



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 21, 2009  
**TO:** Mayor and Councilmembers  
**FROM:** Environmental Services Division, Finance Department  
**SUBJECT:** Proposed New Business Sector Trash And Recycling Rates

**RECOMMENDATION:** That Council:

- A. Receive a report on the outreach provided to the business sector on the new proposed rates for trash, recycling, greenwaste and foodscraps collection services; and
- B. Direct staff to initiate the noticing process per Proposition 218 requirements and schedule a public hearing at City Council in October 2009 regarding new Business Trash and Recycling Rates.

### **EXECUTIVE SUMMARY:**

On March 3, 2009 City Council approved, in concept, the proposed new rates for trash, recycling, greenwaste and foodscraps collection services in the City's business sector. These new rates are designed to: 1) increase financial incentives for businesses to recycle more and dispose of less, 2) create new rates for the Foodscraps Recovery and Composting program in the business sector and 3) to enable business customers to better understand and self-audit the charges shown on their utility bills and discern the financial incentives that have been created to divert materials from landfill disposal.

Because of the nature of the changes and the importance of having businesses understand the new rates and how they may impact them, City Council directed staff to make a concerted outreach effort to the business community, and receive feedback and answer questions before moving forward with implementing the new rates.

While outreach and technical assistance will be an ongoing effort, the primary goals of the outreach campaign have been achieved. Thus, staff is recommending Council approval to move forward with the next steps, including noticing the proposed rate changes pursuant to Proposition 218 and implementation of the new rates effective November 1, 2009.

## DISCUSSION:

### Proposed Rate Changes

The proposed changes to rates in the business sector were developed through a collaborative effort between City staff, a hired consultant specializing in rate studies, and staff from the City's two contracted haulers, MarBorg Industries and Allied Waste. A rate model was created that incorporated the following key objectives:

- Virtually all businesses should have the opportunity to reduce the cost of the refuse services through increased diversion.
- Businesses currently diverting *less* than 50% should see an *increase* in their monthly charges.
- Businesses currently diverting *50% or more* should see a *decrease* in their monthly charges. Because actual volume of material is difficult to measure, diversion levels and charges are based on container types and sizes.
- The pricing of recycling, greenwaste, and foodscrap services will be lowered to 15% of the price of trash.
- The 96 gallons of free recycling and greenwaste services will be preserved for only those customers with carts and/or cans.
- Free recycling and greenwaste services for customers with trash dumpsters will be discontinued and spread across all rates.
- There will be slight rate increases for more frequent pick-ups.
- Additional revenues will be generated to ensure rate stability over several years.

Although it was not possible to achieve all of the above objectives for every customer class at every diversion level, the objectives are achieved in almost all cases. Below is an example of the impacts to an average-sized business customer that has eight cubic yards of collection service per week, at varying levels of diversion.

<u>Medium Sized Business Customer</u>	<u>Diversions</u>	<u>Current Bill</u>	<u>New Bill</u>	<u>% Change</u>
Trash Dumpster Only	0%	\$740.92	\$877.90	18.5%
Trash Dumpster / Recycling Dumpster	33%	\$610.01	\$626.65	2.7%
Trash Dumpster / Recycling Dumpster	50%	\$551.53	\$504.79	-8.5%
Trash Dumpster / Recycling Dumpster	66%	\$493.04	\$366.23	-25.7%

In addition, the proposed rates will include rates for a new Foodscrap Recovery and Composting Program in the business sector. This program has been in the pilot phase for over 2 years and has been very successful and well received. The containers for foodscrap, which will be yellow, will also be priced at 15% of the price of trash to provide an equal incentive in relation to other diversion containers.

The proposed new business rate structure and impacts to customer classes were presented to the Solid Waste Committee (Committee) on February 12, 2009. On June 24, 2009, staff presented the results of the outreach effort to the Committee, which recommended forwarding the proposed business rate structure to City Council for implementation in accordance with the schedule discussed under "Next Steps" below.

### **Business Outreach Effort Completed**

Staff created and executed the following Business Outreach Plan:

- 1) Four presentations to major business groups, including:
  - Downtown Organization (Board of Directors)
  - Santa Barbara Chamber of Commerce (Government Affairs Committee)
  - Greater Santa Barbara Restaurant and Lodging Association (General Membership meeting)
  - A joint meeting with the directors of the above three organizations and the Hispanic Chamber of Commerce
- 2) Four public forums detailing the purpose of the rate study, the impacts of the new proposed rates on various sized businesses, additional information resources and technical assistance available to businesses, and an opportunity to ask questions and provide feedback to staff. A video recording of these forums is available online at [www.SBrecycles.org](http://www.SBrecycles.org);
- 3) Technical assistance to over 200 businesses, with a focus on medium to large customers, in an effort to maximize businesses' diversion before the new proposed rates take effect;
- 4) Utility bill messages to all ratepayers with information about the public forums and how to obtain additional information about the proposed new rates;
- 5) A direct mailing to all business customers in the City, with information on the proposed new rate structure, the public forums and how to reach staff and receive technical assistance;
- 6) Two new websites with detailed information on both the New Proposed Rates and Foodscraps Recovery and Composting in the Business Sector.

Overall, businesses were receptive to the proposed changes to rates and understood the issues surrounding the disposal of trash and the impacts to the Tajiguas Landfill. While our outreach did not and could not reach all businesses – particularly small businesses, which will see little, if any, changes in their monthly bills – staff believes there is a good understanding among businesses of the newly proposed rates as a result of the outreach efforts delineated above. In addition, many large businesses – those with 24 cubic yards of service per week or greater – have already been contacted directly by City staff and the remainder will be reached prior to the new rates taking

effect. Because these businesses could be the most impacted by the new rates if they take no action, staff has been working with them to explain the new rates and help them make the necessary changes to increase their diversion rate and reduce their costs.

### **Next Steps**

If Council approves the proposed new rates for subsequent adoption and directs staff to begin the Proposition 218 noticing process for the proposed new rates for trash and recycling services in the business sector, staff will implement the following schedule:

Rate Change Noticing (via Utility Bills)	July 22– Aug 21, 2009
Receive Public Comment (45 Days)	Aug 21 – Oct 6, 2009
Conduct Rates Hearing at City Council	October 13, 2009
Present New Rates for Adoption at City Council	October 27, 2009
New Rates for Business Sector effective (if approved)	November 1, 2009

### **BUDGET/FINANCIAL INFORMATION:**

Per the franchise agreements with both Allied Waste and MarBorg Industries, the City is required to maintain revenue neutrality when proposing fundamental changes to the structure of the rates for collecting municipal solid waste in the City. The proposed new business rates have been designed to be revenue neutral and pose no material financial impacts to the City or the franchised haulers.

### **SUSTAINABILITY IMPACTS:**

Recycling municipal solid waste and the City's related efforts to divert material from landfill disposal have considerable beneficial impacts to the environment. The proposed new business rates contain increased financial incentives for business customers to divert recyclable, compostable and/or reusable materials from the trash. The United States Environmental Protection Agency has acknowledged and developed metrics that provide clear evidence of reduced greenhouse gas emissions through composting and recycling, which result in the creation of products using recycled feedstocks versus using virgin, natural resources. All of the activities of the 2008 Solid Waste Action Plan contribute to the City's goal of becoming a more sustainable community.

**PREPARED BY:** Stephen MacIntosh, Environmental Services Supervisor

**SUBMITTED BY:** Robert D. Peirson, Finance Director

**APPROVED BY:** City Administrator's Office