FTE As-Needed Maintenance Assistants

Staffing offset: Minus 4 Maintenance Assistant vacancies (-2.88 FTE)

To offset the staffing requirement and budgetary impact from the five actions above, staff proposes eliminating four existing vacant as-needed Maintenance Assistant positions (equivalent to 2.88 FTE). It has been challenging to fill these four vacancies because the job is physically demanding and as-needed positions do not offer benefits therefore making the opportunities less competitive.

Table 4. Services Included in the Proposed Rates – Option One, Enhanced Clean & Safe Services

Customer Type	Landfill Trash (Black Container) Collection & Disposal	Recyclables (Blue Container) Collection & Recycling	Organics (Green Container) Collection & Composting	Bulky Item Pickup and Illegal Dumping Cleanup	Weekly Street Sweeping	On-Demand Door-to-Door HHW Collection	Access to Monthly Recycling Events and Zero Waste Programs	Enhanced Bulky Item Illegal Dumping Response & Alley Cleanup	Quarterly Community Cleanup Program
Single-Family	Included	Included	Included	Included	Included	Included	Included	Included	Included
Multi-Family	Included	Included	Included	Included	Included	Included	Included	Included	Included
Commercial	Included	Included	Included	Included	Included	No	Partial	Included	Included

Option Two: Right-Size Basic Services

Option Two would right-size basic services to align with core needs only. Under Option Two, rates would still need to be restructured in year one to accurately account for the true costs of services provided and align the fee structure with the best management practices of the industry. The remaining four years of the rate study would then apply a consistent 10.2% annual increase to all services evenly.

**Table 5. Proposed Rates of Typical Services for Option Two,
Including Annual Change in Rate in Dollar and Percentage**

Customer Type	Current FY 2022-23 Monthly	Proposed FY 2023-24 Monthly	Proposed FY 2024-25 Monthly	Proposed FY 2025-26 Monthly	Proposed FY 2026-27 Monthly	Proposed FY 2027-28 Monthly
Single-Family						
One (1) 65-gallon 1x per week	\$41.78	\$46.04 +\$4.26 10.2%	\$50.73 +\$4.70 10.2%	\$55.91 +\$5.18 10.2%	\$61.61 +\$5.70 10.2%	\$67.89 +\$6.29 10.2%
One (1) 95-gallon 1x per week	\$53.90	\$59.39 +\$5.50 10.2%	\$65.45 +\$6.06 10.2%	\$72.13 +\$6.68 10.2%	\$79.48 +\$7.36 10.2%	\$87.59 +\$8.10 10.2%
Multi-Family						
Four-Unit Apartment Two 95-gallon 1x per week	\$99.28	\$118.78 +\$19.50 19.6%	\$130.90 +\$12.12 10.2%	\$144.25 +\$13.35 10.2%	\$158.96 +\$14.71 10.2%	\$175.17 +\$16.21 10.2%
Ten-Unit Apartment One 300-gallon 2x per week	\$222.58	\$272.30 +\$52.42 23.6%	\$300.05 +\$28.05 10.2%	\$331.26 +\$30.91 10.2%	\$365.32 +\$34.06 10.2%	\$402.86 +\$37.54 10.2%
Commercial						
Small Retail One 95-gallon 1x per week	\$88.21	\$56.69 -\$31.52 -35.7%	\$62.75 +\$6.06 10.7%	\$69.43 +\$6.68 10.6%	\$76.78 +\$7.36 10.6%	\$84.89 +\$8.10 10.6%
Mid-size Retail One 2-cubic-yard 1x per week	\$131.34	\$154.69 +\$23.36 17.8%	\$170.75 +\$16.06 10.4%	\$188.44 +\$17.69 10.4%	\$207.93 +\$19.50 10.3%	\$229.42 +\$21.49 10.3%

Option Two includes an additional 8.12 FTE employees to keep up with current collection and sweeping service demand and to meet new State and local regulatory compliance in organics recycling. Without these positions, sanitation services would continue to degrade over time as demands continue to rise.

However, Option Two would not provide for the staffing needed to enhance RRR’s current bulky item, illegal dumping, and alley cleanup response. While Option One would provide the necessary resources to deploy proactive, recurring weekly alley cleanup services, Option Two would maintain the current service model of responding only to bulky item collection and illegal dumping locations reported through 311 as staffing allows. Additionally, Option Two would not provide for the staff capacity to support a quarterly Community Cleanup Program (CCP).

Table 6. Services Included in the Proposed Rates – Option Two, Right-Size Basic Services

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Customer Type	Landfill Trash (Black Container) Collection & Disposal	Recyclables (Blue Container) Collection & Recycling	Organics (Green Container) Collection & Composting	Bulky Item Pickup and Illegal Dumping Cleanup	Weekly Street Sweeping	On-Demand Door-to-Door HHW Collection	Access to Monthly Recycling Events and Zero Waste Programs	Enhanced Bulky Item Illegal Dumping Response & Alley Cleanup	Quarterly Community Cleanup Program
Single-Family	Included	Included	Included	Included	Included	Included	Included	No	No
Multi-Family	Included	Included	Included	Included	Included	Included	Included	No	No
Commercial	Included	Included	Included	Included	Included	No	Partial	No	No

Rate Comparisons: 2023-2028

Tables 3 and 5 summarize the current and proposed FY 2023-28 rates of the most commonly subscribed collection service levels for single-family customers, multi-family customers, and commercial customers under Option One – Enhanced Clean and Safe Services, and Option Two – Right-Size Basic Services, respectively. These two tables show a small snippet of the dozens of service subscription levels RRR offers, from one 65-gallon container serviced once a week to multiple 4-cubic-yard containers serviced seven days a week. The full list of proposed rates can be found in Attachment F. Tables 4 and 6 show the RRR services that are included under Option One versus Option Two. Essentially, the proposed rate difference between Option One and Option Two equate to less than 1% or \$1-\$3 per month for many customers, but Option One provides the substantially enhanced clean and safe services at a minimal additional cost. The rate difference will vary based on individual customers.

Single-Family Rates

Residents who reside in single-family houses may choose to have either 65-gallon black landfill trash carts or 95-gallon trash carts. Blue recycling cart and green organics cart services are included in the bundled rate at no additional cost. Most single-family customers opt to have one 95-gallon trash cart with once-a-week collection service. Under Option One, single-family customers can anticipate a rate increase ranging from \$5-\$9, depending on the chosen service level. Under Option Two, single-family customers can anticipate an increase ranging from \$4-\$8 over the five-year span.

Multi-Family Rates

Service subscription levels vary widely in the multi-family customer sector based on the size and needs of the building. Although some very large apartment buildings exist, most multi-unit dwellings and rent control apartment buildings in the City have ten or less units. In either rate option, the year one proposed increase is greater than the following years because of the rate restructuring required to eliminate the livable unit charges and fold in street sweeping services into one bundled solid waste and recycling rate for multi-family customers. Including street sweeping into one bundled solid waste and recycling rate ensures the overall rate structure is consistent among all customer types and modernizes the City's solid waste rate structure to align with industry standards.

Under Option One, a typical four-unit apartment with two 95-gallon landfill trash carts with once a week collection could see a rate restructuring adjustment of \$20 (\$5 per unit) in year one and approximately \$13-\$18 (or \$3.29-\$4.50 per unit) in years two through five. Under Option Two, the same four-unit apartment could see a rate restructuring adjustment of \$20 (\$5 per unit) in year one and \$12-\$16 (\$3-\$4 per unit) in the out years.

Under Option One, a ten-unit apartment who chooses to have one 300-gallon trash cart with twice a week collection could anticipate a similar per-unit rate increase for a total of \$52 (\$5.20 per unit) for the entire building in year one, followed by \$30-\$41 (\$3-\$4 per unit) in the subsequent years. Under Option Two, the same ten-unit apartment could anticipate a rate restructuring adjustment of \$52 in year one (\$5.20 per unit), followed by \$28-\$38 (\$2.80-\$3.80 per unit) in the following years.

Commercial Rates

Similar to the multi-family rates, all commercial rates require rate restructuring in year one to eliminate street sweeping charges by water meter size and fold in sweeping service into one bundled solid waste and recycling rate to align with industry best practice. As rates are normalized, some small businesses could see savings in year

one, with subsequent year increases at the same level of single-family homes subscribing to the same service.

There is a great level of rate impact variability in the business community based on the size, nature, and needs of the business. A small business might choose to have one 95-gallon trash cart with once-a-week collection, while large supermarkets and hotels might prefer multiple 4-cubic-yard trash bins with seven-day-a-week collection. Rates are based on the level of service required. The more trash a business generates, the higher the rate will be.

Staff analysis found most commercial customers in the City to be small to medium-sized businesses. Some of the smallest businesses, such as small retail shops, professional offices, or hair salons with one 95-gallon trash cart serviced once a week could potentially anticipate a monthly rate *reduction* of \$31 in year one due to rate restructuring and a nominal increase of \$7-\$9 in subsequent years under Option One. Under Option Two, the same small business could see a saving of \$32 in year one, followed by an increase of \$6-\$8 in the out years.

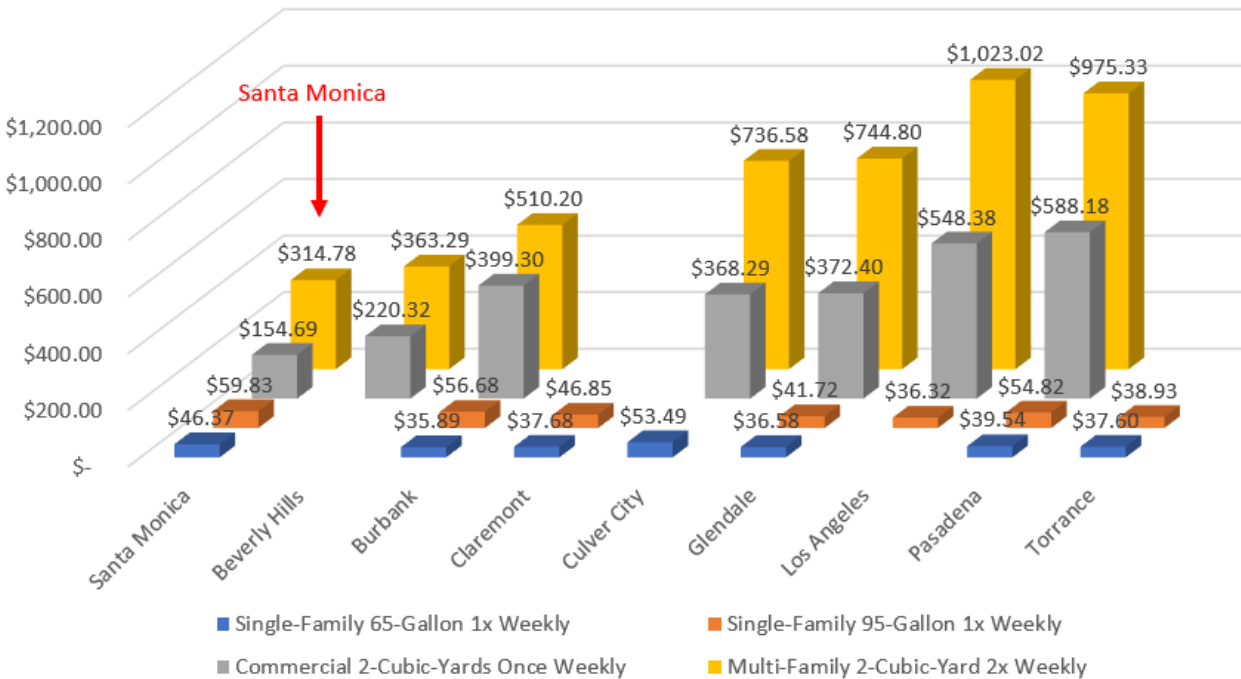
Medium sized businesses that require more service, such as cafes and fitness studios, could expect an upward monthly adjustment of \$23 in year one and \$17-\$24 in the following years under Option One. The same medium sized business could see the same \$23 rate restructuring adjustment in year one and an increase of \$16-\$21 in years two through five under Option Two.

Conclusion

Staff recommends rate adjustment proposal Option One, which would allow RRR to stabilize the RRR Enterprise Fund and maintain fiscal solvency, right-size the staffing level to meet current community needs, provide faster and better customer service, and make meaningful progress towards SB 1383 regulatory compliance as well as the Council's Zero Waste by 2030 sustainability goal. Option One would create permanent jobs, encourage volunteerism and community involvement in co-creating a cleaner, safer, and more sustainable City, while still protecting rent control buildings and

businesses as the City’s multi-family and commercial solid waste rates would continue to be ranked among the lowest of all 88 cities in Los Angeles County.

Figure 7. Comparison of Monthly Solid Waste Rates (FY 2023-24 Projected)



Option One yields many more positive improvements to the community at a minimal increased cost, including:

1. The rate difference between Option One (Enhanced) and Option Two (Basic) is only less than 1% or less than \$3 per month for many customers.
2. As shown in Figure 7, the City’s Option One proposed rates compare well to those in other cities in Los Angeles County. The proposed single-family rates might be slightly higher than some cities, but the City provides more white-glove services to its residents as demonstrated in Table 1, including monthly recycling events and on-demand HHW pickup.
3. Figure 7 exhibits that the City’s proposed multi-family and commercial rates are still considerably lower than most other cities even after the proposed increase under Option One. Option One rates support the City’s desire to protect rent-controlled buildings, protect small businesses, and aid economic recovery.

4. The ability to deploy rapid response to increasing community needs for a clean and safe City. Restoration of a fully staffed BIID response team allows for proactive alley cleanup and illegal dumping collection services five days a week, instead of reactively responding to 311 requests.
5. Shorter bulky item collection response time, quicker replacement of stolen/broken containers, and faster delivery of new organics containers. The latter drives the City's ability to comply with the State's SB 1383 mandate.
6. Cleaner neighborhoods and less opportunities for discarded items to cause undesirable behaviors, such as scavenging.
7. Creation of a new City-supported CCP that encourages volunteerism. The CCP pilot allows resident volunteers to be part of the collaborative efforts to create a cleaner city and make a direct positive change in their own neighborhood.
8. Considering the three years of rate freeze from 2020-23 where the rates stayed stagnant, the average annual ten-year increase from 2017-28 is 6.3% for Option One (Enhanced) and 6% for Option Two (Basic). That annual adjustment compares favorably with industry standards, especially given changes in the recycling market in the last few years, new unfunded State mandates, inflation impacts, and the wide variety and high level of service provided by the City.

Under both rate adjustment options presented in this report, many single-family solid waste customers can anticipate an annual rate increase of \$4-\$9 per month, multi-family customers \$20-\$52 in 2023 and \$12-\$41 in the following years, and commercial customers ranging from a *reduction* of \$31 to an increase of \$23 in year one and an increase of \$7-\$24 in the subsequent years.

It is important to note that solid waste ratepayers can choose from a wide menu of service subscription levels, thus the actual rate impact will vary widely based on the customer's service needs. Most customers will see an increase in their solid waste rates, while others may see a decrease due to rate restructuring. The estimates cited above represent rate impacts for the most commonly subscribed service levels, but there will be more variations in the multi-family and commercial customer sectors due to the varying sizes and needs of these buildings.

Alternatives

It is paramount that the City implement a rate increase in early FY 2023-24 after a three-year rate freeze. Not implementing a rate increase is not a feasible option as the RRR Enterprise Fund would run out of money and become unable to sustain the City's solid waste and recycling services beginning in early FY 2024-25. Staff's recommended Option One (Enhanced Clean and Safe Services) requires an annual increase of 11% and results in an additional 15.12 FTE in staffing. Rate adjustment Option Two (Right-Size Basic Services) requires an annual increase of 10.2% and results in an additional 8.12 FTE. A minimum 9% annual increase would still be required to stabilize the RRR Fund even with no new added services or staffing. Staff does not recommend this as the current staffing shortages are unsustainable in the long run, leading to continued degradation of the City's cleanliness, increased response times, and an overall reduction in customer service levels. Table 7 summarizes the two proposed rate options and the alternative outcome.

Table 7. Rate Option Summary

Option	Additional Staffing Level	Proposed Annual Increase	Anticipated Outcome
One – Enhanced Clean and Safe Services (RECOMMENDED)	15.12 FTE	11%	Enhanced bulky item illegal dumping collection Proactive weekly alley cleanup Quarterly community cleanup program
Two – Right-Size Basic Services	8.12 FTE	10.2%	Right-Size Existing Basic Services No enhanced bulky item illegal dumping collection No quarterly community cleanup program
Alternative (NOT RECOMMENDED)	0 FTE	9%	Staffing shortages persist Missed or delayed collections continue City's cleanliness degrades

Ways to Keep Rates Down

As demonstrated throughout this report, the 2023 rate study aims to achieve the following:

- Keep solid waste rate increases moderate despite the three-year rate freeze by deploying reserves; and

- Enhance RRR services.

In addition, as described below, there are different ways to minimize the impacts of proposed rate increases.

Customers Can Right-Size Service Subscription Level

The City incentivizes landfill diversion and recycling by offering a bundled solid waste and recycling rate structure based on the number, size, and service frequency of the black landfill trash container(s) only. There are no separate charges for servicing or requesting additional blue recycling containers and green organics containers. The solid waste rate is based on a customer's chosen level and frequency of service required. The more landfill trash a customer generates, the more RRR services are required, and the higher the rate will be. As RRR continues to roll out green organics containers to every neighborhood, residents and businesses have an opportunity to assess their consumption habits, find ways to generate less landfill trash by reducing waste, and recycle and compost more in the blue and green containers. By diverting and recycling some of the materials previously discarded in the black landfill trash container to the blue and green containers, a customer might find they no longer require the number, size, and/or service frequency of the black trash container they previously chose. Right-sizing service level and reducing landfill trash disposal not only lowers one's utility bill, it also reduces methane gas emission at the landfill and dramatically helps the City achieve its Zero Waste by 2030 goal.

Create a Solid Waste Rate Discount Program

The City Council is being asked to support creating a new solid waste rate discount program, which does not currently exist. The City has a water utility rate low-income discount program for income-qualified customers that are enrolled in the California Alternate Rates for Energy (CARE) program offered by Southern California Edison and the Southern California Gas Company. Proposition 218 mandates that utility discounts be covered by funding sources outside of the utility enterprise fund. Accordingly, the Water Fund received a total amount of \$154,930 in General Fund subsidy to fund the program in 2022, which benefited 447 customers.

If directed by the City Council to create a solid waste rate discount program, staff would explore viable funding options, develop program criteria and duration, and report back to the Council at the June 2023 rate adoption public hearing.

Next Steps and Public Outreach

Staff seeks comments from Council regarding Option One and Option Two of the rate adjustment scenarios. Staff also seeks direction from Council about the creation of a solid waste rate discount pilot program for residents with eligibility. Staff will incorporate Council comments from this meeting into the final rate study while public outreach commences.

RRR staff has planned a robust community outreach calendar to share information of the rate study findings, develop community understanding of the need for rate adjustments to maintain high quality solid waste and recycling services, and provide an update on the City's zero waste progress and programming that is funded by solid waste utility rates. As part of the public outreach, from February through April staff will be meeting with all key business stakeholder organizations, neighborhood associations, and the Commission on Sustainability, Environmental Justice, and the Environment.

In late April, the City will mail a public notice outlining the proposed rate changes to all property owners and utility account holders at least 45 days prior to the public hearing date. Absent a majority protest, Council may approve the final adoption of the rates at

the public hearing in June 2023. The new rates would take effect starting August 1, 2023.

Environmental Review

No environmental review under CEQA is required at this time since this study session on solid waste rates will not result in direct or indirect physical changes in the environment.

Financial Impacts and Budget Actions

There are no immediate financial impacts or budget actions necessary at this study session. If Council approves staffing changes and/or the creation of a solid waste rate discount program, staff will return later to seek specific budget actions.

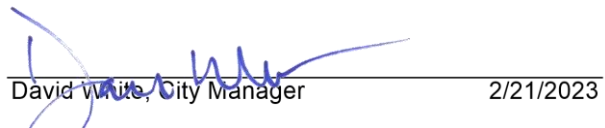
Finally, staff will incorporate Council’s comments from this meeting into the calculation of the potential total financial impact to the RRR Enterprise Fund and present it in the staff report and rate adoption meeting. If new rates are approved by Council in June 2023, the new rates would be effective on August 1, 2023, and annually on the first day of the fiscal year on July 1, 2024, through July 1, 2027 (FY 2023-28).

Prepared By: Yvonne Yeung, Resource Recovery and Recycling Administrator

Approved

Forwarded to Council


Rick Valte, Public Works Director 2/18/2023


David White, City Manager 2/21/2023

Attachments:

- A. Staff Report: Adoption of Solid Waste Rates, 2014 (Web Link)
- B. Staff Report - Solid Waste Rate Study 3rd Contract Modification (Web Link)
- C. New York Times Article: "How Cheap 'Fast Furniture' Could Soon Clog Landfills." October 31, 2022
- D. 2014 Zero Waste Plan
- E. 2014 Zero Waste Plan

- F. 2019 Zero Waste Plan Update
- G. 2019 Zero Waste Plan Update
- H. Draft Report of Santa Monica Five-Year Solid Waste Rate Study, 2023-2028