



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

11/26/2018

SUBJECT:

2019 Recology of the Coast Rate Adjustment

RECOMMENDED ACTION:

Move that the City Council adopt a Resolution of the City of Pacifica Confirming the 2.75% rate adjustment per Recology of the Coast's Rate Application for the Period of January 1, 2019 to December 31, 2019.

STAFF CONTACT:

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BACKGROUND/DISCUSSION:

In February 2010, the City of Pacifica entered into a franchise agreement with Recology of the Coast ("Recology") for Recyclable Materials, Organic Materials, and Solid Waste Collection Services. The agreement was amended in October 2016, extending the contract to December 31, 2022.

The Agreement:

The agreement generally grants Recology the exclusive right and franchise to collect the following materials in the City service area:

1. Solid waste generated at residential premises, commercial premises and city facilities;
2. Targeted recyclable materials generated at residential premises and city facilities;
3. Organic materials generated at residential premises, commercial premises and city facilities; and
4. Construction and demolition debris generated at residential premises, commercial premises and city facilities.

The agreement also generally grants Recology a non-exclusive right and franchise to collect the following materials in the Service Area:

1. Targeted recyclable materials generated at commercial premises; and
2. Major appliances and specialty recyclable or reusable materials generated at residential premises and commercial premises.

Rate Increase Requests:

The rate adjustment for Rate Period number ten (January 1, 2019 through December 31, 2019) was submitted by Recology to the City by June 1, 2018. The initial requested rate adjustment was 1.97% increase. This is a "cost-based" rate adjustment pursuant to Section 11.03 of the Franchise Agreement Annual Rate Application Process. The City, utilizing HF&H Consultants, LCC, has reviewed the rate adjustment request in accordance with the procedures of the Agreement between Recology and the City, and determined that a 2.75% increase is allowable. A comparison of rates between current and those requested to be increased is attached (Attachment 1).

Rate Increase Process:

In accordance with the settlement agreement between the City of Pacifica, Recology and Lionel Emde, a public notice was sent on October 3, 2018, more than 45 days prior to this public hearing, to all 11,797 customers liable for payment of the proposed fee increase informing them of the November 26, 2018 public hearing and the process for protesting the rate adjustment.

As of 9:00 am on November 21, 2018, the City had received 5 protest letters indicating opposition to the proposed rate adjustment. All of these documents are included in the written record of this proceeding and are available to members of the City Council upon request to the City Clerk’s Office. A majority protest against the rate would exist if the City received written protests from greater than 50% of the customers liable for payment (50% + 1). As there are 11,237 customers liable for payment, a successful majority protest would require the receipt of protests from 5,619 customers. If every signature received on the current 4 protest documents represents a valid protest, the documents received would represent only 0.04% of customers.

At tonight’s public hearing, individuals will have the opportunity to comment on the proposed rate increase. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the customers liable for payment with respect to the fee which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

Recology of the Coast continues to meet the conditions of the franchise agreement including service delivery, monthly reporting and the submission of an annual financial statement. Per the franchise agreement, Recology may submit a rate application annually. The methodology for each year varies as shown in Table 1 below.

TABLE 1			
Rate Year	Commencement Date of Rate Year (which shall be the Effective Date of Rate Adjustment unless otherwise noted)	Rate Adjustment Method Used to Determine Rates for Rate Year	Rate Application Submittal Date
1	Commencement Date	No Rate adjustment; Rates specified in Attachment N	Not Applicable
1	Commencement Date; Rates to be effective August 1, 2010	Rate adjustment per Attachment N (5% increase)	Not Applicable
2	January 1, 2011; Rates	Rate adjustment to be negotiated per	November 1, 2010

	to be effective March 1, 2011**	Section 11.02.C**	
3	January 1, 2012	Index-Based	September 1, 2011
4	January 1, 2013	Cost-Based	June 1, 2012
5	January 1, 2014	Index-Based	September 1, 2013
6	January 1, 2015	Index-Based	September 1, 2014
7	January 1, 2016	Cost-Based	June 1, 2015
8	January 1, 2017	Index-Based	September 1, 2016
9	January 1, 2018	Index-Based	September 1, 2017
10	January 1, 2019	Cost-Based	June 1, 2018

As additional background, staff has attached the proposed rate schedule, which provides a side by side view of current rates and proposed rates. Staff has also attached the interim 2018 Recycling and Disposal Tonnage report for Recology. This report provides tonnage activity from January through October 2018. Lastly, staff has provided a copy of the notice for this hearing.

ALTERNATIVE ACTION:

Decline to accept the recommended rate increase for Recology of the Coast and provide additional direction to staff. This action would create fiscal complications for Recology of the Coast and violate the franchise agreement that currently exists between Recology and the City.

RELATION TO CITY COUNCIL GOALS AND WORK PLAN:

This item supports the City Council goals of:

- Fiscal Sustainability
- Stewardship of City Infrastructure
- Preserving and Enhancing Natural Resources

FISCAL IMPACT:

As proposed and adjusted by HF&F and per the methodology in the franchise agreement, the City recommends a rate increase of 2.75% for Recology's services. There are no increases or decreases to City fees as these are not subject to the rate adjustment.

Residential customers, most of whom subscribe to the 20 gallon can monthly rate would increase from \$23.03 to \$23.66 per month or an increase of \$.63 per month or \$7.56 annually.

ORIGINATED BY:

City Manager's Office

ATTACHMENT LIST:

Exhibit A - 2019 Rate Schedule Attachment N (PDF)

Notice of Public Hearing (PDF)



RESOLUTION NO. ___-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA CONFIRMING THE 2.75% RATE ADJUSTMENT PER RECOLOGY OF THE COAST’S APPLICATION FOR THE PERIOD OF JANUARY 1, 2019 – DECEMBER 31, 2019

WHEREAS, The City of Pacifica (“City”) entered into a Franchise Agreement (“Agreement”) with Recology of the Coast (“Recology”) pursuant to which Recology provides services regarding recyclable materials, organic materials, and solid waste collection (“Services”);

WHEREAS, pursuant to the Agreement, Recology has the right to charge and collect from customers rates for the Services not to exceed the amount set forth in the Agreement and the right to initiate annual rate adjustments;

WHEREAS, Recology has submitted materials for a rate adjustment for the period January 1, 2019 through December 31, 2019; and

WHEREAS, there was no majority protest received by interested persons with respect to the proposed rate increase;

WHEREAS, on November 26, 2018, the City Council held a full and fair public hearing, properly noticed via a written notice of the hearing through the United States Postal Service, postage prepaid, forty-five (45) days before the date set for the public hearing, at which all persons interested, were given an opportunity to provide oral and written testimony with respect to a proposed adjustment of Recology’s rates;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pacifica that:

Section 1. The City Council approves Recology’s rate application for the period of January 1, 2019 to December 31, 2019 and Recology’s solid waste rates as set forth in Exhibit A attached to this Resolution and confirms that it complies with the terms of the Agreement.

Section 2. The City Council finds that this Resolution and the approved rate adjustment are not a project for purposes of the California Environmental Quality Act (“CEQA”) under Public Resources Code section 21065 and CEQA Guidelines, 14 Cal. Code of Regs. Sections 15378, and are exempt from CEQA because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Pacifica, California, held on November 26, 2018 by the following vote of the members thereof:

- AYES, Councilmembers:
- NOES, Councilmembers:
- ABSENT, Councilmembers:
- ABSTAIN, Councilmembers:

John Keener, Mayor

ATTEST:

APPROVED AS TO FORM:

Sarah Coffey, City Clerk

Michelle Marchetta Kenyon, City Attorney