



# 2025 Solid Waste Rates Increase Proposal

March 3, 2025

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Waste Management Supervisor



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# Request of Council

- Conduct the 218 Protest Hearing
- If a majority protest does not exist, approve the 2025 solid waste collection rates included in the Prop 218 notice and available on the City's website
- Approve the appropriation of \$400,000 to Recology to reduce the balancing account

# Annual Rate Review Process

- Council reviews and approves fees for all solid waste services
- City follows CA Prop 218 process
- Rates must be based on cost-of-service



# The Solid Waste Process & What Rates Cover



# Background

- 2006 progressive “Pay as You Throw” system adopted
- 2016 & 2022 State imposed recycling and organics mandates
- Proposition 218 - “...fees and charges must be proportional to the cost of providing the service attributable to the parcel...”

# 2025 Revenue Requirement

- **Recology collection costs are increasing 8% for 2025**
  - Inflationary increases allowed in the franchise agreement
  - Additional increases from 2024 cap carry forward amount
- **Disposal and Processing costs are increasing 7%**
  - Increase is approximately \$700,000 over 2024
  - 5% due to deferred 2024 cost increase paid for with SBWMA rate stabilization funds
- **City Fees – solid waste program, street sweeping, franchise fees**
  - Decreased approximately \$177,000 from 2024
  - Suspended annual collection of landfill closure fees and trash capture device funding

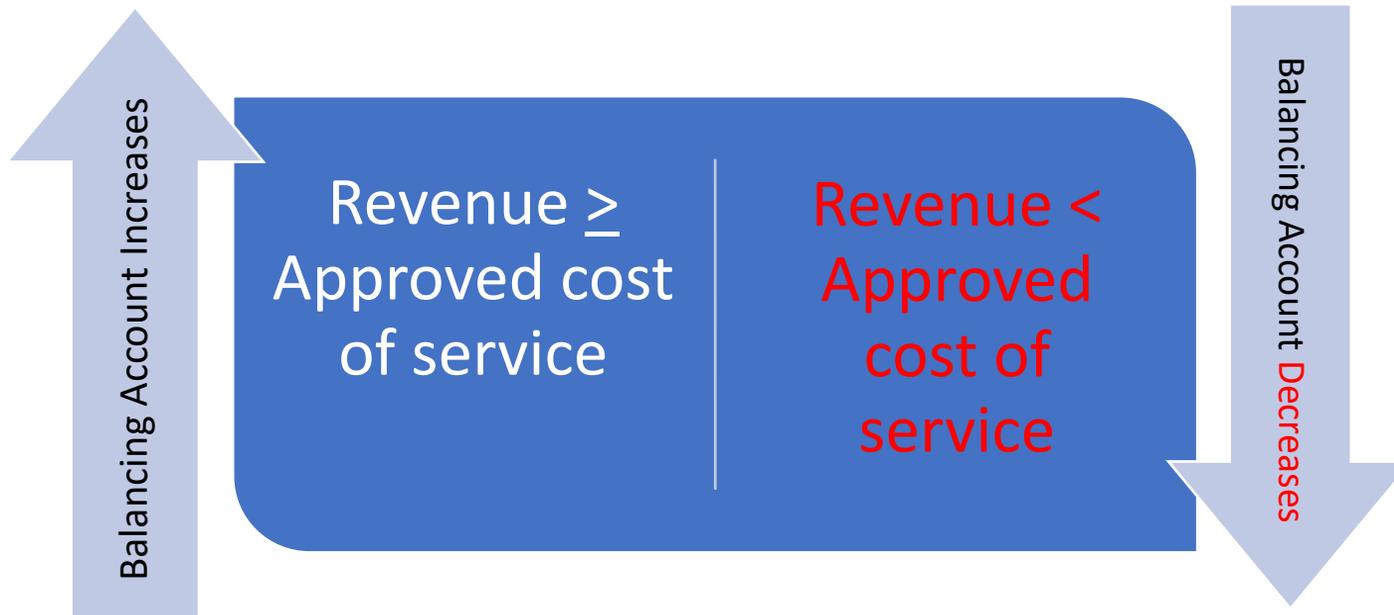
# 2025 Revenue Requirement Adjusted

	2025 Revenue Requirement	Projections
1	Collection Costs	
2	Recology's Base Compensation	\$17,768,415
3	2025 Cap Carry Forward Deferral	(\$331,333)
4	2024 Cap Carry Amount	\$492,047
5	Incentives/Disincentives	<u>(\$24,633)</u>
6	Total Collection Costs	\$17,904,496
7	Disposal Processing Fees	\$11,219,103
8	City Expenses	<u>\$4,322,656</u>
9	<b>Total Revenue Requirement</b>	<b>\$33,446,255</b>
10	Projected Revenue at Current Rates	<u>\$31,864,894</u>
11	<b>Revenue Surplus/(Shortfall)</b>	<b>(\$1,581,360)</b>

Revenue Increases/  
Reserves Required to  
Address Shortfall

# 2025 Revenue Requirement

- Recology maintains a balancing account payable to (or from) the City at the expiration of the agreement
  - Interest is charged to the City if the cumulative balance goes negative



# Existing Balancing Account Deficit

Balancing Account Projection	Surplus/ (Shortfall)
2021 Reconciliation	(\$473,576)
2022 Reconciliation	\$157,710
2023 Reconciliation	(\$587,411)
2024 Reconciliation (projected)	(\$318,771)
<b>Estimated 2024 Balance Accrued/(Owed)</b>	<b>(\$1,222,048)</b>
Use of Reserves per 2024 Council Direction	\$1,000,000
<b>Total Balance Accrued/(Owed) as of 2024</b>	<b>(\$222,048)</b>
2025 Shortfall (projected)	(\$1,581,360)
<b>Total Balance Accrued/(Owed) as of 2025</b>	<b>(\$1,803,408)</b>

- With the 2025 shortfall, the City faces a **cumulative shortfall of \$1.8 million.**

# Steps to Address \$1.8M Revenue Shortfall

1. Increase revenues by addressing rates that do not meet the cost of service.
  - Adjust Commercial Solid Waste Cart Rates.
  - Adjust Commercial Organics Cart Rates.
  - Adjust Residential Rates.
2. Remit \$400K to Recology in 2025 from City's reserves.
  - City's \$4.4 M in reserves for the purpose of rate stabilization during COS implementation.

# Recommended Increase to Commercial Solid Waste and Organics Cart Rates and to Address Cost of Service

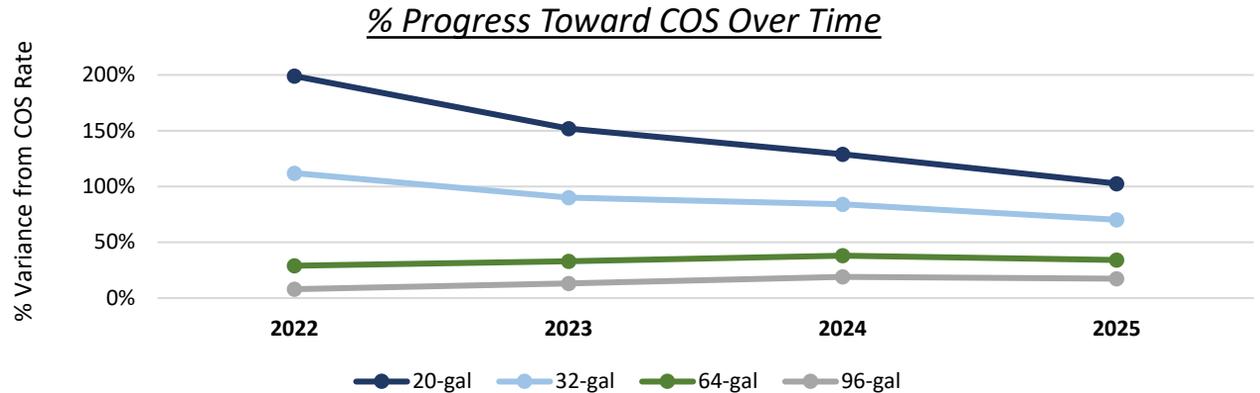
Commercial			
Accounts	Solid Waste Cart Size	Proposed Increases	Proposed Rate (\$/mo.)
80	20-gallon	<b>\$6.50</b>	\$34.84
802	32-gallon	<b>\$5.75</b>	\$42.93
323	64-gallon	<b>\$0.00</b>	\$64.26
835	96-gallon	<b>\$0.00</b>	\$94.47
Revenue Added:		<b>\$93,287</b>	

Commercial			
Accounts	Organics Cart Size	Proposed Increases	Proposed Rate (\$/mo.)
22	20-gallon	<b>\$6.50</b>	\$34.84
442	32-gallon	<b>\$5.75</b>	\$42.93
530	64-gallon	<b>\$0.00</b>	\$64.26
159	96-gallon	<b>\$0.00</b>	\$94.47
Revenue Added:		<b>\$32,751</b>	

Note: No increase is proposed for Commercial bins (containers 1 CY and larger).

# 2025 Solid Waste Rate Realignment Process

## Long Term Plan to Realign Rates to Cost of Service which began in 2021



Residential Solid Waste Cart Size	Current Rate (\$/mo.)	COS Rate (\$/mo.)	Difference	
			\$	%
20-gallon	\$28.59	\$57.57	\$28.98	101%
32-gallon	\$37.93	\$64.14	\$26.21	69%
64-gallon	\$63.93	\$85.07	\$21.14	33%
96-gallon	\$94.08	\$109.41	\$15.33	16%

### Current Residential Subscriptions

- 20-gal accounts: 4,068 (19.5%)
- 32-gal accounts: 11,465 (55.1%)
- 64-gal accounts: 4,579 (22.0%)
- 96-gal accounts: 697 (3.3%)

# Proposed Increase to Residential Rates and to Address Cost of Service

Proposal would achieve the following:

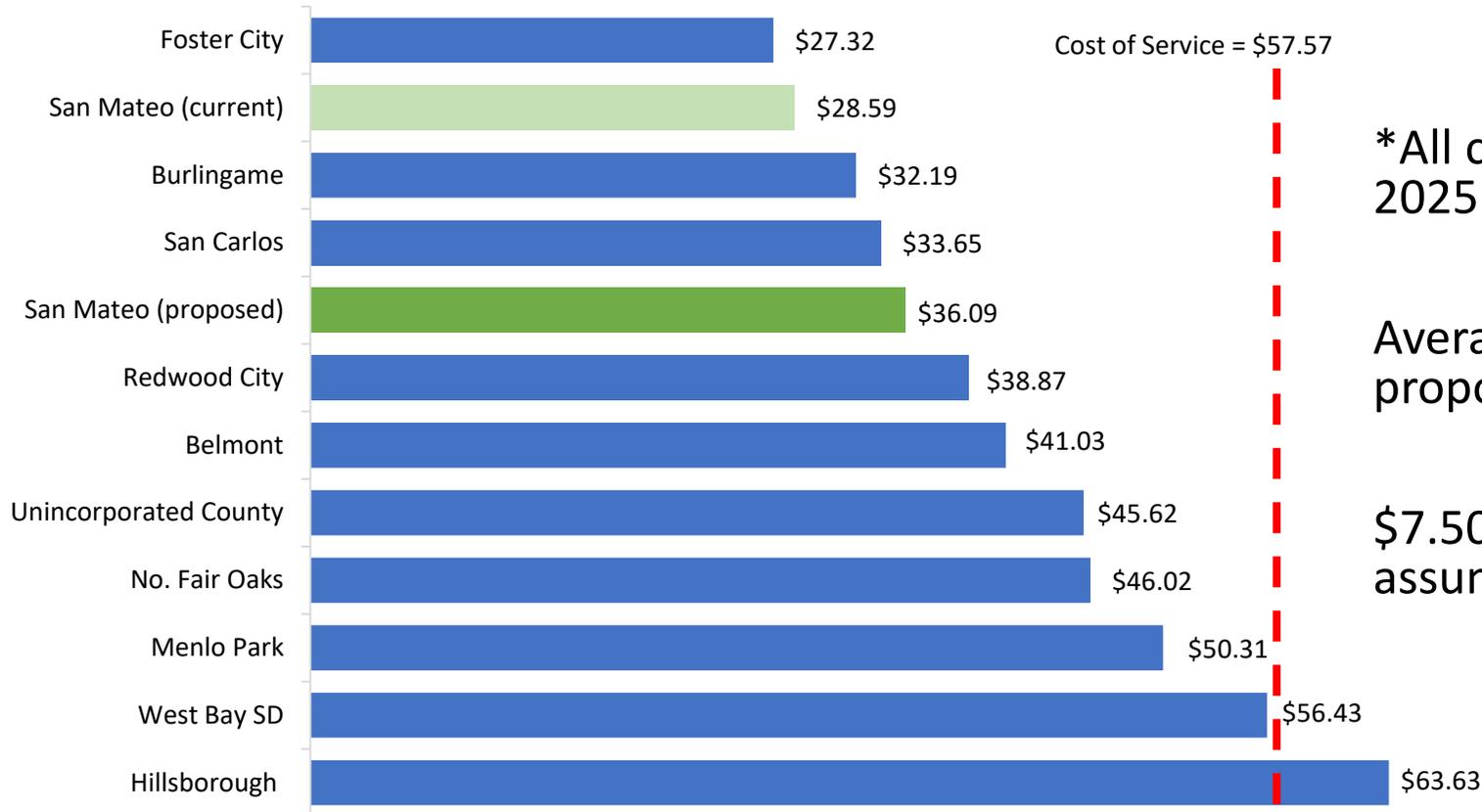
- **Use Solid Waste reserves to reduce increases** to ratepayers
- **Align rates** closer to the cost of service

## Current Residential Subscriptions

- 20-gal accounts: 4,068 (19.5%)
- 32-gal accounts: 11,465 (55.1%)
- 64-gal accounts: 4,579 (22.0%)
- 96-gal accounts: 697 (3.3%)

Residential Solid Waste Cart Size	Proposed Increases	Proposed Rate (\$/mo.)
20-gallon	<b>\$7.50</b>	\$36.09
32-gallon	<b>\$8.00</b>	\$45.93
64-gallon	<b>\$8.50</b>	\$72.43
96-gallon	<b>\$9.00</b>	\$103.08

# Residential Rate Comparison (20-gallon)

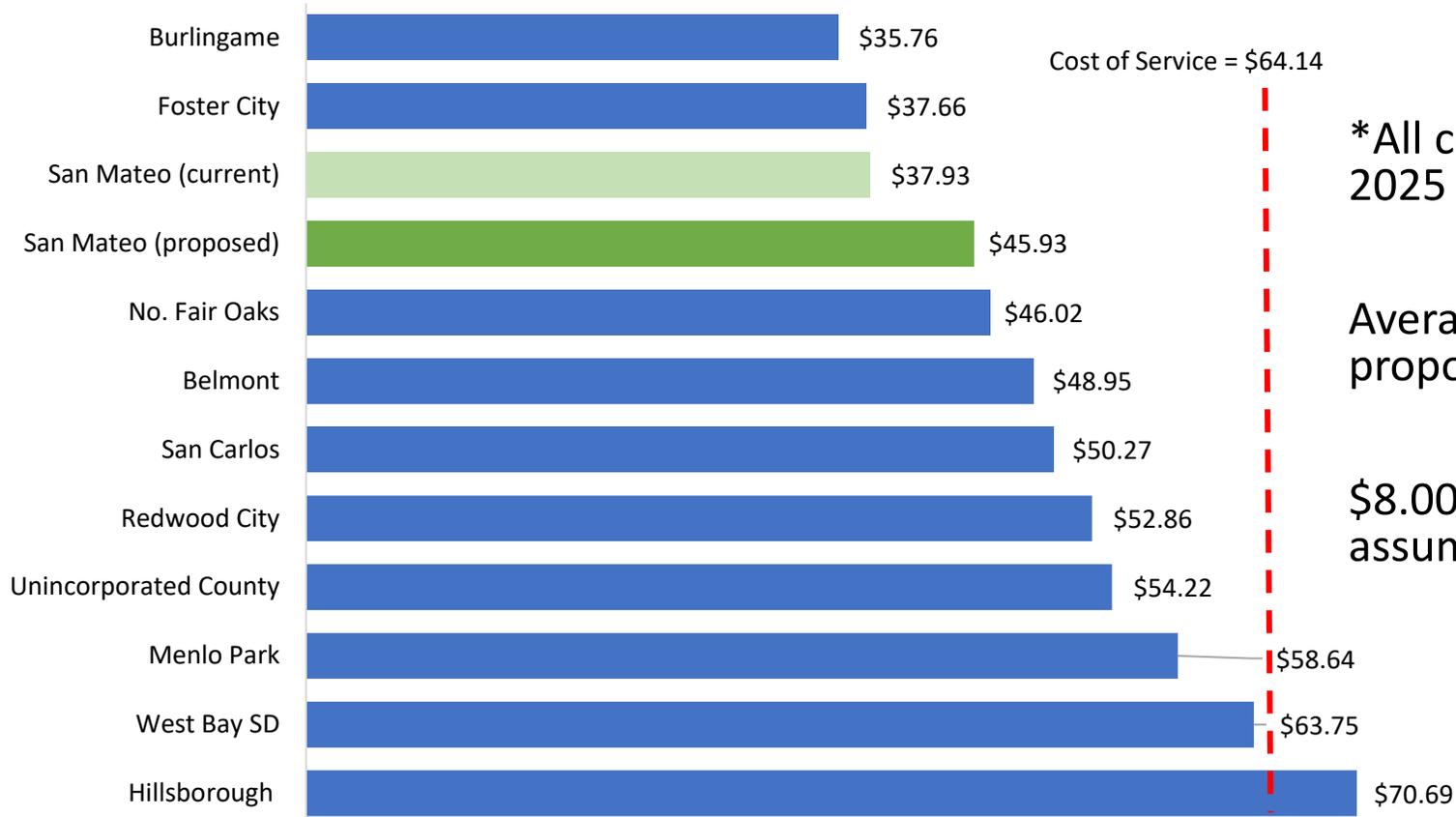


\*All current rates reflect 2025 unless noted.

Average excludes proposed San Mateo rate.

\$7.50/month increase assumed for San Mateo.

# Residential Rate Comparison (32-gallon)

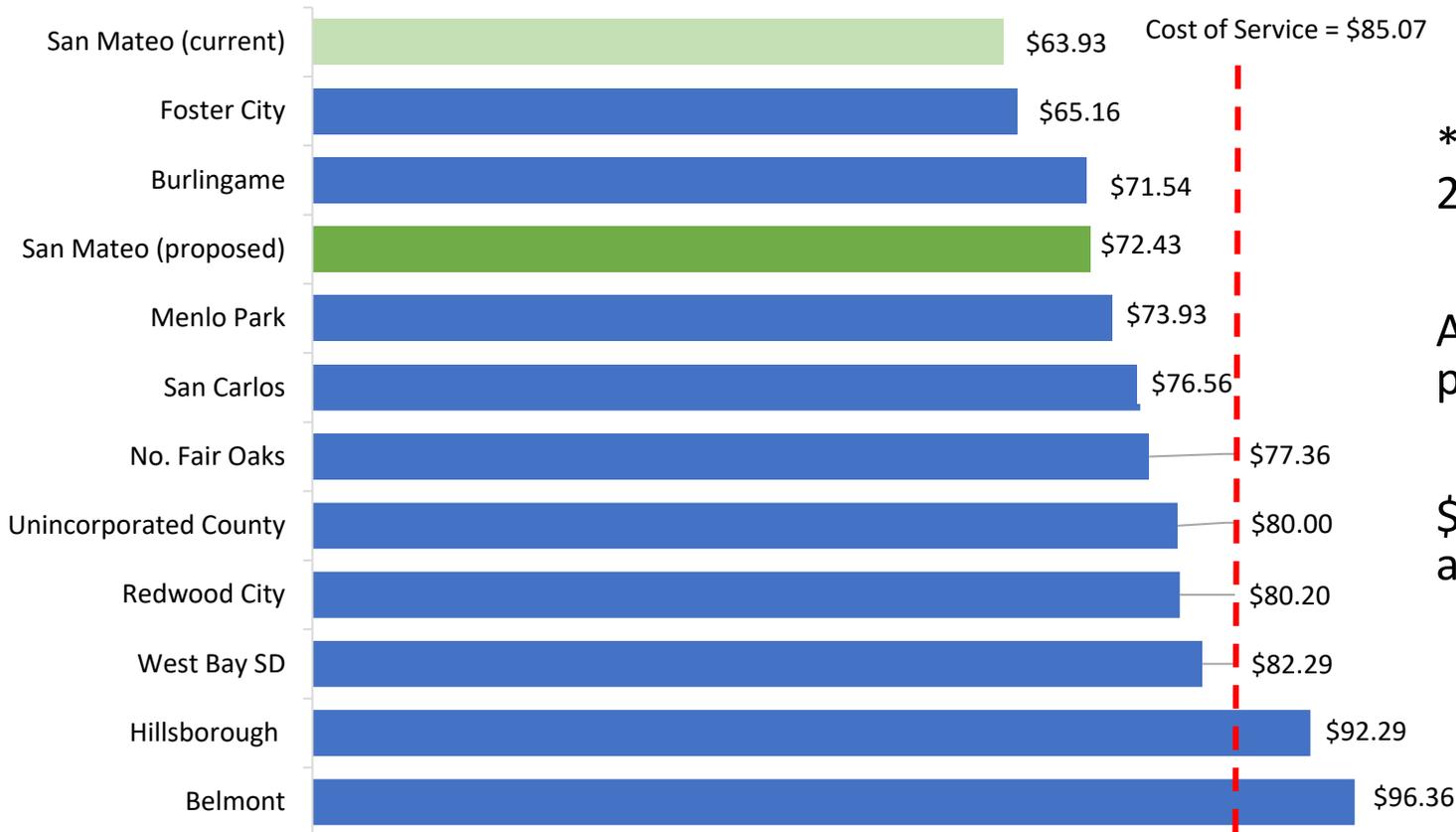


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\$8.00/month increase assumed for San Mateo.

# Residential Rate Comparison (64-gallon)

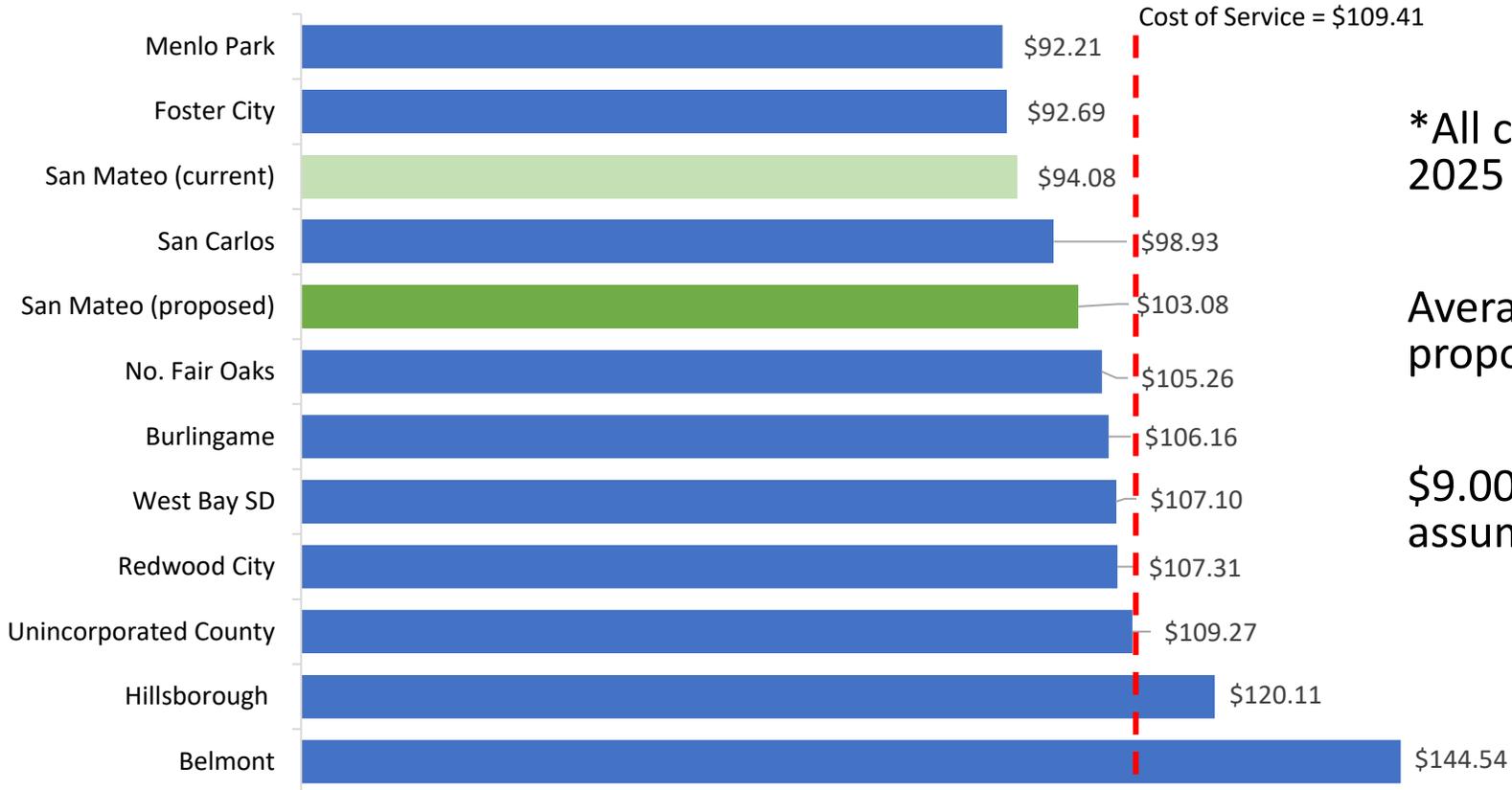


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# Residential Rate Comparison (96-gallon)



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Average excludes proposed San Mateo rate.

\$9.00/month increase assumed for San Mateo.

# City Solid Waste Reserve Fund

- Available June 30, 2024 Balance: \$4.4 million
- City plans to use \$400K in reserves in 2025 to reduce historical balancing account.
- City plans to use additional reserves in future years to reduce rate increases and mitigate balancing account deficit.

# Solid Waste Rates - Summary

- Rates must cover the cost of solid waste services
- Rates can not be progressively “pay-as-you-throw”
- Proposed 2025 rates move the City closer to compliance
- Additional increases will be needed in future years
  - SBWMA Capital Improvements
  - Zero Emission Vehicles Infrastructure
  - SB 54

# Solid Waste Rates – Summary of 2025 Rate Proposal

- Rate Increases Provided in Proposition 218 Notice

Residential Solid Waste Cart Size	Proposed Increases	Proposed Rate (\$/mo.)
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64-gallon	<b>\$8.50</b>	\$72.43
96-gallon	<b>\$9.00</b>	\$103.08
Revenue Added:	\$1,506,821	

Commercial Solid Waste		Proposed Increases	Proposed Rate (\$/mo.)
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Revenue Added:		\$32,751	

- Maximum revenue added from rate increases: \$1.63 million
- Council to Remit \$400k to Recology to reduce balancing account deficit in 2025.

# Rate Adoption Timeline

Council approval to mail public notice

13 Jan. 2025

17 Jan. 2025

City Council Public Hearing

3 Mar. 2025

1 Apr. 2025

45-day public notice mailing deadline

Rates effective, if adopted

# Request of Council

- Conduct the 218 Protest Hearing
- If a majority protest does not exist, approve the 2025 solid waste collection rates included in the Prop 218 notice and available on the City's website
- Approve the appropriation of \$400,000 to Recology to reduce the balancing account



Thank you for your time.

You can reach me at:

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