

## STAFF REPORT

**DATE:** December 4, 2018

**TO:** City Council

**FROM:** Robert A. Clarke, Director of Public Works  
Stan Gryczko, Assistant Public Works Director  
Richard Tsai, Environmental Resources Manager  
Adrienne Heinig, Management Analyst

**SUBJECT:** Solid Waste Rate Study and Proposition 218 Utility Rate Information

---

### **Recommendation**

Approve the Proposition 218 Notices (Attachments 1 and 2) containing solid waste rate adjustments for single-family residential customers and commercial/multifamily customers to be effective beginning March 1, 2019.

### **Fiscal Impact**

The Solid Waste Fund continues to see expenditures exceed revenues on average of \$90,000 per month. Total expenditures for Proposition 218 noticing would be approximately \$15,000, and can be accommodated within the FY 2018/19 adopted Environmental Resources Division budget.

### **Council Goals**

This effort is consistent with the Council Goal to Ensure Fiscal Resilience.

### **Background**

The City's Solid Waste program is managed within Fund 520. A solid waste rate study conducted in 2013 established rates through December 1, 2018. While acknowledging the possibility of annual increases beyond the anticipated 3% based on future program changes, the 2013 rate study did not include any type of reserve fund in the revenue requirements, did not include costs associated with organics collection (in carts) in addition to weekly and monthly yard material pile collection, and did not anticipate the degree of change in landfill tipping fees. Since 2016, the Solid Waste Fund 520 has been underfunded, as expenses for the program exceeded current revenue. The purpose of the current solid waste rate study is to recover the revenue shortfalls from the 2013 study and establish fiscal sustainability for the fund moving forward.

The initial results of the rate study conducted by R3 Consulting suggested the need for implementing rate increases of roughly 41.5% spread over five years based on a financial model developed by R3 utilizing the current level of service, which includes the following:

1. Current and projected increases in the costs of solid waste and street sweeping programs provided by the city's franchised waste hauler Recology Davis;
2. Debt repayment of \$3,000,000 of Solid Waste Fund inter-fund loan from the Wastewater Fund (532); and
3. Necessary service charge increases required to support the above expenses over the entire 10-year period, including recovery from the structural deficit. It is important to note that of the 13.5% increase recommended in the first year, over half of the increase (between 54% and 59%) is directed towards correcting the fund deficit and rebuilding the fund balance.

Also included in the base cost of service in the study are the additions below:

4. Environmental mitigation planning and analysis costs at the City-owned closed landfill (\$150,000 per year), and costs associated with road repair due to wear-and-tear from solid waste collection services (an increase from the current \$100,000 per year in mitigation fees to \$312,000);
5. \$140,000 for Recology to sweep bike paths that are separated from traffic lanes, not currently included in the street sweeping program;
6. Programs including a new Artists in Residency program included in the franchise agreement with Recology that provides local artists with access to discarded materials as part of public outreach efforts to encourage reuse and recycling (\$30,000 per year); and
7. Achievement of a recommended reserve balance in the Solid Waste Fund of 15% of annual operating costs at the end of the 10-Year Plan horizon (approximately \$2M).

On October 30, 2018 staff presented the study and proposed rates to the City Council. During the discussion, Council provided direction to assess certain modifications to yard material pile collection (also referred to as the “Claw”) and return for further discussion on how those modifications could potentially affect overall program costs. Council also directed staff to look at removal of some or all of the additional costs included in the base cost of service, to determine the level of increase necessary to cover the selected cost components, and restore the fiscal health of the fund. This report addresses these Council directions and provides additional detail for the staff-recommended rate adjustments.

### **Analysis**

In addition to the review of the service levels of the city’s yard material pile collection (included as a separate report), staff revisited the newly added cost components of the base rates, some of which are discretionary on the part of Council.

### ***Cost Implications Associated with Changes to Solid Waste Contract Changes***

As further outlined in the report on yard material pile collection, staff reached out to Recology Davis to discuss possible schedule changes, including staggering collection by geographical area, in an effort to perform the service more efficiently and potentially reduce the cost. Staff reviewed multiple scenarios with Recology Davis and determined that the scenarios as presented would not generate increased costs for the program, and could potentially reduce costs (by reducing the number of trips associated with the service.) However, exact cost savings will not be known until the program is implemented and the city has actual cost data. As there are no increased costs to modify the collection schedule (as currently presented), for the purposes of this report, the cost of the program and any changes are captured within the recommended rate structures and no additional information is included.

### ***Modifying Cost Components of Rate Increases***

Before looking at each cost component separately and assessing the associated impact to the rate increases, staff completed two modifications based on the timing of the rate increases, and direction from the city attorney.

The first modification to the revised calculations was to anticipate the expenditures associated with the new components to begin July 2019, as rate implementation in March of 2019 allows for only four months of increased rate revenue within the current fiscal year. These few months allow for a slightly higher percentage of these initial rate increases to go towards recovering from the structural deficit and development of the fund reserve.

The second modification involved expenditures of \$140,000 annually, estimated by the city's consultant, for the purposes of amending Recology's contract to include bike path sweeping, in addition to street sweeping. The city's attorney, upon reviewing all costs recommended to be included in the rates, provided an opinion that bike path sweeping was not an allowable addition, as it does not directly tie to delivery of solid waste services. In the recommendations below, tables have been included to show the rates with the \$140,000 included (original recommendation) and with the \$140,000 removed from expenditures with the rate increase also reduced. The removal of the bike path sweeping from the rate calculations allows for a potential reduction of 1.5%, lowering the maximum first year rate increase to 12%.

### ***Other Cost Component Exclusions***

#### *Program Costs*

As discussed during the Council meeting on October 30, the elimination of the newly established Artists in Residency program was offered as a potential cost savings measure. At roughly \$30,000 per year, the program does not represent a significant cost to the ratepayer in terms of the impact on the necessary rate increases. Keeping all other proposed costs at the same levels as recommended, the elimination of the program alone offers only a slight reduction to the currently recommended rate increases (0.3%). As such, the program has a limited impact to the rate discussion. Staff recommend retaining the 0.3% rate impact of the program and revisiting the program during the city's annual budget process.

#### *Mitigation Costs*

The exact amount necessary to offset the environmental impact of the Recology Davis activity on the city's infrastructure is an estimate based on a recommendation from the city's consultant, R3. The report was completed over a year ago, and since then the city's costs associated with road repairs have changed. An updated report will need to be completed with this new information to determine the exact amount necessary to fully mitigate the costs of Recology Davis's trucks on the roadways, however, it is unlikely the costs associated with impact to roadways will be reduced from what has already been presented (\$212,000). Staff recommend retaining the current level of funding in the rate adjustments. The actual amount set aside for environmental impacts can be adjusted during budget discussions in spring 2019. At that time, if the set aside is established to be lower than currently projected, the additional revenue could aid the utility's recovery from the current deficit, and could potentially offset future rate increases.

#### *Deficit-Related Costs*

The two remaining "new" cost components include the payoff of the loan from the city's Wastewater fund (currently amortized for 10 years) and the development of a solid waste reserve. Per Council's direction, Alternative 1A in the table below shows the impact of extending out the timeline to pay off the \$3M loan from the city's Wastewater fund from 10 years to 20 years (a 15-year payoff results in the same percentage rate impact as 20 years). The savings amounts to roughly \$150,000 annually for the original 10 year term, however it is important to keep in mind that the fund will pay around \$670,000 in interest over the twenty years, instead of just under \$340,000 with the current terms, and will have an additional 10 years of payments around \$184,000 per month.

Staff does not recommend that Council reduce the amount recommended for the reserve/rate stabilization fund. A reserve is necessary to ensure the future health of the fund, stabilize potential rate increase impacts to customers, and provide protection against unpredictable increases in landfill fees, and other factors of cost outside of the city's direct control. Changes in the worldwide market for recyclables (specifically the limits to recyclables placed on the US by China in recent years, raising the

costs associated with disposal) as well as upcoming legislation from the State enacting new regulations related to organics programs will result in increased costs and could necessitate the implementation of new city programs. Most of the options presented below provide for a 15% reserve established sometime between year 7 and 10 of the analysis. If, during future discussion of reserve policy, it is determined that a lower reserve target is appropriate, Council could choose not to adopt the maximum increases in coming years.

**Rate Tables**

In an effort to summarize the options considered by staff, four of the considered rate structures are included below, with dollar value increases using the monthly rate paid by single-family residential customer with a 65-gallon garbage can. Based on principles for the evaluation of the rate structures developed during the URAC review of the study (and based on recommendations from the city’s consultant), all options outlined maintain a fund balance of at least 1% (meaning a positive fund balance) and achieve reserve targets of 8%, 10% or 15% of operating costs within 10 years. For more detail on the calculations of the options below, including the annual expenditure dollar amount excluded for each calculation and the timing of each reserve goal met, please see the Recommended Cost Calculations Summary Table (Attachment 3).

**Staff Recommended Option**

<b>Rate Year</b>	<b>2018</b>	<b>Mar 2019</b>	<b>Jan 2020</b>	<b>Jan 2021</b>	<b>Jan 2022</b>	<b>Jan 2023</b>
<b>% Increase in Base Service Charges</b>	Current	<b>13.5%</b>	10%	8%	5%	5%
Exclude Bike Path Sweeping Costs, No Reduction of Rate Impact	\$34.32	\$38.95	\$42.85	\$46.28	\$48.59	\$51.02
<i>Anticipated Ending Fund Balance</i>	N/A	\$1,259,265	\$621,165	\$527,565	\$681,065	\$884,365
<i>Ending Fund Balance As Percent of Operating Expenses (Reserve)</i>		9%	4%	4%	4%	6%

**Other Options to Consider**

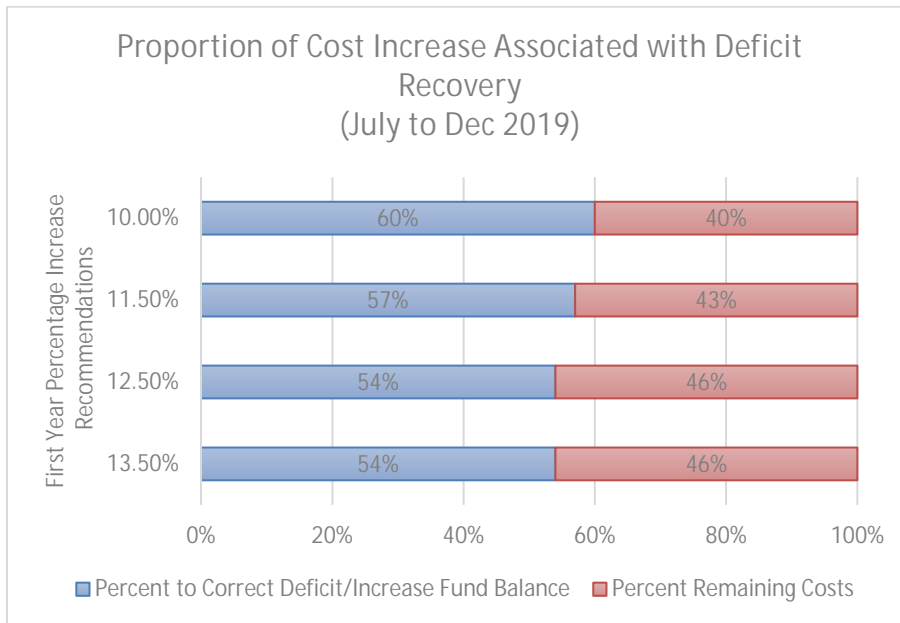
<b>Rate Year</b>	<b>2018</b>	<b>Mar 2019</b>	<b>Jan 2020</b>	<b>Jan 2021</b>	<b>Jan 2022</b>	<b>Jan 2023</b>
<b>Alternative 1</b>	Current	<b>12.5%</b>	10%	8%	5%	5%
Exclude Bike Path Sweeping Costs & Reduce Rate Impact	\$34.32	\$38.61	\$42.47	\$45.87	\$48.16	\$50.57
<i>Anticipated Ending Fund Balance</i>	N/A	\$1,202,265	\$444,165	\$220,565	\$238,065	\$299,365
<i>Reserve</i>		9%	3%	2%	2%	3%

<b>Alternative 1A</b>	Current	<b>11.5%</b>	10%	8%	5%	5%
Exclude Bike Path Sweeping Costs, Modify Loan to 20 Year Payoff & Reduce Rate Impact	\$34.32	\$38.27	\$42.10	\$45.47	\$47.74	\$50.13
<i>Anticipated Ending Fund Balance</i>	N/A	\$1,145,265	\$417,765	\$215,565	\$246,565	\$316,465
<i>Reserve</i>		9%	3%	1%	2%	2%

<b>Alternative 1B</b>	<b>Current</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>5%</b>	<b>5%</b>
Exclude Increase to Environmental Mitigation Assessment, Bike Path Sweeping, Closed Landfill Mitigation Funding, Artists in Residency Program Costs & Reduce Rate Impact	\$34.32	\$37.75	\$41.53	\$44.85	\$47.09	\$49.44
<i>Anticipated Ending Fund Balance</i>	N/A	\$1,251,265	\$590,165	\$440,565	\$515,065	\$619,365
<i>Reserve</i>		9%	4%	3%	3%	4%

Consistent with the recommendation presented to Council on October 30, and with the recommendation from the Utility Rate Advisory Commission on October 4, 2018, staff recommend that Council adopt the rate structure beginning with a 13.5% increase on March 1, 2019.

The primary reason for the staff recommendation is the necessity to allow the utility to recover from the deficit and build an appropriate reserve. Demonstrated clearly by the financial model developed for the purposes of the solid waste cost of service study, the largest percentage (over 50%) driver of cost increases for the next two years is the need to recover from the deficit, and begin to build the fund balance. The chart below demonstrates the percentage breakdown of each component within the rate increase, and the impact of that component compared to the other costs.



Second year costs breakdowns are similar across all rate alternatives, with more than half of the increase focused on recovery.

**Deficit Recovery before Programmatic Changes**

The speed at which the utility recovers is also closely linked to the funding choices Council makes during this deliberation. In each alternative modeled by staff and listed in the table, the second, third and fourth year of the model shows a drop in fund balance. Depending on the initial rate increase, that drop can bring the utility into having less than \$200,000 in reserve. Part of this is related to the expenditure of the \$3M loan from the wastewater fund (operating costs continue to exceed revenue, so

the loan is absorbing the cost), however this mostly demonstrates the need for recovery in this fund before major programmatic changes are made. Keeping the costs associated with the rate increases as-is (13.5% in first year), while leaving the final determination of the actual expenditures to Council during the budget cycle or in future years provides flexibility to the utility. That flexibility allows the fund to absorb service level changes with the yard material pile collection, or modifications to the environmental mitigation costs, or fund studies related to the city’s solid waste services, without running into another deficit or necessitating the need for an additional Proposition 218 notice to increase rates.

As previously outlined on October 30, should Council approve the rate adjustments as recommended for the next five years, the Council will be setting the *maximum* amount for rate increases. Determinations of service options, or funding levels for cost components included in the rates resulting in lower costs could give Council the ability to adopt rate increases lower than the maximum allowed under this Proposition 218 process in future years. Another important consideration for Council is a review of the difference associated with the dollar impact of the rate increases shown in the table. Between the rate reflecting the lowest reduction possible (while keeping fund balance positive and reserves on target) of 10%, and the recommended 13.5%, the dollar impact for an average residential customer is a range between \$37.75 and \$38.95 per month. This is a difference of \$1.20 a month, or \$14.40 over the full year.

In keeping with the practice for all utility funds moving forward, staff will update the financial plan and revisit all associated costs of the utility on an annual basis.

**Tentative Timeline for Proposition 218 Notice and Rate Implementation**

<b>Date</b>	<b>Action</b>
December 4, 2018	City Council approval of Prop 218 Notice
December 12, 2018	Notices sent to property owners (Postmarked by)
January 7, 2019	Tentative Public Information Session on Rate Increases/Changes to Service Levels
February 5, 2019	Public Hearing/Protest Hearing at City Council meeting
March 1, 2019	Rates become effective

**Attachments**

1. Draft Single Family Residential Proposition 218 Notice
2. Draft Commercial/Multifamily Residential Proposition 218 Notice
3. Recommended Cost Calculations Summary Table



23 Russell Boulevard, Davis CA 95616

Attend the Public Hearing  
Tuesday, February 5, 2019  
Meeting begins at 6:30 p.m.  
City of Davis Community Chambers  
23 Russell Boulevard  
The meeting agenda will be available no  
later than January 31 at [CityofDavis.org](http://CityofDavis.org)

## NOTICE OF PUBLIC HEARING

### SINGLE-FAMILY RESIDENTIAL SOLID WASTE SERVICE FEES

## CITY OF DAVIS NOTICE OF PUBLIC HEARING

### PROPOSED INCREASES TO SOLID WASTE SERVICE CHARGES

The City of Davis will hold a Public Hearing on February 5, 2019, in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting increases to the City's solid service charges.

#### REASON FOR THE PROPOSED SOLID WASTE SERVICE RATE INCREASES & BASIS UPON WHICH THE PROPOSED SOLID WASTE RATE INCREASES WERE CALCULATED

The City of Davis (the "City") has an exclusive franchise agreement with Recology Davis ("Recology", formerly Davis Waste Removal, Inc.) for the collection and handling of solid waste, including garbage, yard materials, recycling, organics, and street sweeping within the City (collectively, "solid waste services"). All properties within the City are required to subscribe to the weekly solid waste services provided by Recology. Pursuant to the franchise agreement, the City collects solid waste service fees from customers who receive solid waste services from Recology and those who do not put their waste out for collection by Recology. The City uses the revenues from the fees to pay Recology for the solid waste services provided under the franchise agreement, and to recover its operational and administrative costs of providing these services, including billing and collection of the service fees.

The City is proposing to increase solid waste services due to increased costs of providing such services. Outside of routine increases, the City's solid waste service charges have remained the same since 2013 despite the addition of organics collection services and several escalations in the price of landfill disposal and organics processing.

Due to these factors, revenue from solid waste service charges is not sufficient to meet projected expenses, and the proposed increases to service charges have been established to cover expenses. The proposed service charges will provide revenue to cover the costs of providing solid waste services, including the following:

- 1) Projected increases in the costs of operations provided by Recology for solid waste collection, disposal, and processing services;
- 2) Current budget deficits in the City's Solid Waste Fund;
- 3) Loan and capital debt service payments owed to the City's Wastewater Division;
- 4) Environmental mitigation costs for road repair due to wear-and-tear associated with solid waste collection services;
- 5) New programs including a new Artists in Residency program at the Recology Recycling Center;
- 6) Establishing minimal emergency reserves in the City's Solid Waste Fund; and
- 7) Administrative and regulatory costs of providing these services, including billing and collection of the service fees.

The proposed maximum solid waste service charges would go into effect on March 1, 2019 (X%), and January 1 of 2020 (X%), 2021 (X%), 2022 (X%), and 2023 (X%), with all solid waste service charges being increased by the same structure.

### PROPOSED SOLID WASTE SERVICE CHARGES

The City provides solid waste collection, disposal, and materials processing services to all residents and businesses within the City.

Revenues from solid waste service charges pay for the operations and maintenance of materials collection vehicles, disposal sites, and processing facilities, as well as the administrative and regulatory costs that enable the City to manage its solid waste. In addition, solid waste service charges support infrastructure investments, such as necessary system improvements to meet new regulations, capital improvements, debt payments, and prudent reserves for the solid waste system. The solid waste service charges to customers are divided into two categories: Single-Family Residential, and Commercial/Multi-Family Residential, with further classification within each category based on cart/bin volumes and pickup frequency. These categories are intended to group service recipients based on common cost characteristics and logistics management, accounting for collection routing efficiency, container type, and frequency of service. Commercial and multi-family residential customers will receive a separate notice.

The table below shows the maximum monthly solid waste service charges to be considered for single-family residential customers for each year by cart size. The base monthly solid waste service charges include the following solid waste services, with monthly service charges based on garbage container size:

- 1) Weekly pick-up of garbage.
- 2) Weekly pick-up of dual stream recycling using a cart to recycle glass, metal cans, aluminum, non-food soiled paper and cardboard, and plastics.
- 3) Weekly pick-up of organics using the brown-lidded organics cart for items such as meat, cheese, fruits and vegetables, food soiled paper products (such as pizza boxes, paper drink cups, paper plates, and paper napkins), and yard materials (such as grass clippings, leaves, and yard trimmings).
- 4) Loose-in-the-street collection of yard materials once per month from January to October and once-per-week from mid-October to mid-December.



- 5) Once-per-month street sweeping citywide and weekly street sweeping in the downtown core area.
- 6) Bulky Items Drop-Off event in the spring.
- 7) Residential hazardous waste disposal programs.
- 8) Various other waste reduction and recycling outreach and programs.

**Single-Family Monthly Service Charges by Year (Based on Garbage Container Size)**

Container Size	Current 2018	Proposed 3/1/2019		Proposed 1/1/2020		Proposed 1/1/2021		Proposed 1/1/2022		Proposed 1/1/2023	
		Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate
35-Gallon	\$31.00	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __
65-Gallon	\$34.32	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __
95-Gallon	\$40.94	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __

Single-family residents receive an organics cart (for the collection of yard materials, food scraps and food-soiled paper) that is picked-up once per week as part of regular garbage service. Recology brings the organics to a local facility for composting. Residents can request additional organics carts for a fee - see the chart below.

**Monthly Organics Cart Service Charge by Year**

Level of Service	Current	Proposed 2-1-2019	Proposed 1-1-2020	Proposed 1-1-2021	Proposed 1-1-2022	Proposed 1-1-2023
1 Cart	Included	Included	Included	Included	Included	Included
Add'l Cart	\$5.27	\$5.98	\$6.58	\$7.11	\$7.46	\$7.83

In some instances, a customer may choose not to put his or her trash out for collection by Recology. In such an instance, the City continues to incur costs to ensure that solid waste services are ready and available to such customers. The City imposes a fixed monthly solid waste service fee on these customers in order to recover its ongoing fixed costs of ensuring that the services are ready and available in the event that the customer elects to have his or her waste collected. The customer is also paying for street sweeping, recycling, and organics service. The proposed rate for the fixed monthly solid waste service fee for such customers is currently \$21.59 and is proposed to increase each year as show in the table below.

**Monthly "No Trash Service" Fee Service Charge by Year**

Current 2018	Proposed 3/1/2019		Proposed 1/1/2020		Proposed 1/1/2021		Proposed 1/1/2022		Proposed 1/1/2023	
	Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate
\$21.59	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __	+\$ .__	\$ __. __

## PUBLIC HEARING AND PROTESTS

The City of Davis will hold a Public Hearing on February 5, at 6:30 p.m., in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting the proposed solid waste service charges, resulting from changes to the cost for its solid waste services.

Any property owner whose property will be subject to the imposition of the proposed solid waste service fees and any tenant directly responsible for the payment of such fees (i.e., a customer of record) may submit a written protest to the proposed changes; provided, however, that only one protest will be counted per identified parcel.

Written protests may be submitted by mail or in person to the City Clerk at 23 Russell Blvd. Suite 1, Davis, CA, California, 95616-3896 or at the Public Hearing (date and time noted above), provided they are received prior to the conclusion of the public comment portion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, Attn: Public Hearing on Solid Waste Rates.

**Any protest submitted via e-mail or other electronic means will not be accepted.**

Any written protest must: (1) state that the identified property owner is in opposition to the proposed solid waste service charges; (2) provide the location of the identified parcel (by assessor's parcel number, street address, or customer account); (3) provide written evidence (example: current copy of City Services Bill) that the person is the property owner, if the person was not shown on Yolo County's last equalized assessment roll as the property owner; and (4) include the name and signature of the property owner submitting the protest.

The City Council meeting agenda and staff report for the Public Hearing should be available by 6:30 p.m. on January 31 at <https://cityofdavis.org/city-hall/city-council/city-council-meetings/agendas>. At the Public Hearing, the City Council will hear and consider all written and oral protests to the proposed solid waste service charges. Oral comments at the Public Hearing, however, will not qualify as formal protests unless accompanied by a written protest.

At the conclusion of the Public Hearing, the City Council will consider approval of the resolution authorizing the proposed solid waste service fees as described herein.

If written protests against the proposed rate increases are not presented by a majority of the property owners of the identified parcels upon which the rates are proposed to be imposed and tenants directly responsible for the payment of the solid waste service fees, the City Council will be authorized to impose the rate increases as outlined above. **If adopted, the proposed solid waste service charges will take effect beginning March 1, 2019.**

If you have questions regarding this notice or how it may impact your property, contact the Public Works Department (530) 757-5686 Monday through Friday from 8 a.m. to 5 p.m., email [PWWeb@CityofDavis.org](mailto:PWWeb@CityofDavis.org), or visit [CityofDavis.org](http://CityofDavis.org) for answers to frequently asked questions.



# CITY OF DAVIS NOTICE OF PUBLIC HEARING

## PROPOSED INCREASES TO SOLID WASTE SERVICE CHARGES

The City of Davis will hold a Public Hearing on February 5, 2019, in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting increases to the City's solid service charges.

The City of Davis (the "City") has an exclusive franchise agreement with Recology Davis ("Recology", formerly Davis Waste Removal, Inc.) for the collection and handling of solid waste, including garbage, yard materials, recycling, organics, and street sweeping within the City (collectively, "solid waste services"). All properties within the City are required to subscribe to the weekly solid waste services provided by Recology. Pursuant to the franchise agreement, the City collects solid waste service fees from customers who receive solid waste services from Recology and those who do not put their waste out for collection by Recology. The City uses the revenues from the fees to pay Recology for the solid waste services provided under the franchise agreement, and to recover its operational and administrative costs of providing these services, including billing and collection of the service fees.

The City is proposing to increase solid waste services due to increased costs of providing such services. Outside of routine increases, the City's solid waste service charges have remained the same since 2013 despite the addition of organics collection services and several escalations in the price of landfill disposal and organics processing.

Due to these factors, revenue from solid waste service charges is not sufficient to meet projected expenses, and the proposed increases to service charges have been established to cover expenses. The proposed service charges will provide revenue to cover the costs of providing solid waste services, including the following:

- 1) Projected increases in the costs of operations provided by Recology for solid waste collection, disposal, and processing services;
- 2) Current budget deficits in the City's Solid Waste Fund;
- 3) Loan and capital debt service payments owed to the City's Wastewater Division;
- 4) Environmental mitigation costs for road repair due to wear-and-tear associated with solid waste collection services;
- 5) New programs including a new Artists in Residency program at the Recology Recycling Center;
- 6) Establishing minimal emergency reserves in the City's Solid Waste Fund; and
- 7) Administrative and regulatory costs of providing these services, including billing and collection of the service fees.

The proposed maximum solid waste service charges would go into effect on March 1, 2019 (X%), and January 1 of 2020 (X%), 2021 (X%), 2022 (X%), and 2023 (X%), with all solid waste service charges being increased by the same structure.

## PROPOSED SOLID WASTE SERVICE CHARGES

The City provides solid waste collection, disposal, and materials processing services to all residents and businesses within the City.

Revenues from solid waste service charges pay for the operations and maintenance of materials collection vehicles, disposal sites, and processing facilities, as well as the administrative and regulatory costs that enable the City to manage its solid waste. In addition, solid waste service charges support infrastructure investments, such as necessary system improvements to meet new regulations, capital improvements, debt payments, and prudent reserves for the solid waste system. The solid waste service charges to customers are divided into two categories: Single-Family Residential, and Commercial/Multi-Family Residential, with further classification within each category based on cart/bin volumes and pickup frequency. These categories are intended to group service recipients based on common cost characteristics and logistics management, accounting for collection routing efficiency, container type, and frequency of service. Commercial and multi-family residential customers will receive a separate notice.

The tables below show the maximum monthly solid waste service charges to be considered for commercial and multi-family residential customers for each year by garbage container size and pick-up frequency. These monthly solid waste service charges also include the following solid waste services:

- 1) Weekly pick-up of garbage, recycling, and organic material.
  - o Dual stream recycling using a green cart to recycle glass, metal cans, aluminum, plastic and a separate green cart to recycle non-food soiled paper and cardboard.
  - o Organics collection using a brown-lidded organics cart for items such as meat, cheese, fruits and vegetables, and food soiled paper products (such as pizza boxes, paper drink cups, paper plates, and paper napkins) and yard materials (such as grass clippings, leaves, and yard trimmings). A 95-gallon cart filled with food scraps is too heavy for Recology trucks to service, therefore, restaurants, grocery stores and other high-volume food scrap generating businesses receive food scrap cart service—one 65-gallon food scrap cart that is serviced twice per week. All other businesses receive an organics cart—a 95-gallon cart that is serviced one per week.
- 2) Loose-in-the-street collection of yard materials once per month from January to October and once-per-week from mid-October to mid-December.
- 3) Once-per-month street sweeping citywide and weekly street sweeping in the downtown core area.

Commercial and Multi-Family Monthly Service Charges by Year

Level of Service	1x per week		2x per week		3x per week		4x per week		5x per week		6x per week	
	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat
	Current											
1 Cart	\$66.63	\$71.12	\$120.57	\$127.34	\$181.22	\$188.02	\$244.19	\$253.16	\$307.15	\$323.11	\$346.52	
2 Carts	\$118.32	\$125.09	\$226.18	\$235.17	\$340.84	\$349.83	\$460.47	\$468.99	\$567.83	\$581.34	\$698.24	
3 Carts	\$163.24	\$176.74	\$316.08	\$340.85	\$480.14	\$500.38	\$641.96	\$662.22	\$801.54	\$824.02	\$974.57	
Each Additional Cart	\$44.69	\$51.44	\$89.68	\$105.44	\$139.09	\$150.35	\$181.24	\$193.03	\$233.45	\$242.45	\$276.15	
1 Yard	\$104.34	\$120.16	\$198.30	\$214.06	\$299.04	\$314.79	\$401.26	\$417.95	\$507.20	\$520.66	\$621.41	
1.5 Yards	\$142.36	\$160.77	\$265.29	\$281.02	\$412.97	\$430.96	\$553.89	\$569.64	\$688.04	\$703.78	\$851.47	
2 Yards	\$173.55	\$200.58	\$338.99	\$363.70	\$506.63	\$533.64	\$678.74	\$703.51	\$850.91	\$877.93	\$1,045.68	
2.5 Yards	\$216.06	\$240.79	\$412.69	\$439.73	\$627.30	\$654.30	\$839.65	\$866.66	\$1,054.43	\$1,081.40	\$1,291.56	
3 Yards	\$258.52	\$285.54	\$490.89	\$517.87	\$745.75	\$777.19	\$1,005.22	\$1,032.23	\$1,257.79	\$1,287.06	\$1,541.89	
4 Yards	\$338.99	\$374.98	\$645.04	\$685.54	\$980.41	\$1,020.96	\$1,311.26	\$1,349.45	\$1,642.06	\$1,682.52	\$2,089.86	
5 Yards	\$414.91	\$464.43	\$803.67	\$850.91	\$1,217.30	\$1,266.79	\$1,628.50	\$1,678.05	\$2,035.26	\$2,082.55	\$2,568.06	
6 Yards	\$495.36	\$553.89	\$960.18	\$1,011.96	\$1,454.15	\$1,508.14	\$1,941.36	\$1,997.58	\$2,428.31	\$2,484.79	\$3,048.62	
Each Additional Yard	\$74.50	\$81.24	\$147.51	\$154.46	\$225.12	\$231.84	\$298.15	\$309.41	\$368.96	\$382.46	\$455.53	
Each Compacted Yard	\$79.86	\$86.62	\$158.36	\$167.34	\$237.49	\$245.83	\$319.76	\$328.81	\$398.25	\$409.47	\$486.11	
Proposed 3-1-2019												
1 Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Add'l. Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Compacted Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Level of Service	1x per week		2x per week		3x per week		4x per week		5x per week		6x per week	
	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat
Proposed 1-1-2020												
1 Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Compacted Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Proposed 1-1-2021												
1 Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Compacted Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Level of Service	1x per week		2x per week		3x per week		4x per week		5x per week		6x per week	
	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat	Mid-week	Sat
Proposed 1-1-2022												
1 Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Compacted Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Proposed 1-1-2023												
1 Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Carts	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Cart	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2.5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6 Yards	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Additional Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Each Compacted Yard	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

In some instances, a customer may choose not to put his or her waste out for collection by Recology. In such an instance, the City continues to incur costs to ensure that solid waste services are ready and available to such customers. The City imposes a fixed monthly solid waste service fee on these customers in order to recover its ongoing fixed costs of ensuring that the services are ready and available in the event that the customer elects to have his or her waste collected. The customer is also paying for street sweeping, recycling and organics service. The proposed rate for the fixed monthly solid waste service fee for such customers is currently \$21.59 and is proposed to increase each year as show in the table below.

Monthly No Garbage Service Charge by Year

Current	Proposed 3-1-2019	Proposed 1-1-2020	Proposed 1-1-2021	Proposed 1-1-2022	Proposed 1-1-2023
\$21.59	\$__.	\$__.	\$__.	\$__.	\$__.

Commercial and multi-family customers also have the option of choosing drop-box service, a monthly service charge for a 10 yard more garbage bin. These rates are only for using and servicing the bin and do not include the landfill fees. Customers with this service will pay the no garbage service fee (see above) to the City and will receive an additional bill from Recology every month that includes the monthly drop box service charge and landfill tipping fees for their waste. For details, please contact Recology Davis at 530-756-4646.

Monthly Drop Box Service Charge by Year

Level of Service	Current	Proposed 3-1-2019	Proposed 1-1-2020	Proposed 1-1-2021	Proposed 1-1-2022	Proposed 1-1-2023
10 Yards	\$178.42	\$__.	\$__.	\$__.	\$__.	\$__.
20 Yards	\$178.42	\$__.	\$__.	\$__.	\$__.	\$__.
30 Yards	\$217.45	\$__.	\$__.	\$__.	\$__.	\$__.
40 Yards	\$284.63	\$__.	\$__.	\$__.	\$__.	\$__.
50 Yards	\$376.83	\$__.	\$__.	\$__.	\$__.	\$__.
Customer Owned Compactor	\$244.97	\$__.	\$__.	\$__.	\$__.	\$__.

\*These numbers do not include landfill fees

Restaurants, grocery stores and other high-volume food scrap generating businesses receive food scrap cart service—one 65-gallon food scrap cart that is serviced twice per week. Additional food scrap carts and more frequent service is available for a fee—see the chart below.

Monthly Food Scrap Cart Service Charge by Year

Level of Service	1x per Week	2x per week	3x Per Week	4x Per Week	5x Per Week
Current					
1 Cart	Included	Included	\$59.64	\$103.81	\$154.65
Each Additional Cart	\$26.87	\$53.75	\$80.62	\$107.49	\$134.36
Proposed 3-1-2019					
1 Cart	Included	Included	\$__.	\$__.	\$__.
Each Additional Cart	\$__.	\$__.	\$__.	\$__.	\$__.
Proposed 1-1-2020					
1 Cart	Included	Included	\$__.	\$__.	\$__.
Each Additional Cart	\$__.	\$__.	\$__.	\$__.	\$__.
Proposed 12-1-2021					
1 Cart	Included	Included	\$__.	\$__.	\$__.
Each Additional Cart	\$__.	\$__.	\$__.	\$__.	\$__.
Proposed 12-1-2022					
1 Cart	Included	Included	\$__.	\$__.	\$__.
Each Additional Cart	\$__.	\$__.	\$__.	\$__.	\$__.
Proposed 12-1-2023					
1 Cart	Included	Included	\$__.	\$__.	\$__.
Each Additional Cart	\$__.	\$__.	\$__.	\$__.	\$__.

All commercial and multi-family customers that do not generate high volumes of food scraps receive an organics cart (for the collection of yard materials, food scraps and food-soiled paper) that is picked-up once per week as part of regular garbage service. Additional organics carts are available for a fee - see the chart below.

Monthly Organics Cart Service Charge by Year

Level of Service	Current	Proposed 2-1-2019	Proposed 1-1-2020	Proposed 1-1-2021	Proposed 1-1-2022	Proposed 1-1-2023
1 Cart	Included	Included	Included	Included	Included	Included
Each Additional Cart	\$5.27	\$5.98	\$6.58	\$7.11	\$7.46	\$7.83

# PUBLIC HEARING AND PROTESTS

The City of Davis will hold a Public Hearing on February 5, 2019, at 6:30 p.m., in the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA, to consider adopting the proposed solid waste service charges, resulting from changes to the cost for its solid waste services.

Any property owner whose property will be subject to the imposition of the proposed solid waste service fees and any tenant directly responsible for the payment of such fees (i.e., a customer of record) may submit a written protest to the proposed changes; provided, however, that only one protest will be counted per identified parcel.

Written protests may be submitted by mail or in person to the City Clerk at 23 Russell Blvd. Suite 1, Davis, CA, California, 95616-3896 or at the Public Hearing (date and time noted above), provided they are received prior to the conclusion of the public comment portion of the Public Hearing. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, Attn: Public Hearing on Solid Waste Rates.

**Any protest submitted via e-mail or other electronic means will not be accepted.**

Any written protest must: (1) state that the identified property owner is in opposition to the proposed solid waste service charges; (2) provide the location of the identified parcel (by assessor's parcel number, street address, or customer account); (3) provide written evidence (example: current copy of City Services Bill) that the person is the property owner, if the person was not shown on Yolo County's last equalized assessment roll as the property owner; and (4) include the name and signature of the property owner submitting the protest.

The City Council meeting agenda and staff report for the Public Hearing should be available by 6:30 p.m. on January 31 at <https://cityofdavis.org/city-hall/city-council/city-council-meetings/agendas>. At the Public Hearing, the City Council will hear and consider all written and oral protests to the proposed solid waste service charges. Oral comments at the Public Hearing, however, will not qualify as formal protests unless accompanied by a written protest.

At the conclusion of the Public Hearing, the City Council will consider approval of the resolution authorizing the proposed solid waste service fees as described herein.

If written protests against the proposed rate increases are not presented by a majority of the property owners of the identified parcels upon which the rates are proposed to be imposed and tenants directly responsible for the payment of the solid waste service fees, the City Council will be authorized to impose the rate increases as outlined above. **If adopted, the proposed solid waste service charges will take effect beginning March 1, 2019.**

If you have questions regarding this notice or how it may impact your property, contact the Public Works Department (530) 757-5686 Monday through Friday from 8 a.m. to 5 p.m., email [PWWeb@CityofDavis.org](mailto:PWWeb@CityofDavis.org), or visit [CityofDavis.org](http://CityofDavis.org) for answers to frequently asked questions.

<b>Existing Original Staff Recommendation</b>									
Cost Component Excluded									
Exclude Bike Path Sweeping Costs, No Reduction of Rate Impact <i>(including bike path sweeping funding)</i>									
	\$ Amount per Year	18/19	19/20	20/21	21/22	22/23	8% Reserve Target Reached	10% Reserve Target Reached	15% Reserve Target Reached
	N/A	13.5%	10%	8%	5%	5%	Year 7	Year 7	Year 8
	Ending Fund Balance	\$1,259,265	\$621,165	\$527,565	\$681,065	\$884,365			
Associated Rate for Average Single-Family 65 Gallon Customer									
	Current Monthly Rate	2019	2020	2021	2022	2023			
	\$34.32	\$38.95	\$42.85	\$46.28	\$48.59	\$51.02			
<b>ALT 1 Reduce Rate Increase Associated with Bike Path Sweeping - Min Percentage Increase with Min 1% Fund Balance/ Max 15% Reserve Within 10 Years</b>									
Cost Component Excluded									
Exclude Bike Path Sweeping Costs & Reduce Rate Impact									
	\$ Amount per Year	18/19	19/20	20/21	21/22	22/23	8% Reserve Target Reached	10% Reserve Target Reached	15% Reserve Target Reached
	\$140,000	12.5%	10%	8%	5%	5%	Year 8	Year 9	Year 10
	Ending Fund Balance	\$1,202,265	\$444,165	\$220,565	\$238,065	\$299,365			
Associated Rate for Average Single-Family 65 Gallon Customer									
	Current Monthly Rate	2019	2020	2021	2022	2023			
	\$34.32	\$38.61	\$42.47	\$45.87	\$48.16	\$50.57			
<b>ALT 1A Modify Loan Terms for WW Loan to Payoff in 20 Years - Min Percentage Increase with Min 1% Fund Balance/ Max 15% Reserve Within 10 Years</b>									
Cost Component Amended									
Exclude Bike Path Sweeping Costs and Modify Loan to 20 Year Payoff & Reduce Rate Impact									
	Average \$ Difference per Year	18/19	19/20	20/21	21/22	22/23	8% Reserve Target Reached	10% Reserve Target Reached	15% Reserve Target Reached
	\$290,509	11.5%	10%	8%	5%	5%	Year 8	Year 9	Year 10
	Ending Fund Balance	\$1,145,265	\$417,765	\$215,565	\$246,565	\$316,465			
Associated Rate for Average Single-Family 65 Gallon Customer									
	Current Monthly Rate	2019	2020	2021	2022	2023			
	\$34.32	\$38.27	\$42.10	\$45.47	\$47.74	\$50.13			
<b>ALT 1B Remove All Costs Associated with Other Resources (Except Loan) - Min Percentage Increase with Min 1% Fund Balance/ Max 15% Reserve Within 10 Years</b>									
Cost Component Excluded									
Exclude Increase to Environmental Mitigation Assessment, Bike Path Sweeping, Closed Landfill Mitigation Funding, Artists in Residency Program Costs & Reduce Rate Impact									
	\$ Amount per Year	18/19	19/20	20/21	21/22	22/23	8% Reserve Target Reached	10% Reserve Target Reached	15% Reserve Target Reached
	\$532,000	10.0%	10%	8%	5%	5%	Year 7	Year 8	Year 10
	Ending Fund Balance	\$1,251,265	\$590,165	\$440,565	\$515,065	\$619,365			
Associated Rate for Average Single-Family 65 Gallon Customer									
	Current Monthly Rate	2019	2020	2021	2022	2023			
	\$34.32	\$37.75	\$41.53	\$44.85	\$47.09	\$49.44			