



NEWPORT BEACH

City Council Staff Report

January 26, 2021
Agenda Item No. 14

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: David A. Webb, Public Works Director - 949-644-3311,
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PREPARED BY: Micah O. Martin, Deputy Director, Public Works,
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TITLE: Approval of 2020 Residential Recycling Fee Study and Setting of
Public Hearing for Residential Recycling Service Fee Rates

ABSTRACT:

The City's current Schedule of Rents Fines, and Fees (SRFF) includes a Recycling Service Fee, which was last updated on December 8, 2009 and has since remained at \$3 per residential unit per month. This fee was recently studied by the City's fee consultant, MGT of America, and found to be in need of adjustment so as to recover the cost associated with State mandated recycling efforts for providing residential refuse recycling services. The fee calculation includes the recycling related cost of the City's current contracts with CR&R Incorporated and staff costs related to recycling.

Staff now requests City Council review and approve the 2020 Residential Recycling Fee Study; set a public hearing for March 23, 2021 to consider increasing the City's Recycling Service Fee rate in accordance with the Fee Study; and authorize noticing all effected residential property owners in compliance with Proposition 218 State Law of said proposed fee increase and public hearing date.

RECOMMENDATION:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Approve the 2020 Residential Recycling Fee Study;
- c) Direct staff to send a notice of proposed Recycling Service Fee rates and public hearing date for consideration to all effected residential property owners in compliance with Proposition 218 State Law; and
- d) Set the date of March 23, 2021 for the tabulation of protests votes and conduct a public hearing of proposed Recycling Service Fee rates pending the result of the protest vote.

FUNDING REQUIREMENTS:

The adopted budget includes sufficient funding for the completion of this study and public noticing. Under the current \$3 per residential unit per month rate, the Recycling Services Fee generates approximately \$970,000 in revenue, which covers approximately 20 percent of the annual City residential refuse cost of \$4,960,000 for providing the services.

If approved, this fee update would generate an additional approximate \$1,361,000, in General Fund revenue and establish full cost recovery for the portion of the residential refuse contracts related to collection of recyclable materials in accordance with current State mandates. Moving forward, the rates would be adjusted and generally increase by Consumer Price Index (CPI). It should be noted that additional State mandates related to recycling are increasing costs and the fee may need to be reviewed again in the near future.

DISCUSSION:

In accordance with City of Newport Beach Municipal Code Chapter 6.04, Garbage, Refuse, and Cuttings, the City covers the cost and expense of collecting, hauling away and disposing of solid waste with property tax revenues through the City's General Fund. As a result of changes in state law, in 1990, the City Council adopted Ordinance No. 90-6 establishing a Recycling Service Fee to recover the costs incurred by the City in satisfying State mandated recycling requirements. The City's current SRFF includes a Recycling Service Fee which was last updated on December 8, 2009 and has since remained at \$3 per residential unit per month.

The Recycling Service Fee was recently studied by the City's fee consultant, MGT of America. The Recycling Service Fee is a cost of service fee based solely on recovery of those operational costs associated with collection of recyclable materials in accordance with state mandates. Each fee rate is based on the annual contract costs, the diversion rate for recyclable material vs. landfill, the number of households subject to the fee, and City staff time related to contract management and program administration. Because there are two separate residential refuse collection contracts with CR&R Incorporated, one for Newport Coast and the other for the remaining area of the City (excluding Newport Coast and some areas of Santa Ana Heights which receive residential refuse service from the Costa Mesa Sanitary District) to provide residential trash collection services, the study resulted in two different calculations and resulting Recycling Service fees.

A combination of factors has necessitated a study of the Recycling Service Fee including:

- The current fee has not been studied or otherwise updated since 2009;
- Operating costs associated with the collection of recyclable materials have increased over time and the current fee does not accurately reflect those cost increases;
- In contrast with the purpose of City Council Ordinance No. 90-6, the City's General Fund is currently bearing a large portion of the cost to provide residential recycling services;

- The current per month fee is not uniformly applied to all single-family residential units within the City;
- The City Council working group on refuse related issues was in support of staff's recommendation to perform an updated fees study; and
- The demand for residential recycling services has increased per the initial implementation of AB 939 (Integrated Waste Management Act of 1989) and the newly adopted State mandate SB 1383 (Short-lived Climate Pollutants). Therefore, this fee may need to be reviewed again in the near future as more State mandates are imposed on the City.

The attached 2020 Recycling Service Fee Study recommends increasing the Recycling Service fee associated with residential refuse collection and processing. Currently, there is no residential Recycling Services fee applied to residential units within the Newport Coast area. This is because the City's Recycling Service fee was never applied as part of the annexation of Newport Coast into the City. The proposed Recycling Service fee for Newport Coast residential units per the fee study is \$5.86 per residential unit per month.

The current fee for the City area (excluding Newport Coast, as well as some areas of Santa Ana Heights which receive residential refuse service from the Costa Mesa Sanitary District) is \$3.00 per residential unit. The proposed fee for the City area (excluding Newport Coast, as well as some areas of Santa Ana Heights) is \$6.28 per residential unit per month.

Both of these proposed new rates, if adopted, will be subject to an annual CPI adjustment in accordance with Government Code Section 53756.

Staff is asking for Council consideration to review and approve the Residential Recycling Service Fee Study, consisting of the cost of service and recommended fee increases brought forward by the Public Works Department, and to set the date of March 23, 2021 for the tabulation of protests votes and conduct a public hearing of proposed Recycling Service Fee rates pending the result of the protest vote. If approved, staff will move forward with mailing the necessary Proposition 218 Notice (at least 45 days prior to the public hearing) to all impacted residential property owners within the City refuse service area to inform them of the proposed fee adjustments and the March 23, 2021 public hearing date to allow for submission of a protest vote. This notice will provide detailed information about the fee adjustment recommendations with rate adjustments effective April 2021. At the public hearing, any protests votes will be tabulated to determine whether Recycling Service Fee rates can be approved and go into effect. The rate increase could not be approved if a majority of affected property owners voted No on the rate increase proposal.

Information regarding the 2020 Residential Recycling Fee Study will be provided on the City of Newport Beach website at:

<https://newportbeachca.gov/government/departments/2021-residential-recycling-fee-study>

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – 2020 Residential Recycling Fee Study

15 January 2021

Mr. David A. Webb | Public Works Director
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

SUBJECT: RECYCLING SERVICES FEE STUDY

Dear Mr. Webb:

At the request of the City of Newport Beach (City), MGT of America Consulting, LLC (MGT) has completed a study of the Recycling Services fee and with this letter presents staff with the calculations and resulting fees for consideration. MGT calculated the cost to provide recycling services in the City of Newport Beach in conformance with well-established cost accounting methodologies.

SCOPE OF SERVICES

The current Recycling Services fee as shown on the Schedule of Rents, Fines, and Fees (SRFF) is **\$3.00 per residential unit per month**. The City requested that MGT analyze all costs associated with providing recycling services to Newport Beach residents to determine whether the \$3.00 fee is adequately recovering costs.

MGT has determined that the cost to provide recycling services to Newport Beach residential units is as follows:

MONTHLY FEE PER RESIDENTIAL UNIT

Excluding Newport Coast	\$6.28
Newport Coast	\$5.86

METHODOLOGY

The City provided MGT with the following data used to calculate the costs:

- ◆ **Staff time associated with the City’s recycling program.** This includes time spent on program management and contract oversight. MGT calculated fully burdened labor rates for staff and multiplied these labor rates by the annual hours spent on the recycling program to determine annual city staff costs expended on the recycling program.

- ◆ **Annual Recycling Contract Costs.** There are two separate contracts with CR&R Incorporated, one for Newport Coast and the other for the remaining area of the City provided trash services.
- ◆ **Percentage of waste diverted.** This information is used to determine what percentage of the contract expense is associated with recycling (diverted) vs sent to landfills. These percentages are used to reduce the contract expense to that which is only associated with the recycling program.
- ◆ **Number of residential units associated with each of the two contracts:** the number of units in Newport Beach excluding Newport Coast, and the number of units in Newport Coast. This information is used to determine the cost per residential unit, separated by contract.

STUDY RESULTS

The following represents a summary of the data on which the proposed fee was calculated:

ANNUAL STAFF EXPENSE

Title	Department	Fully Burdened Hourly Rate (FBHR)	Annual Hours
Senior Management Analyst	PW - Refuse	\$147.95	120.00
Code Enf Officer Trainee	PW - Envntal Liability	\$45.41	240.00

Total annual cost for staff time: \$28,651.60

ANNUAL RECYCLING CONTRACT COSTS

Refuse Contracts	Annual Contract	Diversion Rate	Recycling Costs
Excluding Newport Coast	\$ 4,160,688	48.36%	\$ 2,012,108.72
Newport Coast	\$ 741,164	40.65%	\$ 301,283.17

Total annual recycling contract costs: \$2,313,391.88

Grand total annual costs for Residential Recycling program: \$2,342,043.48

NUMBER OF RESIDENTIAL UNITS

Excluding Newport Coast	27,017
Newport Coast	4,335

Total residential units: 31,352

ANNUAL COST PER RESIDENTIAL UNIT

Refuse Contracts	City Staff Expense	Recycling Contract Expense	Cost per residential unit
Excluding Newport Coast	\$0.92	\$74.48	\$75.40
Newport Coast	\$0.86	\$69.50	\$70.36

MONTHLY FEE PER RESIDENTIAL UNIT

Excluding Newport Coast	\$6.28
Newport Coast	\$5.86

SUMMARY STATEMENTS AND CITY RECOMMENDATIONS

The proposed fee for Newport Coast residential units is \$5.86 per residential unit per month and the proposed fee for the remaining residential units in the City, currently receiving recycling services, is \$6.28 per residential unit per month.

The City confirmed that all items included in the calculation are solely related to operational costs incurred by the City in satisfying state-mandated recycling requirements. Costs related to organics are excluded from these calculations.

Please do not hesitate to contact us if you have any questions or comments about this study. We look forward to continuing to be of service to the City of Newport Beach.

Sincerely,

Erin L Payton

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