

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Patrick Thomas, Director of Public Works/City Engineer

DATE: May 26, 2020

SUBJECT: Set Public Hearing to Approve Solid Waste and Recycling Rates for Commercial Customers for Fiscal Year 2020-21

PREPARED BY: Julie Tarrant, Principal Management Analyst

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
TEMECULA SETTING A TIME AND PLACE FOR A PUBLIC
HEARING IN CONNECTION WITH THE SOLID WASTE AND
RECYCLING RATES FOR COMMERCIAL CUSTOMERS FOR
FISCAL YEAR 2020-21

BACKGROUND: The Franchise Agreement between the City of Temecula and CR&R Incorporated stipulates the conditions upon which rates may be adjusted on an annual basis. Per the agreement, these rates shall be adjusted each July 1st to reflect the changes in various applicable indices. As such, the commercial rates are due to adjust for fiscal year 2020-21. In addition to the rate adjustment based on indices, CR&R has requested an additional increase in commercial rates due to Extraordinary Costs as allowed in the Franchise Agreement. The requested additional rate +increase is 9.98% of the current commercial rates, due in part to requirements related to State Mandated commercial recycling programs and operation of the Anaerobic Digester facility.

In recent years the State of California passed Assembly Bill 341, the Mandatory Commercial Recycling Law, and Assembly Bill 1826, the Mandatory Commercial Organics Recycling Law. These laws require all businesses within a certain service area to participate in the State Mandated recycling programs. The costs and implementation of these programs falls on local jurisdictions and the local waste haulers. In an effort to not significantly impact any one waste sector all at once, the implementation and any increase in rates have been put into effect over the course of time since the adoption of these State Mandated programs.

In addition to the State Mandates, China's recycling import ban and restrictions have significantly impacted the entire waste management sector and as a result have reduced the value of recyclable materials across the globe. China instituted these restrictions, known as China Sword, effective January 2018. Prior to China's import ban, over 60% of the materials recycled on the West Coast were going to China. Those same materials continue to inundate waste management collection activities without a viable resource for disposal or cost recovery. CR & R has been reluctant to adjust commercial rates in hopes the recycling market would rebound, but unfortunately that has not occurred and therefore waste haulers can no longer absorb the loss of recycling revenue.

Pursuant to the Franchise Agreement with CR & R, the rates charged for refuse collection and recycling for residential and commercial services within the City of Temecula is subject to annual review and modification, based upon changes in the Consumer Price Index (CPI) and changes to the Riverside County landfill tipping fees, as well as Extraordinary Costs to meet compliance measures instituted by the State Mandate Laws. Therefore, all Commercial Customers within the City of Temecula will incur a rate adjustment to include a 1.80% increase due to change in CPI, a .76 cent per month rate change in landfill fees, and a 9.98% increase due to Extraordinary Costs to comply with state mandate laws. Commercial rates vary based on the bin size and frequency of collection, but are generally expected to increase on average 12% in FY2020-21, per the attached CR & R Rate Schedule.

Staff recommends the City Council adopt the resolution and set the public hearing concerning the approval the Solid Waste and Recycling Rates for Commercial Customers for July 28, 2020. Staff will proceed with noticing each affected commercial customer in the City with regards to the proposed rate increase with a minimum of forty-five (45) days prior to the public hearing.

FISCAL IMPACT: Solid Waste and Recycling services for Commercial Customers are paid for directly by the property owner or business owner receiving services. No additional costs will be incurred by the City of Temecula.

ATTACHMENTS:

1. Resolution
2. CR & R Rate Schedule