



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: March 14, 2023

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Matthew Lee, Public Works Director

SUBJECT: Provide Direction to Staff to Set the FY 2023-24 Solid Waste Rates by Resolution

BACKGROUND: The City of San Bruno's new Franchise Agreement (Agreement) with Recology San Bruno (Recology) became effective on January 1, 2023. According to this Agreement, Recology is entitled to annual rate adjustments based on a Detailed Rate Year analysis every three years, beginning with Year Four, and an Interim Rate Year analysis for the other years, beginning with Year Three.

The new Agreement also included a 6.03% rate increase for residential services and a 16.81% rate increase for commercial and debris box services that began on January 1, 2023, with a plan to adjust rates again in mid-2023 and at the beginning of each fiscal year thereafter as described above. For July 1, 2023, and July 1, 2024, the Agreement includes negotiated rates for services as follows:

Table 1: Rate Adjustments

Sector	Effective Date	
	July 1, 2023	July 1, 2024
Residential	3.23%	7.65%
Commercial & Debris Box	3.23%	7.65%

The requested service rate adjustments are reflective of higher-than-normal inflation and new and enhanced services, including Recology taking over customer billing and SB 1383 compliance efforts. The requested service rate adjustment is 3.23% for both residential and commercial and debris box services, effective July 1, 2023.

DISCUSSION:

On October 11, 2022, the City Council adopted Ordinance 1932 that amended Municipal Code Section 10.08.020 to authorize adoption of rates or charges for municipal services by resolution, in addition to adoption by ordinance. The change allowed the City Council to adopt rates by resolution and have the new rates effective in

time to comply with the terms of the new Agreement. At the time the City Council adopted Ordinance No. 1932, they requested that in the future, the City Council have the ability to determine whether future rate adoptions should be made by resolution or ordinance. Therefore, as part of this rate adoption process, the City Council is being asked to determine whether the new rates will be adopted by resolution or by ordinance. Because an ordinance requires two readings and is effective no sooner than 30 days after its adoption, the process will be longer for adoption by ordinance.

Table 2 below outlines the proposed timelines for considering the rate adjustment effective July 1, 2023, either by resolution or by ordinance.

Table 2: Resolution and Ordinance Timelines

	By Resolution	By Ordinance
March 2023		March 14 – City Council directs staff to provide 45-day notice
April 2023	On or before April 25 – City Council directs staff to provide 45-day notice about proposed rates	
May 2023		May 9 – City Council holds public hearing, considers protests and introduces ordinance setting new rates
		May 23 – Adopt ordinance setting new rates
June 2023	June 13 – City Council holds public hearing, considers any protests, takes action to adopt resolution setting new rates	
July 2023	July 1 – New rates take effect	

Staff is recommending that City Council authorize rates to be set by resolution. This will save time and legal noticing costs. Average noticing costs for an ordinance of this nature are estimated at least \$2,000. Additionally, if the City adopts by ordinance now, City Council must adopt rates which reflect the 3.23% rate adjustment indicated above, but do not account for street sweeping services and trash capture device cleanings which the City is still negotiating with Recology. Staff's recommendation is to ensure sufficient time for the City to discuss and negotiate these services with Recology.

Property Owner Notice and Protest Process

The proposed rate adjustments, as indicated in Table 2 above, are subject to Section 6 of Article XIID of the California Constitution (Proposition 218). Therefore, staff seeks direction regarding the public hearing process required by Proposition 218 for the City Council to consider adopting the new FY 2023-24 rates effective July 1, 2023.

In summary, Proposition 218 requires the City Council to hold a noticed public hearing on the rates. The hearing cannot occur less than 45 days after mailing a notice of the proposed rates to the record owners of property and to the customers subject to the rates. At the conclusion of the public hearing, the City must tabulate the written protests against the proposed rates and determine if a majority protest exists. A majority protest will exist if written protests have been presented, and not withdrawn, by the record owners or customers of record of a majority of the parcels subject to the rates. If a majority protest exists, the City Council cannot adopt the proposed rates.

FISCAL IMPACT: Administering the Proposition 218 process will cost approximately \$12,200 for postage which is budgeted in the Finance Department's operational budget. The proposed rate increase does not have a direct effect on City budget.

ENVIRONMENTAL IMPACT: The action is not a project subject to CEQA. City Council's action is not considered a "Project" per CEQA Guidelines and therefore no further environmental analysis is required.

RECOMMENDATION: Provide direction to staff to set the FY 2023-24 solid waste rates by resolution.

ALTERNATIVES:

1. Do not proceed with FY 2023-24 solid waste rate adoption by resolution or ordinance. This will result in insufficient funds to safely manage the City's water and sewer system in addition to infrastructure needs not being addressed.
2. Adopt the FY 2023-24 solid waste rates by ordinance. Staff will need immediate direction from the City Council for the rate adjustment described above, at 3.23%, which will not allow street sweeping and trash capture device cleanings to be transferred over to Recology in the upcoming fiscal year.

ATTACHMENTS: N/A