

Residential Rates

On April 16, 2007, pursuant to provisions of Proposition 218, the City Council adopted Resolution No. 07-2681, establishing a ten-year schedule of maximum residential refuse service rates for the period June 1, 2007 through June 30, 2017. However, on July 13, 2012, AB 2567 was chaptered into law as Government Code Section 53756, prohibiting automatic adjustments for property-related fees for a period not to exceed five years. Accordingly, on and after July 13, 2012, the City of Montclair would be required to conduct a Proposition 218 public hearing before adopting any increase to monthly refuse service rates. Furthermore, any schedule of maximum refuse service rates authorizing automatic adjustments that pass through increases cannot exceed a period of five years.

Agreement No. 13-71, by and between Burrtec Waste Industries (Burrtec) and the City of Montclair, provides for the annual adjustment of residential refuse service rates by a percentage increase not to exceed the *All Cities Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange Co. Area, All-Items Indexes, All Urban Consumers*, for the previous 12 months ending in January.

Burrtec last requested and received a 5.0 percent residential refuse service rate adjustment in April 2009, with an effective date of June 1, 2009. Pursuant to the terms and conditions of Agreement No. 13-71, Burrtec is technically eligible for an increase of 7.6 percent—the cumulative CPI for January 2009 (-0.1 percent); January 2010 (1.8 percent); January 2011 (1.8 percent); January 2012 (2.1 percent); and January 2013 (2.0 percent).

Burrtec is requesting a 4.89 percent rate adjustment with an effective date on or about February 1, 2014. Accordingly, the City Council is requested to:

1. Authorize noticing property owners of a Proposition 218 public hearing for Tuesday, January 20, 2014; and
2. Consider adopting Resolution No. 13-3015, establishing a proposed maximum five-year schedule of rates for residential refuse services.

Residential Refuse Rate: Five-Year Schedule of Maximum Rate Caps

The proposed five-year schedule of rates is based on the terms and conditions contained in Agreement No. 13-71. The first three years of the proposed five-year schedule reflect the same maximum rate caps established by the City Council during the April 16, 2007, public hearing for the same three-year period.

Table 1, below, reflects the proposed schedule of maximum refuse rates that can be assessed to residential rate payers for the five-year rate period that runs from February 1, 2014 through January 1, 2019. At no time during each of the annual rate periods can refuse rates exceed the applicable maximum monthly rate cap for the effective year. If a request for refuse rate increases exceeds the effective maximum monthly rate cap for the applicable year, a new Proposition 218 public hearing would be required.

Proposed maximum residential refuse rate caps are based on a five percent per annum adjustment, pursuant to Agreement No. 13-71.

Maximum residential refuse rate caps are not an indication of actual monthly residential refuse rates.

The City of Montclair typically increases residential refuse rates once every three to five years; and rate increases for the cumulative period are typically at or below 5 percent—well below maximum refuse rate caps, and well below authorized increases pursuant to Agreement No. 13-71.

Table 1

Maximum Proposed Monthly Residential Refuse Rate Caps

Proposed Maximum Residential Rate Caps						
Service	Current Rate	Effective Dates				
		February 1, 2014	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018
Monthly Residential Refuse Rate	\$25.36	\$26.88	\$28.22	\$29.63	\$32.00	\$33.60
Bin 1.5/Frequency 1	\$71.19	\$93.80	\$98.49	\$103.41	\$108.58	\$114.01

Proposed Residential Refuse Rates Effective February 1, 2014

Concurrent with the request to conduct a Proposition 218 public hearing on January 20, 2014 to consider establishing a five-year schedule of maximum residential refuse rate caps, City staff anticipates asking Council to consider a proposed schedule of residential refuse rates effective on or about February 1, 2014. Burrtec is requesting a residential refuse rate adjustment of 4.89 percent, pursuant to Agreement No. 13-71.

Following is a discussion of components that constitute the monthly residential refuse rate and proposed cost adjustments for each rate component:

- **Refuse Service Rate:** The refuse service rate represents that portion of the rate paid to Burrtec for collecting and transporting refuse to the Materials Recovery Facility (MRF). The City's Agreement with Burrtec allows the refuse service rate to be adjusted each year by the CPI, not to exceed 5 percent annually. Burrtec is requesting a service rate adjustment of \$0.50 (4.89 percent), from \$10.32 to \$10.82.
- **Landfill Rate:** The landfill rate represents a pass-through of actual transportation and tipping fees paid by Burrtec. Currently, refuse generated in Montclair is transported from Burrtec's MRF in Fontana to several landfills within Burrtec's network of landfill disposal sites throughout Southern California. The rate is adjusted by a formula agreed upon in Agreement No. 13-71. There is no anticipated increase in the tipping fee; however, the cost to pick up and transport refuse to landfills has increased significantly, partly because of high

diesel fuel prices. Burrtec is requesting a \$0.41 adjustment in the landfill rate from \$3.69 to \$4.10.

- *Recycling Service Rate:* The recycling service rate represents the cost of collecting and transporting recyclables to the MRF. The rate is adjusted by a formula agreed upon in Agreement No. 13-71. A recycling service rate adjustment of \$0.16, from \$3.19 to \$3.35, is being proposed.
- *Materials Recovery Facility Fee:* The MRF component is affected by (1) the volume of recyclables processed; (2) the amount of refuse (contamination) found in the recyclables; and (3) the market value of recycled commodities over the preceding 12 months.

Pursuant to AB 341, all cities in the state must reach a 75 percent landfill recovery rate by 2020. As such, the amount of recyclable commodities that Burrtec is able to collect and process has increased significantly as a result of state law. The recent growth in the volume of recyclables has produced a downward trend in commodity prices. At the same time, the amount of material that Burrtec is able to process and redistribute to third parties for use in the manufacturing of goods has climbed dramatically, resulting in a net profit for Burrtec. Accordingly, and pursuant to terms agreed to in Agreement No. 13-71, Burrtec is proposing a credit of \$0.42 per month to residential rate payers—in contrast, Burrtec currently assesses a \$0.9 processing fee.

During negotiations, Burrtec suggested creating a fund from the proposed Materials Recovery Facility Fee credit to reimburse the City for the cost of general community maintenance—currently, a portion of general community maintenance is paid for by the General Sanitation Fee, adopted by the City Council in 2011. **However, in the interest of limiting refuse service costs to residents, City staff recommends the Materials Recovery Facility Fee credit be passed onto the rate payer.**

- *Greenwaste Disposal:* The Greenwaste Disposal Fee represents a pass-through of actual transportation and tipping fees paid by Burrtec. The Greenwaste Disposal Fee has increased from \$28 per ton to \$35.61 per ton. Increases for this rate component are typically tied to increases in fuel prices and tipping fees, and decreases in commodity volume. Currently, the average household in Montclair is generating 3,905 tons of greenwaste per year, up from 3,490 ton four years ago. An increase in commodity volume would generally result in a corresponding decrease in the cost of disposal. However, the opportunity for a decrease has been offset by significant increases in transportation and tipping fee costs.

The formula used to calculate the greenwaste component is essentially based on disposal volume plus the disposal charge per ton. As indicated, the volume of greenwaste per household increased significantly; however, increases in fuel costs and disposal tipping rates combined to produce a proposed \$1.14 increase in this cost component, up from \$0.81 to \$1.77.

- *Household Hazardous Waste Fee:* The City is in the 21st year of an agreement with the County of San Bernardino to provide household hazardous waste disposal facilities.

Disposal facilities are located at the following locations:

5050 Schaefer Avenue, Chino

1408 East Francis Street, Ontario

1370 North Benson Avenue, Upland

Montclair residents may dispose of hazardous waste at no charge at the time of disposal, and are annually assessed approximately \$5.39 per household (\$0.45 monthly). The Household Hazardous Waste Fee is based on the actual cost charged to the City by San Bernardino County, and is intended as a pass-through cost to each ratepayer. There is no adjustment in the Household Hazardous Waste Fee component for Fiscal Year 2013–14; and any rate increase for Fiscal Year 2014–15 is unknown at this time.

- *General Sanitation Fee:* The general sanitation fee is a rate component assessed to residential ratepayers to reimburse for a portion the City costs related to general community maintenance issues including graffiti abatement, alleyway maintenance, illegal dumping, property cleanup, sanitation services, and removal of abandoned bulky items in neighborhoods and alleyways. Since adoption of the General Sanitation Fee in 2011, the service charge has remained below the actual/estimated cost of service. There is no anticipated adjustment in the General Sanitation Fee component for Fiscal Year 2013–14; nor is a fee adjustment anticipated for Fiscal Year 2014–15. The current monthly assessment per household is \$2.82.
- *Administrative Fee:* The Administrative Fee is a charge imposed by the City to reimburse for the cost of administering the refuse service program—the current fee is \$3.99 per month. Service charges should approximate the actual/estimated cost of service. There is no anticipated adjustment in the General Sanitation Fee component for Fiscal Year 2013–14; nor is a fee adjustment anticipated for Fiscal Year 2014–15.

Table 1 on the following page identifies cost components of Montclair's *Total Monthly Household Refuse Rate* including current and proposed rates—proposed monthly residential refuse rates will be considered at a public hearing scheduled for January 20, 2014.

Table 1 also indicates that adoption of proposed Resolution No. 13–3015 would increase the *Total Monthly Household Refuse Rate* from \$25.36 to \$26.88, an increase of \$1.52. Senior households would continue to be charged a refuse rate that is 20 percent below the monthly refuse fee for nonsenior households—the monthly senior household rate would increase from \$20.29 to \$21.50, an increase of \$1.21.

Table 1
Total Monthly Household Refuse Rate Components

Current and Proposed Residential Refuse Rates

<i>Fee Components</i>	<i>Current</i>	<i>Proposed</i>
Refuse service rate	\$ 10.32	\$ 10.82
Recycling service rate	\$ 3.19	\$ 3.35
Refuse landfill/Transfer rate	\$ 3.69	\$ 4.10
MRF fees	\$ 0.09	\$ (-0.42)
Greenwaste disposal rate	\$ 0.81	\$ 1.77
<i>Total cost of services—paid to Burrtec</i>	\$ 18.10	\$ 19.62
General sanitation fee	\$ 2.82	\$ 2.82
Administrative fee	\$ 3.99	\$ 3.99
Household Hazardous Waste fee	\$ 0.45	\$ 0.45
<i>Total monthly cost to provide refuse collection</i>	\$ 7.26	\$ 7.26
<i>TOTAL MONTHLY HOUSEHOLD RATE</i>	\$ 25.36	\$ 26.88
<i>TOTAL MONTHLY SENIOR HOUSEHOLD RATE</i>	\$ 20.29	\$ 21.50
Monthly City subsidy per senior household	\$ 5.07	\$ 5.38
<i>Miscellaneous:</i>		
<i>Multifamily bin</i>	\$ 3.11	\$ 3.11
<i>Extra Cart: Refuse/Recycling/</i>	\$ 5.50/\$1.25/	\$ 5.50/\$1.25/
<i>Greenwaste</i>	\$ 3.50	\$ 3.50
<i>Large item collection: Monthly Burrtec charge—all City households; cost incorporated in administrative fee</i>	\$2,400.00	\$3,250.00