

# **Solid Waste Cost of Service Study, Initiation of Proposition 218 Rate Process & Hauling Contract Extension**

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# Why Are We Here?

- **Staff & consultant have recommendations for adjustment of Solid Waste utility rates**
- **Rates last increased in January of 2023 (1.5%)**
- **Since last adjustment – expenditures have increased significantly (regulations, labor, materials, equipment, etc.)**
- **Expenditures now outpacing revenue**
- **Need to act to protect health of fund**
- **Council issues Proposition 218 notice for rate adjustment**

# Background

- **Solid Waste Utility is an enterprise fund**
- **Housed in the Public Works Utilities & Operations Dept.**
- **Roughly 2.5 FTE (City staff)**
- **Implementation of diversion programs (City)**
- **Collection of organic waste, recycling and trash (Hauler)**
- **Regulated by the State for human & environmental health and safety (how and where materials can go for disposal)**
- **Connection between landfills and climate change increases focus on diversion**

# **Solid Waste Utility Enterprise Snapshot (FY 2025)**

- Revenue just over \$16.9M
- Expenditures about \$18.3M

## **City Staff (Program)**

- Compliance with State laws
- Program development and implementation
- Outreach
- Customer billing
- Oversee the contract with hauler
- State reporting
- Grant management

## **Exclusive Franchise Waste Hauler (Operations)**

- Collects all trash, recycling, organics
- 24/7 drop-off Recycling at 2<sup>nd</sup> Street Location
- Bulky voucher
- Free mattress recycling
- CRV buy-back center

# **Purpose and Goals of Cost of Service Studies**

- **Review current and projected costs**
- **Develop long-term financial plan for O&M, debt, CIP needs (if applicable)**
- **Understand rate revenue required to meet program operations**
- **Determine ratepayer share of expenses based on customer class**
- **Recommended rate schedule to equitably recover costs and meet Proposition 218 requirements**
- **Function of City's Fiscal Commission**

# Study Findings

- Expenses outpacing revenue
- Highest drivers of cost increases:
  - Inflationary pressure on resources (labor, equipment, energy, etc.)
  - Regulatory obligations



# Drivers of Adjustments

- **Regulations:**
  - ***Direct Impacts:***
    - **SB 1383 – Short-Lived Climate Pollutants**
    - **Mandatory collection & diversion regulations (AB 939, 341, 1826, 872, SB 1383)**
    - **Landfill tipping fees – corrective actions**
  - ***Indirect Impacts:***
    - **Outreach to explain regulations**
    - **Professional service agreements to map compliance pathways**
    - **Types of services offered (i.e. waste audits, cardboard collection)**
    - **Landfill tipping fees – projects to aid in compliance**

# Drivers of Adjustments

- **Labor/Equipment/Operations Cost Increases:**
  - **Hauler costs**
  - **Increases in professional services contracts**
  - **City Labor increases**



# Current Rate Structure

## Residential

- Billed monthly by garbage cart size
- Inclusive of:
  - Weekly collection of trash
  - One organics cart
  - Unlimited recycling service
  - Street sweeping
  - Seasonal yard pile collection
  - Other benefits

## Multifamily/Commercial

- Billed monthly but rates determined by garbage/cart bin volume and pickup frequency
- Inclusive of:
  - Weekly collection of trash
  - One organics cart
  - Unlimited recycling service
  - Street sweeping
  - Seasonal yard pile collection
  - Other benefits

# Location on City Utility Bill

Current Charges Detailed		
<b>Water Billing Period:</b>		
Service Period: 10/04/2024 to 11/04/2024		
	<u>CCF</u>	<u>CHARGES</u>
Meter Charge:		\$ 13.07
Consumption Charge:	7	\$ 35.07
<b>Service Billing Period:</b>		
Service Period: 12/01/2024 to 12/31/2024		
		<u>CHARGES</u>
Solid Waste: (CURBSIDE - 65 GALLON)		\$ 49.28
Storm Drainage:		\$ 10.81
Sanitary Sewer:		\$ 42.55
Municipal Service Tax:		\$ 9.37
Public Safety Charge:		\$ 7.36
<b>Current Charges:</b>		<b>\$ 167.51</b>

# Proposed Rate Structure Adjustments

No significant changes at this time

1. Current delineation of gallon size for carts be revised to “small, medium and large”
2. Clarification and revision on how services are billed for commercial and multi-family customers.



# Adjustments Without Substantive Rate Structure or Service Changes

- The pressure on the reserve with expenditures exceeding revenues
- No adjustment would require additional inter-fund loan to maintain operations, would impact rates in the future in the form of debt payments
- New franchise hauler contract upcoming, significant adjustments anticipated to be made within the rate structure/cost allocation at that time



# Fiscal Commission Action

- **Received two reports**
  - **First report provided extensive overview of the Solid Waste Utility, including program operations, expenditures, revenue and debt obligations. Asked for questions.**
  - **Second report included presentation to Commission and addressed questions received, detailed Proposition 218 process.**
- **Commission recommended Council adopt the 5-year solid waste utility rate table provided by consultant and staff.**

# Proposed Rates – Residential Example

Cart Size	Fiscal Year					
	<i>Current</i>	2026 15%	2027 6.5%	2028 6.5%	2029 6.5%	2030 3%
Small/32-35 GAL	\$44.52	\$51.20	\$54.53	\$58.07	\$61.84	\$63.70
Medium/64-65 GAL	\$49.28	\$56.67	\$60.36	\$64.28	\$68.46	\$70.51
Large/95-96 GAL	\$58.80	\$67.62	\$72.02	\$76.70	\$81.68	\$84.13

# Questions

- **Why is the largest adjustment first? Could that be evened out over the other years?**  
**Have to jump-start the re-balance & lessen pressure, or just extends issue**
- **What accommodations are being made for people who just can't afford a service charge increase?**  
**It is not possible to offer discounted rates without subsidizing the actual cost of service from another revenue source (proportional fair share)**
- **Are renters included in the noticing and protest process for these rates?**  
**When the renter is designated as a tenant of record by the landlord, can protest the rate on the owner's behalf (but only one protest per property allowed), otherwise can only submit protest if property owner**

# Rates of Surrounding Communities

## As of July 1, 2025

Jurisdiction	Total Monthly Rate	64-Gallon		96-Gallon Organics Rate	Included?		OTHER
		Trash Rate	Recycling Rate		On-Street Yard Material	Street Sweeping	
Woodland	<b>\$40.03</b>	\$18.02	\$2.00	\$20.01	Yes	Yes	Bulky waste voucher, weekly HHW drop-off
<b>Davis</b> (now)	<b>\$49.28</b>	\$49.28	included	Included	Yes	Yes	Unlimited recycling, loose cardboard collection, bulky waste voucher, weekly HHW drop-off
Sacramento	<b>\$52.35</b>	\$25.07	\$8.10	\$19.18	Yes	Yes	Two bulky pick ups per year. Free HHW drop-off
Santa Barbara	<b>\$52.70</b>	\$23.42	\$11.71	\$17.57	N/A	No	Four free bulky pick-ups per year. Free holiday tree collection. Free HHW drop-off
<b>Davis</b> (proposed)	<b>\$56.67</b>	\$56.67	included	Included	Yes	Yes	<i>See above</i>
Santa Rosa	<b>\$57.62</b>	\$57.62	included	Included	N/A	Yes	Two bulky pick ups per year. Free HHW drop-off
Yolo County (Willowbank)	<b>\$87.18</b>	\$18.70	\$11.47	\$57.01	Yes	No	Bulky waste voucher, weekly HHW drop-off
Berkeley	<b>\$87.60</b>	\$87.60	included	Included	N/A	No	Compost carts are 64 gallon
San Francisco	<b>\$88.14</b>	\$58.74	\$14.70	\$14.70	N/A	No	64-gallon compost. HHW pick-up/drop off available. Two bulky waste pickups per year. Fee includes base charge of \$17.60 and "excess trash premium" of \$11.74.

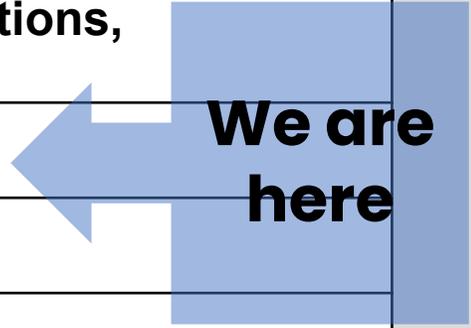
# Extension of Current Hauling Contract

- Current contract with Recology expires December 31, 2027
- Previous discussions with the community in regards to solid waste service and collection have been robust
- Anticipated that discussions about the hauling agreement will be no different
- Extending the contract for two additional years ensures appropriate time is allocated to process:
  - Review current service levels
  - Survey residents on their preferences
  - Allow careful negotiation of a successful hauling contract



# Tentative Timeline for Proposition 218 Notice and Rate Implementation

Date	Action
August 8, 2025	Fiscal Commission: Introduction & Request for Questions
September 3, 2025	Fiscal Commission: Follow-up with Answers to Questions, Presentation
September 16, 2025	City Council Meeting: Initiation of Prop 218 Notices
September 30, 2025	Notices Sent to Property Owners (Postmarked by)
November 18, 2025	City Council Meeting: Public Hearing/Protest Hearing
January 1, 2026	Rates Become Effective (If adopted)
Summer 2026	Begin Discussions with Council on Process for Next Contract



# **Staff Recommendation**

- 1. Receive reports & presentation from staff on the Solid Waste Utility Cost of Service Study and development of rate adjustment recommendations**
- 2. Direct staff to initiate the Proposition 218 process to consider implementation of rate adjustments by January 1, 2026**
- 3. Approve the Resolution authorizing to extend the current Agreement for Collection and Handling of Solid Waste Between the City of Davis and Recology Davis for two (2) additional years, with a new expiration date of December 31, 2029**