

August 23, 2022

H-1

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record; receive public comment pursuant to Proposition 218; direct the City Clerk to tabulate the written protests and report the results of the tabulation to the Mayor and City Council during the August 23, 2022 hearing; and, if a "majority protest" is not established, conclude the public hearing and adopt a Resolution establishing the Solid Waste Service Rates under a two-step rate adjustment. (Citywide)

DISCUSSION

The City of Long Beach (City) last raised refuse and recycling rates for cost of service on October 1, 2019. Since then, the costs associated with solid waste collection operations have dramatically increased for many reasons. SERRF disposal costs per ton have grown 10 percent since October 2019, and City staff anticipates continued cost increases in the coming years. The general costs of maintaining a fleet are also increasing. In Fiscal Year (FY) 2023, the City is adding eight refuse trucks to provide collection of organics at commercial accounts.

Additionally, over the past few years, the State has enacted legislation increasing each city's requirement to recycle and provide waste diversion programs. In response to these and other requirements, the Department of Public Works (Public Works) is currently working towards implementing a plan that will satisfy all of the State's requirements. This plan will develop a path for the City's compliance with current and upcoming legislation including, but not limited to, Assembly Bill (AB) 341 (mandatory commercial and multi-family recycling and sets a statewide 70 percent diversion target), AB 2176 (large venue and special event recycling), AB 1826 (commercial organics recycling), and SB 1383 (short-lived climate pollutants: organics methane emissions reductions).

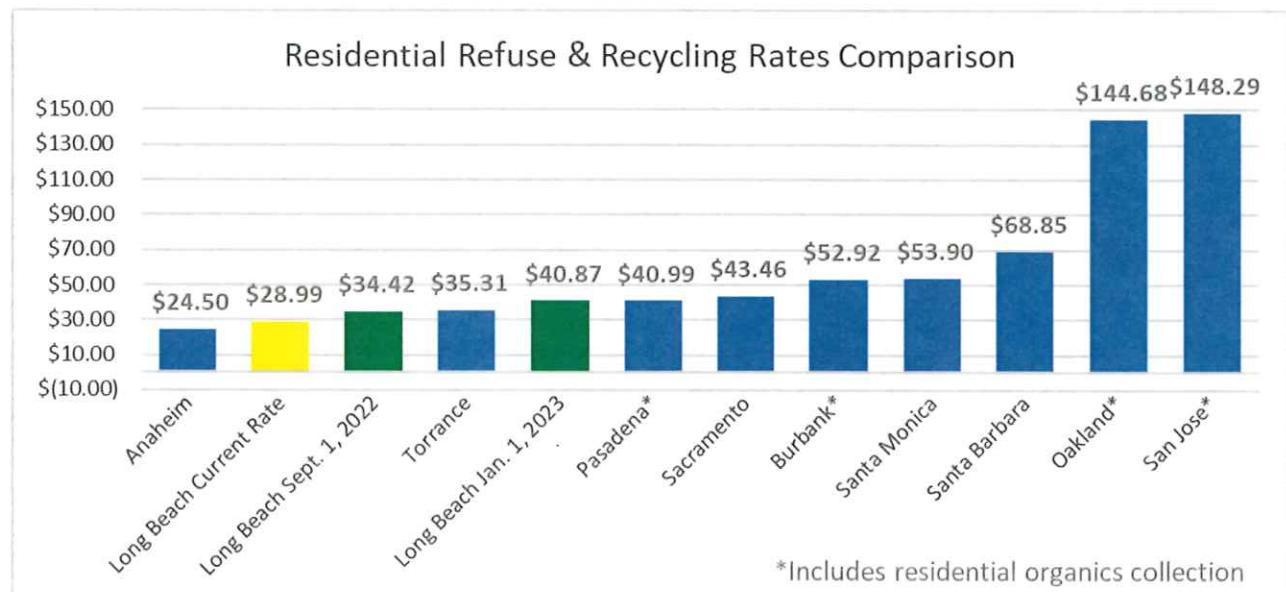
In April 2021, Public Works retained Hilton, Farnkopf, and Hobson Consultants, LLC (HF&H), to conduct a comprehensive Cost of Service Study (Study) for refuse, recycling and commercial organics collection services (Attachment A). The objective of the Study was to develop recommendations for an updated rate structure that reflect current costs of service, and include costs for administering programs to meet requirements, ensure compliance of State mandated programs, and reflect commercial organics collection scheduled to be implemented in the first quarter of 2023.

The Study concluded that rate increases for solid waste services are necessary for several reasons including: (1) solid waste collection costs have increased; (2) the City's rates have not generated sufficient revenue to cover the costs for service; (3) compliance with and implementation of new State-mandated (SB 1383) diversion programs require additional funding. The Study was issued and made available for review on July 8, 2022, on the LB Recycles website (www.longbeach.gov/lbrecycles).

The updated rate structure is designed for each rate class to ensure customers are paying their proportionate share of costs. The proposed rate adjustment is recommended for implementation in two steps with the first adjustment taking effect on September 1, 2022, and will increase the typical single family home customer's account by \$5.43 per month. The proposed second rate adjustment will go into effect on January 1, 2023, adding \$6.45 per month.

Public Works intends to perform another Study to determine the necessary rate increases for FY 24 to account for unanticipated commercial organic program costs and new residential organics program costs.

These proposed solid waste and recycling rates are used solely for the purpose of defraying costs incurred in providing efficient services and to ensure continued compliance with State law. Long Beach rates will still be lower than many Los Angeles County cities' current rates after the proposed rates go into effect (see chart below).



Since the rates are based on actual cost of service, not all residential and commercial rates will be adjusted equally. Further, commercial accounts will see their rates increase at a higher rate than residential accounts due to the implementation of commercial organics collection. The following charts summarize the rates subject to this majority protest process.

HONORABLE MAYOR AND CITY COUNCIL

August 23, 2022

Page 3

Cart Rates:

Solid Waste & Recycling	Current Rates	Proposed Rates 9/1/2022	Proposed Rates 1/1/2023
64 gallon carts	\$ 24.47	\$ 29.06	\$ 34.51
96 gallon carts	\$ 28.99	\$ 34.42	\$ 40.87

Bin Rates:

CURRENT RATES		Container Size		
Collection Frequency	2-yard	3-yard	4-yard	
1x week	\$ 110.82	\$ 142.09	\$ 222.64	
2x week	\$ 204.97	\$ 299.19	\$ 410.97	
3x week	\$ 299.19	\$ 393.36	\$ 599.40	
4x week	\$ 393.36	\$ 725.22	\$ 787.73	
5x week	\$ 487.53	\$ 837.64	\$ 976.06	
6x week	\$ 725.22	\$ 1,007.76	\$ 1,451.54	

PROPOSED 9/1/2022		Container Size		
Collection Frequency	2-yard	3-yard	4-yard	
1x week	\$ 142.84	\$ 183.26	\$ 287.37	
2x week	\$ 264.53	\$ 386.31	\$ 530.79	
3x week	\$ 386.31	\$ 508.02	\$ 774.34	
4x week	\$ 508.02	\$ 936.95	\$ 1,017.75	
5x week	\$ 629.73	\$ 1,082.26	\$ 1,261.17	
6x week	\$ 936.95	\$ 1,302.13	\$ 1,875.60	

PROPOSED 1/1/2023		Container Size		
Collection Frequency	2-yard	3-yard	4-yard	
1x week	\$ 199.18	\$ 255.82	\$ 401.73	
2x week	\$ 369.73	\$ 540.39	\$ 742.85	
3x week	\$ 540.39	\$ 710.95	\$ 1,084.16	
4x week	\$ 710.95	\$ 1,312.05	\$ 1,425.29	
5x week	\$ 881.52	\$ 1,515.69	\$ 1,766.41	
6x week	\$ 1,312.05	\$ 1,823.82	\$ 2,627.48	

Proposition 218 Requirements

The substantive provisions of Article XIII D appear in section 6, subdivisions (b)(1)–(5), which require a property-related fee to satisfy these standards:

1. Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service;
2. Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee is imposed;
3. The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel;
4. The fee or charge may not be imposed for a service unless the service is actually used by, or immediately available to, the owner of the property subject to the fee or charge; fees or charges based on potential or future use of a service are not

permitted, and stand-by charges must be classified as assessments subject to the ballot protest and proportionality requirements for assessments; and,

5. No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.

Procedurally, Proposition 218 requires that notices of a proposed rate increase be mailed to all property owners in the affected area, and that a public hearing be held not less than 45 days after the mailing. On July 8, 2022, City staff mailed 118,450 notices of the proposed rate increase to all property owners and refuse customers in Long Beach. The notices informed customers of the proposed increases and of their opportunity to submit a written protest. The protest period will close at the public hearing. Absent a majority protest (i.e., 50 percent + 1, or 59,226 protests), the City Council may approve the final adoption of the proposed rates at this hearing. The first rate increase would become effective on September 1, 2022.

City staff recommends that the City Council holds a public hearing, hears all public comments on the proposed rate increases, considers all written material and written protest concerning the establishment and imposition of the proposed rate increases, tabulates the protests received, and if no majority protest exists, adopt the attached Resolution, to revise refuse and recycling rates as proposed.

This matter was reviewed by Deputy City Attorney Vanessa Ibarra on August 4, 2022 and by Budget Management Officer Nader Kaamoush on August 9, 2022.

TIMING CONSIDERATIONS

City Council action is requested on August 23, 2022, to implement the refuse and recycling rate changes effective September 1, 2022.

FISCAL IMPACT

The rate increases are proposed to take effect in a two-step adjustment with the first effective September 1, 2022, which will increase the typical (96-gallon cart) single family home customer's account by \$5.43 per month, or 18.7 percent. The second adjustment will go into effect on January 1, 2023, adding \$6.45 per month, or 18.7 percent. It is estimated that adjusting rates, for both residential and commercial accounts, will allow for expected purchases of vehicles and equipment for the State mandated residential organics collection program. Since 2012, due to increased operational costs, the Refuse/Recycling Fund Group balance has decreased by over \$15 million. Without a rate increase, it is estimated that the Refuse/Recycling Fund Group will be exhausted by the middle of FY 23. The proposed rate increases will generate an estimated surplus in the Refuse/Recycling Fund Group of \$3.8 million in FY 23 and \$6.7 million in FY 24. This additional revenue is necessary to purchase equipment required to implement State mandated programs. This recommendation has no staffing impact beyond the normal

HONORABLE MAYOR AND CITY COUNCIL

August 23, 2022

Page 5

budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ERIC LOPEZ
DIRECTOR OF PUBLIC WORKS

ATTACHMENTS: RESOLUTION
A – COST OF SERVICE AND RATE STUDY

APPROVED:



THOMAS B. MODICA
CITY MANAGER

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH ESTABLISHING SOLID WASTE
SERVICE RATES

WHEREAS, the City of Long Beach's ("City's") Department of Public Works engaged HF&H Consultants, LLC (HF&H) to conduct a comprehensive Cost of Service and Rate Structure Study (the "Study") for solid waste collection services; and

WHEREAS, the City requested HF&H to prepare an analysis of the current solid waste rates, rate structure, and operating costs, and evaluate if, and to what extent, a rate increase may be necessary to cover the City's operational costs of its solid waste enterprise; and

WHEREAS, the Study concluded that rate increases for solid waste services (collectively herein, the "Charges") are necessary for several reasons: 1) in recent years, the City's rates have not generated revenues sufficient to cover costs, resulting in drawing down reserves, 2) the cost of collection of solid waste has increased, and 3) additional costs to comply with new State-mandated diversion programs such as regulations implementing Senate Bill 1383 (Chapter 395, Statutes of 2016) requiring the collection of organic materials; and

WHEREAS, the Study proposes a two-step rate increase, with the first increase taking effect on September 1, 2022, and the second increase taking effect on January 1, 2023; and

WHEREAS, pursuant to Article XIII D, section 6 of the California Constitution, the City provided written notice by mail of the new or increased Charges to the record owner of each parcel upon which the Charges are proposed for imposition not less than 45 days prior to the public hearing on the proposed rate increases; and

WHEREAS, the City Council of the City of Long Beach held a public hearing

1 on August 23, 2022 to consider all protests against the proposed rate increases; and

2 WHEREAS, at the public hearing the City Council heard all oral testimony,
3 and considered all written materials and written protests concerning the establishment and
4 imposition of the proposed rate increases to the Charges; and

5 WHEREAS, the total number of written protests presented by the close of the
6 public hearing was less than a majority of the total number of property owners or property
7 upon which the Charges are proposed for imposition or any tenants directly liable for the
8 payment of the Charges; and

9 WHEREAS, the City Council now desires to establish and impose the
10 proposed Charges

11 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
12 follows:

13 Section 1. The above recitals are all true and correct and are incorporated
14 herein.

15 Section 2. The City Council hereby adopts the Charges for solid waste
16 collection services at the maximum rates, and on the effective dates, as set forth in Exhibit
17 "A" attached hereto and incorporated herein by this reference.

18 Section 3. To the extent any Charges established by this Resolution are
19 inconsistent with any Charges previously adopted by the City Council, it is the explicit
20 intention of the City Council that the Charges adopted pursuant to this Resolution shall
21 prevail.

22 Section 4. This resolution shall take effect immediately upon its adoption
23 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

24 ///

25 ///

26 ///

27 ///

28 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I hereby certify that the foregoing resolution was adopted by the City Council
of the City of Long Beach at its meeting of August 23, 2022 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

Recusal(s): Councilmembers: _____

City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Loma Beach, CA 90802-4664

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT "A"

PROPOSED SOLID WASTE SERVICE RATES

RESIDENTIAL REFUSE AND RECYCLING RATES ¹	
Dwelling Type	Current Total 30-Day Bill
Single Family	\$ 28.99
Duplex	\$ 26.73
Apartments (1-10 Units)	\$ 24.47
Apartments (11+ Units)	\$ 24.47

FISCAL YEAR 2022 SEPTEMBER 1, 2022	
Total	
\$ 34.42	
\$ 31.74	
\$ 29.06	
\$ 29.06	

FISCAL YEAR 2023 JANUARY 1, 2023	
Total	
\$ 40.87	
\$ 37.69	
\$ 34.52	
\$ 34.52	

Automated Cart Collection	Current Total 30-Day Bill
32 Gallon	\$ 10.22
64 Gallon	\$ 20.44
64 Gallon with Recycling	\$ 24.47
64 Gallon with additional 100 Gallon	\$ 12.56
100 Gallon	\$ 24.96
100 Gallon with Recycling	\$ 28.99
250 Gallon	\$ 93.32
250 Gallon with Recycling	\$ 97.35
300 Gallon	\$ 101.41

Total	
\$ 12.13	
\$ 24.25	
\$ 29.06	
\$ 14.90	
\$ 29.61	
\$ 34.42	
\$ 110.71	
\$ 115.52	
\$ 120.31	

Total	
\$ 14.38	
\$ 28.77	
\$ 34.51	
\$ 17.67	
\$ 35.12	
\$ 40.87	
\$ 131.34	
\$ 137.08	
\$ 142.72	

EXEMPT UTILITY USER'S TAX RATES ¹	
Automated Cart Collection	Current Total 30-Day Bill
32 Gallon	\$ 6.71
64 Gallon	\$ 13.41
64 Gallon with Recycling	\$ 16.69
100 Gallon	\$ 16.43
100 Gallon with Recycling	\$ 19.70

FISCAL YEAR 2022 SEPTEMBER 1, 2022	
Total	
\$ 7.95	
\$ 15.91	
\$ 19.82	
\$ 19.48	
\$ 23.39	

FISCAL YEAR 2023 JANUARY 1, 2023	
Total	
\$ 9.44	
\$ 18.88	
\$ 23.55	
\$ 23.12	
\$ 27.79	

¹ FY 22 includes administrative costs related to organics program implementation. Excludes costs associated with collection of organics material.

PROPOSED SOLID WASTE SERVICE RATES

COMMERCIAL REFUSE, RECYCLING AND ORGANICS RATES ²		FISCAL YEAR 2022 SEPTEMBER 1, 2022	FISCAL YEAR 2023 JANUARY 1, 2023
Manual - 50 Gallon Cans	Current Total 30-Day Bill	Total	Total
1-2 Cans per Week	\$ 31.60	\$ 40.44	\$ 55.68
3-7 Cans per Week	\$ 73.30	\$ 94.35	\$ 131.23
6-10 Cans per Week	\$ 142.08	\$ 183.24	\$ 255.80
11-15 Cans per Week	\$ 211.05	\$ 272.39	\$ 380.74
16-20 Cans per Week	\$ 279.87	\$ 361.33	\$ 505.37
21-30 Cans per Week	\$ 468.11	\$ 604.63	\$ 846.34
31-40 Cans per Week	\$ 656.18	\$ 847.71	\$ 1,186.99
41-50 Cans per Week	\$ 844.31	\$ 1,090.87	\$ 1,527.76
51-60 Cans per Week	\$ 1,032.39	\$ 1,333.96	\$ 1,868.43
61-70 Cans per Week	\$ 1,220.36	\$ 1,576.91	\$ 2,208.90
71-80 Cans per Week	\$ 1,408.59	\$ 1,820.20	\$ 2,549.84
81-90 Cans per Week	\$ 1,596.77	\$ 2,063.42	\$ 2,890.69
91-100 Cans per Week	\$ 1,784.84	\$ 2,306.50	\$ 3,231.34
101-125 Cans per Week	\$ 2,255.26	\$ 2,914.53	\$ 4,083.43
126-150 Cans per Week	\$ 2,725.43	\$ 3,522.22	\$ 4,935.05
151-175 Cans per Week	\$ 3,195.49	\$ 4,129.77	\$ 5,786.46
176-200 Cans per Week	\$ 3,666.01	\$ 4,737.91	\$ 6,638.72
201-225 Cans per Week	\$ 4,136.32	\$ 5,345.80	\$ 7,490.61
226-250 Cans per Week	\$ 4,606.49	\$ 5,953.49	\$ 8,342.23
251-275 Cans per Week	\$ 5,079.85	\$ 6,565.31	\$ 9,199.63
276-300 Cans per Week	\$ 5,547.07	\$ 7,169.18	\$ 10,045.90
301-325 Cans per Week	\$ 6,017.24	\$ 7,776.88	\$ 10,897.53
326-350 Cans per Week	\$ 6,487.55	\$ 8,384.76	\$ 11,749.41
351-375 Cans per Week	\$ 6,957.87	\$ 8,992.64	\$ 12,601.30
376-400 Cans per Week	\$ 7,428.29	\$ 9,600.66	\$ 13,453.38

² FY 22 includes administrative costs related to organics program implementation. FY 23 includes administrative costs and collection of organics material costs.

PROPOSED SOLID WASTE SERVICE RATES

COMMERCIAL REFUSE, RECYCLING AND ORGANICS RATES ²		FISCAL YEAR 2022 SEPTEMBER 1, 2022	FISCAL YEAR 2023 JANUARY 1, 2023
Bin Service	Current Total 30-Day Bill	Total	Total
2 yd Bin 1 Time per Week	\$ 110.82	\$ 142.84	\$ 199.18
2 yd Bin 2 Times per Week	\$ 204.97	\$ 264.53	\$ 369.73
2 yd Bin 3 Times per Week	\$ 299.19	\$ 386.31	\$ 540.39
2 yd Bin 4 Times per Week	\$ 393.36	\$ 508.02	\$ 710.95
2 yd Bin 5 Times per Week	\$ 487.53	\$ 629.73	\$ 881.52
2 yd Bin 6 Times per Week	\$ 725.22	\$ 936.95	\$ 1,312.05
2 yd Bin 7 Times per Week	\$ 819.38	\$ 1,058.65	\$ 1,482.60
2 yd Bin 8 Times per Week	\$ 913.59	\$ 1,180.42	\$ 1,653.25
2 yd Bin 9 Times per Week	\$ 1,007.76	\$ 1,302.13	\$ 1,823.82
2 yd Bin 10 Times per Week	\$ 1,101.92	\$ 1,423.84	\$ 1,994.37
2 yd Bin 11 Times per Week	\$ 1,352.34	\$ 1,747.50	\$ 2,447.96
2 yd Bin 12 Times per Week	\$ 1,446.50	\$ 1,869.20	\$ 2,618.51
2 yd Bin 13 Times per Week	\$ 1,540.66	\$ 1,990.91	\$ 2,789.07
2 yd Bin 14 Times per Week	\$ 1,634.88	\$ 2,112.69	\$ 2,959.73
2 yd Bin 15 Times per Week	\$ 1,729.04	\$ 2,234.39	\$ 3,130.29
2 yd Bin 16 Times per Week	\$ 1,979.36	\$ 2,557.92	\$ 3,583.68
2 yd Bin 17 Times per Week	\$ 2,073.52	\$ 2,679.63	\$ 3,754.24
2 yd Bin 18 Times per Week	\$ 2,167.69	\$ 2,801.34	\$ 3,924.81
2 yd Bin 19 Times per Week	\$ 2,261.90	\$ 2,923.11	\$ 4,095.46
2 yd Bin 20 Times per Week	\$ 2,356.06	\$ 3,044.82	\$ 4,266.02
2 yd Bin 21 Times per Week	\$ 2,606.38	\$ 3,368.35	\$ 4,719.41
2 yd Bin 22 Times per Week	\$ 2,700.54	\$ 3,490.05	\$ 4,889.97
2 yd Bin 23 Times per Week	\$ 2,794.71	\$ 3,611.76	\$ 5,060.54
2 yd Bin 24 Times per Week	\$ 2,888.87	\$ 3,733.47	\$ 5,231.09
2 yd Bin 25 Times per Week	\$ 2,983.08	\$ 3,855.24	\$ 5,401.74
2 yd Bin 26 Times per Week	\$ 3,233.35	\$ 4,178.71	\$ 5,855.05
2 yd Bin 27 Times per Week	\$ 3,327.56	\$ 4,300.48	\$ 6,025.70
2 yd Bin 28 Times per Week	\$ 3,421.73	\$ 4,422.19	\$ 6,196.27
2 yd Bin 29 Times per Week	\$ 3,515.89	\$ 4,543.89	\$ 6,366.82
2 yd Bin 30 Times per Week	\$ 3,610.11	\$ 4,665.67	\$ 6,537.48
2 yd Bin 31 Times per Week	\$ 3,860.47	\$ 4,989.26	\$ 6,990.96
2 yd Bin 32 Times per Week	\$ 3,985.04	\$ 5,150.27	\$ 7,216.59
2 yd Bin 33 Times per Week	\$ 4,109.60	\$ 5,311.26	\$ 7,442.21
2 yd Bin 34 Times per Week	\$ 4,234.16	\$ 5,472.26	\$ 7,667.83
2 yd Bin 35 Times per Week	\$ 4,358.73	\$ 5,633.26	\$ 7,893.46
2 yd Bin 36 Times per Week	\$ 4,483.29	\$ 5,794.26	\$ 8,119.09
2 yd Bin 37 Times per Week	\$ 4,607.86	\$ 5,955.26	\$ 8,344.71
2 yd Bin 38 Times per Week	\$ 4,732.42	\$ 6,116.26	\$ 8,570.34
2 yd Bin 39 Times per Week	\$ 4,856.98	\$ 6,277.25	\$ 8,795.95
2 yd Bin 40 Times per Week	\$ 4,981.55	\$ 6,438.26	\$ 9,021.59

² FY 22 includes administrative costs related to organics program implementation. FY 23 includes administrative costs and collection of organics material costs.

PROPOSED SOLID WASTE SERVICE RATES

COMMERCIAL REFUSE, RECYCLING AND ORGANICS RATES ²		FISCAL YEAR 2022 SEPTEMBER 1, 2022	FISCAL YEAR 2023 JANUARY 1, 2023
Bin Service	Current Total 30-Day Bill	Total	Total
3 yd Bin 1 Time per Week	\$ 142.09	\$ 183.26	\$ 255.82
3 yd Bin 2 Times per Week	\$ 299.19	\$ 386.31	\$ 540.39
3 yd Bin 3 Times per Week	\$ 393.36	\$ 508.02	\$ 710.95
3 yd Bin 4 Times per Week	\$ 725.22	\$ 936.95	\$ 1,312.05
3 yd Bin 5 Times per Week	\$ 837.64	\$ 1,082.26	\$ 1,515.69
3 yd Bin 6 Times per Week	\$ 1,007.76	\$ 1,302.13	\$ 1,823.82
3 yd Bin 7 Times per Week	\$ 1,210.71	\$ 1,564.44	\$ 2,191.42
3 yd Bin 8 Times per Week	\$ 1,528.47	\$ 1,975.15	\$ 2,766.99
3 yd Bin 9 Times per Week	\$ 1,715.35	\$ 2,216.70	\$ 3,105.49
3 yd Bin 10 Times per Week	\$ 1,963.68	\$ 2,537.66	\$ 3,555.29
3 yd Bin 11 Times per Week	\$ 2,029.02	\$ 2,622.11	\$ 3,673.64
3 yd Bin 12 Times per Week	\$ 2,170.26	\$ 2,804.66	\$ 3,929.47
3 yd Bin 13 Times per Week	\$ 2,311.51	\$ 2,987.23	\$ 4,185.31
3 yd Bin 14 Times per Week	\$ 2,452.83	\$ 3,169.89	\$ 4,441.29
3 yd Bin 15 Times per Week	\$ 2,594.07	\$ 3,352.44	\$ 4,697.12
3 yd Bin 16 Times per Week	\$ 2,969.54	\$ 3,837.74	\$ 5,377.22
3 yd Bin 17 Times per Week	\$ 3,110.79	\$ 4,020.30	\$ 5,633.05
3 yd Bin 18 Times per Week	\$ 3,252.04	\$ 4,202.87	\$ 5,888.91
3 yd Bin 19 Times per Week	\$ 3,393.36	\$ 4,385.53	\$ 6,144.89
3 yd Bin 20 Times per Week	\$ 3,534.61	\$ 4,568.08	\$ 6,400.72
3 yd Bin 21 Times per Week	\$ 3,910.08	\$ 5,053.38	\$ 7,080.82
3 yd Bin 22 Times per Week	\$ 4,051.32	\$ 5,235.94	\$ 7,336.65
3 yd Bin 23 Times per Week	\$ 4,192.57	\$ 5,418.50	\$ 7,592.50
3 yd Bin 24 Times per Week	\$ 4,333.81	\$ 5,601.06	\$ 7,848.33
3 yd Bin 25 Times per Week	\$ 4,475.14	\$ 5,783.72	\$ 8,104.32
3 yd Bin 26 Times per Week	\$ 4,850.53	\$ 6,268.92	\$ 8,784.27
3 yd Bin 27 Times per Week	\$ 4,991.85	\$ 6,451.57	\$ 9,040.25
3 yd Bin 28 Times per Week	\$ 5,133.10	\$ 6,634.14	\$ 9,296.09
3 yd Bin 29 Times per Week	\$ 5,274.35	\$ 6,816.70	\$ 9,551.93
3 yd Bin 30 Times per Week	\$ 5,415.67	\$ 6,999.36	\$ 9,807.91
3 yd Bin 31 Times per Week	\$ 5,791.22	\$ 7,484.76	\$ 10,488.15
3 yd Bin 32 Times per Week	\$ 5,978.07	\$ 7,726.26	\$ 10,826.59
3 yd Bin 33 Times per Week	\$ 6,164.91	\$ 7,967.75	\$ 11,165.02
3 yd Bin 34 Times per Week	\$ 6,351.76	\$ 8,209.25	\$ 11,503.46
3 yd Bin 35 Times per Week	\$ 6,538.60	\$ 8,450.75	\$ 11,841.89
3 yd Bin 36 Times per Week	\$ 6,725.45	\$ 8,692.25	\$ 12,180.33
3 yd Bin 37 Times per Week	\$ 6,912.30	\$ 8,933.75	\$ 12,518.77
3 yd Bin 38 Times per Week	\$ 7,099.14	\$ 9,175.24	\$ 12,857.19
3 yd Bin 39 Times per Week	\$ 7,285.99	\$ 9,416.75	\$ 13,195.64
3 yd Bin 40 Times per Week	\$ 7,472.84	\$ 9,658.25	\$ 13,534.08

² FY 22 includes administrative costs related to organics program implementation. FY 23 includes administrative costs and collection of organics material costs.

PROPOSED SOLID WASTE SERVICE RATES

COMMERCIAL REFUSE, RECYCLING AND ORGANICS RATES ²		FISCAL YEAR 2022 SEPTEMBER 1, 2022	FISCAL YEAR 2023 JANUARY 1, 2023
Bin Service	Current Total 30-Day Bill	Total	Total
4 yd Bin 1 Time per Week	\$ 222.64	\$ 287.37	\$ 401.73
4 yd Bin 2 Times per Week	\$ 410.97	\$ 530.79	\$ 742.85
4 yd Bin 3 Times per Week	\$ 599.40	\$ 774.34	\$ 1,084.16
4 yd Bin 4 Times per Week	\$ 787.73	\$ 1,017.75	\$ 1,425.29
4 yd Bin 5 Times per Week	\$ 976.06	\$ 1,261.17	\$ 1,766.41
4 yd Bin 6 Times per Week	\$ 1,451.45	\$ 1,875.60	\$ 2,627.48
4 yd Bin 7 Times per Week	\$ 1,639.78	\$ 2,119.02	\$ 2,968.60
4 yd Bin 8 Times per Week	\$ 1,828.21	\$ 2,362.56	\$ 3,309.91
4 yd Bin 9 Times per Week	\$ 2,016.53	\$ 2,605.98	\$ 3,651.03
4 yd Bin 10 Times per Week	\$ 2,204.87	\$ 2,849.40	\$ 3,992.15
4 yd Bin 11 Times per Week	\$ 2,705.70	\$ 3,496.72	\$ 4,899.31
4 yd Bin 12 Times per Week	\$ 2,894.02	\$ 3,740.13	\$ 5,240.42
4 yd Bin 13 Times per Week	\$ 3,082.35	\$ 3,983.55	\$ 5,581.55
4 yd Bin 14 Times per Week	\$ 3,270.78	\$ 4,227.09	\$ 5,922.86
4 yd Bin 15 Times per Week	\$ 3,459.11	\$ 4,470.51	\$ 6,263.98
4 yd Bin 16 Times per Week	\$ 3,959.74	\$ 5,117.57	\$ 7,170.77
4 yd Bin 17 Times per Week	\$ 4,148.06	\$ 5,360.98	\$ 7,511.88
4 yd Bin 18 Times per Week	\$ 4,336.39	\$ 5,604.39	\$ 7,853.01
4 yd Bin 19 Times per Week	\$ 4,524.83	\$ 5,847.94	\$ 8,194.32
4 yd Bin 20 Times per Week	\$ 4,713.15	\$ 6,091.35	\$ 8,535.43
4 yd Bin 21 Times per Week	\$ 5,213.78	\$ 6,738.41	\$ 9,442.22
4 yd Bin 22 Times per Week	\$ 5,402.10	\$ 6,981.83	\$ 9,783.34
4 yd Bin 23 Times per Week	\$ 5,590.44	\$ 7,225.24	\$ 10,124.47
4 yd Bin 24 Times per Week	\$ 5,778.76	\$ 7,468.65	\$ 10,465.58
4 yd Bin 25 Times per Week	\$ 5,967.19	\$ 7,712.20	\$ 10,806.89
4 yd Bin 26 Times per Week	\$ 6,467.72	\$ 8,359.14	\$ 11,713.50
4 yd Bin 27 Times per Week	\$ 6,656.14	\$ 8,602.67	\$ 12,054.79
4 yd Bin 28 Times per Week	\$ 6,844.48	\$ 8,846.09	\$ 12,395.93
4 yd Bin 29 Times per Week	\$ 7,032.80	\$ 9,089.50	\$ 12,737.04
4 yd Bin 30 Times per Week	\$ 7,221.23	\$ 9,333.05	\$ 13,078.34
4 yd Bin 31 Times per Week	\$ 7,721.97	\$ 9,980.25	\$ 13,985.33
4 yd Bin 32 Times per Week	\$ 7,971.09	\$ 10,302.24	\$ 14,436.57
4 yd Bin 33 Times per Week	\$ 8,220.22	\$ 10,624.25	\$ 14,887.83
4 yd Bin 34 Times per Week	\$ 8,469.35	\$ 10,946.24	\$ 15,339.07
4 yd Bin 35 Times per Week	\$ 8,718.48	\$ 11,268.24	\$ 15,790.32
4 yd Bin 36 Times per Week	\$ 8,967.61	\$ 11,590.24	\$ 16,241.57
4 yd Bin 37 Times per Week	\$ 9,216.74	\$ 11,912.24	\$ 16,692.82
4 yd Bin 38 Times per Week	\$ 9,465.87	\$ 12,234.24	\$ 17,144.07
4 yd Bin 39 Times per Week	\$ 9,714.99	\$ 12,556.24	\$ 17,595.32
4 yd Bin 40 Times per Week	\$ 9,964.13	\$ 12,878.24	\$ 18,046.58

² FY 22 includes administrative costs related to organics program implementation. FY 23 includes administrative costs and collection of organics material costs.

RESIDENTIAL REFUSE AND RECYCLING RATES¹

Description	Current Fee	Fiscal Year 2022 September 1, 2022	Fiscal Year 2023 January 1, 2023
Deposit for New Service - Residential	\$ 28.99	\$ 34.35	\$ 40.72
Deposit for New Service - Commercial Rate 5	\$ 28.99	\$ 37.39	\$ 48.24
Deposit for New Service - Commercial Manuals: Rate 6-29	\$ 73.31	\$ 94.56	\$ 121.99
Deposit for New Service - Commercial 2 Yd: Rate 201-240	\$ 110.82	\$ 142.84	\$ 189.89
Deposit for New Service - Commercial 3 Yd: Rate 301-340	\$ 142.09	\$ 183.29	\$ 243.81
Deposit for New Service - Commercial 4 Yd: Rate 401-440	\$ 222.64	\$ 287.37	\$ 382.72
Special Pickup - Bags/Bundles/Boxes 1-10	\$ 19.37	\$ 19.37	\$ 19.37
Special Pickup - Bags/Bundles/Boxes 11-25	\$ 24.21	\$ 24.21	\$ 24.21
Special Pickup - 1 Bulky Item	\$ 7.65	\$ 7.65	\$ 7.65
Tire Collection - per tire	\$ 4.81	\$ 4.81	\$ 4.81
Special Collection - 2 yd bin	\$ 39.60	\$ 39.60	\$ 39.60
Special Collection - 3 yd bin	\$ 46.11	\$ 46.11	\$ 46.11
Special Collection - 4 yd bin	\$ 52.61	\$ 52.61	\$ 52.61
Special Collection - 100 gal cart	\$ 15.12	\$ 15.12	\$ 15.12
Special Collection - 64 gal cart	\$ 14.18	\$ 14.18	\$ 14.18
Special Collection - 32 gal cart	\$ 13.35	\$ 13.35	\$ 13.35
Special Collection - 300 gal cart	\$ 23.87	\$ 23.87	\$ 23.87
Bin/Barrel/Cart Rollout	\$ 10.05	\$ 10.05	\$ 10.05
Automated Cart/Bin Exchange	\$ 42.53	\$ 42.53	\$ 42.53
Late Setout/Locked Gate	\$ 17.01	\$ 17.01	\$ 17.01
Bin Rental - 2 yd bin	\$ 25.00	\$ 25.00	\$ 25.00
Bin Rental - 3 yd bin	\$ 35.00	\$ 35.00	\$ 35.00
Bin Rental - 4 yd bin	\$ 35.00	\$ 35.00	\$ 35.00
Bin Lock/Service Fee (per service)	\$ 5.67	\$ 5.67	\$ 5.67
Excess Refuse/Special Collection	\$ 110.00	\$ 110.00	\$ 110.00
Account Reinspection and debris overflow cleanup/Providing sufficient service to minimize overflow(charged when determined to be responsibility of account holder)	\$ 55.00 per hour plus actual costs incurred for disposal	\$ 55.00 per hour plus actual costs incurred for disposal	\$ 55.00 per hour plus actual costs incurred for disposal
Account Reinspection and dumped item removal (charged when determined to be responsibility of account holder)	\$ 55.00 per hour plus actual costs incurred for disposal	\$ 55.00 per hour plus actual costs incurred for disposal	\$ 55.00 per hour plus actual costs incurred for disposal



201 N. Civic Drive, Suite 230
Walnut Creek, California 94596
Telephone: 925/977-6950
www.hfh-consultants.com

Robert D. Hilton, Emeritus
John W. Farnkopf, PE
Laith B. Ezzet, CMC
Richard J. Simonson, CMC
Marva M. Sheehan, CPA
Robert C. Hilton, CMC

July 8, 2022

Mr. Diko Melkonian
Manager/Deputy Director
Environmental Services Bureau
City of Long Beach
2929 E. Willow Street
Long Beach CA 90806

Subject: Environmental Services Bureau Cost of Service and Rate Study

Dear Mr. Melkonian:

HF&H Consultants, LLC (HF&H) is pleased to submit this report to the City of Long Beach's Public Works Environmental Services Bureau (City). The report includes 1) the determination of how much projected revenue is needed from rates during fiscal year October 1, 2021- September 30, 2022 (FY 22) and fiscal year October 1, 2022 – September 30, 2023 (FY 23) (the period prior to implementation of an organics program for all customers, as further explained below); 2) the impact on the estimated operating surplus/shortfall for the City's solid waste system if rates are not increased; and, 3) recommended rate increases to cover costs for services currently provided, the expansion of commercial organics waste collection, and meet the City's reserve fund balance goals.

BACKGROUND

The City provides solid waste services to single-family residents and small multi-family complexes located within the City's limits. The City is also the exclusive provider of solid waste collection services to smaller businesses (less than 3,000 gallons/week of service) and smaller multi-family complexes (less than 1,000 gallons/week, typically about 10 dwelling units). The City competes with permitted private haulers to provide solid waste hauling services to larger multi-family and commercial accounts. The City's recycling contractor, Waste Management, provides recycling services to all City-serviced solid waste accounts. The City services approximately 121,000 containers on a weekly basis. See **Figure 1** for detail of containers in service.

Mr. Diko Melkonian
 July 8, 2022
 Page 2 of 11

Figure 1:
Total Containers in Service

Customer Class	Current Containers in Service
64-Gallon Solid Waste Carts	38,677
100-Gallon Solid Waste Carts	76,305
Total Carts	114,982
Commercial Solid Waste Bin - 2 YD	5,893
Commercial Solid Waste Bin - 3 YD	454
Commercial Solid Waste Bin - 4 YD	15
Total Bins	6,362
Total Containers in Service	121,344

To determine whether additional rate revenue is required for the forthcoming rate year, projected operating and capital expenses are compared with projected revenue from current rates. Rates are then proposed to be adjusted as necessary so that the expenses are covered and reserve goals are reached. The report reflects input from the City staff in refining the rates. The resulting rate increases are necessary for several reasons: (1) in recent years, the City's rates have not generated revenues sufficient to cover costs, resulting in drawing down reserves; (2) the cost of collection of solid waste has increased; and, (3) additional costs to comply with new State-mandated diversion programs (e.g., SB 1383, which requires collection of organic materials separate from solid waste).

The City requested HF&H prepare an analysis of the current solid waste rates, rate structure, and operating costs, and evaluate if, and to what extent, a rate increase may be necessary to cover the City's operational costs of its solid waste enterprise.

City goals contemplated in the analysis include the City's goal to establish an Operating Reserve fund balance equal to four months of solid waste related expenditures. The Operating Reserve will assist in mitigating future shortfalls, unexpected, but necessary, expenditures, and to assist in addressing anticipated, but unquantifiable, future costs, such as those related to Senate Bill 1383 compliance.

Senate Bill 1383 Consideration

Regulations implementing Senate Bill 1383 (SB 1383 Regulations), which took effect January 1, 2022, require local jurisdictions to divert organics from landfills. The SB 1383 Regulations have a pervasive impact and will result in the City incurring additional costs for items such as, but not limited to, collection and related equipment, processing, reporting, administrative functions for monitoring compliance, procurement, and public education. The City has submitted a Notice of Intent to Comply, in line with Senate Bill 619, to CalRecycle, with the expectation of Senate Bill 1383 (SB 1383) compliance by December 31, 2023.

Mr. Diko Melkonian
July 8, 2022
Page 3 of 11

The City intends to implement a commercial organics collection program in FY 23 and a residential organics collection program by December 31, 2023. This study considers anticipated operational costs of the commercial organics program, the administrative costs of the commercial and residential organics programs, and the purchase of an estimated 50% of the organic carts that will be needed upon the residential organics program roll-out. Further description on the SB 1383 related costs included can be found in the **"New Costs - SB 1383"** section of this report. The full extent of the cost impact of the residential organics program is unknown and cannot be reasonably estimated at the time of this report. Due to the level of uncertainty surrounding future residential organics related costs, such as processing, collection, reporting, and related administrative costs, proposed rate increases included in the report are limited to the next two fiscal years. Another cost-of-service study will be performed to re-set the commercial and residential rates, inclusive of organics programs.

Proposition 218

To increase rates for these services, the City intends to comply with Article XIID, Section 6 of the California Constitution, which was enacted by Proposition 218 in 1996. This Section requires that (1) revenues derived from fees or charges for property-related service not exceed the cost to provide service; (2) revenues derived from fees or charges not be used for any purpose other than that for which it was imposed; (3) the amount of a fee or charge upon an account not exceed the proportional cost of the service attributable to the parcel; (4) no fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property; and, (5) no fee or charge may be imposed for general governmental services.

The recommended rates from the conduct of our cost-of-service study satisfies the requirements of Proposition 218, as stated above, as follows:

1. Proposed rates were calculated based on separately-tracked and projected costs incurred to operate the solid waste services provided by the City's Environmental Services Bureau.
2. Revenue derived from the proposed rates are kept within the Environmental Services Bureau to cover their costs. No revenue is transferred out to other City departments.
3. To ensure the proposed rates for each customer class do not exceed their proportional costs, the cost-of-service analysis apportioned shared overhead costs (e.g., billing, general and administrative) to each customer class (e.g., residential carts, commercial bins) based on their proportionate share of levels of service provided (e.g., collections per week, volume collected) and costs solely attributable to each customer class (e.g., commercial organics collection costs) are borne exclusively by the respective customer class.
4. Not all properties within the City are serviced by City operations. The City bills only those properties receiving City services and the charge is based on the level of service being provided (e.g., size of container and frequency of collection).



Mr. Diko Melkonian

July 8, 2022

Page 4 of 11

5. The proposed rates were calculated based solely on projected costs incurred to provide solid waste services, including support from other City departments through interfund transfers which are supported by cost allocation nexus studies. We found no instances of interfund transfers out of the solid waste fund to support general governmental services not utilized to provide solid waste services to the City's residents and businesses.

SCOPE OF WORK

Based on the operational statistics provided by the City, HF&H developed a solid waste rate model. The model was designed to develop rate increase scenarios to fund City's financial requirements, including operations and maintenance, capital improvement, and reserve fund goals.

We performed the following procedures as part of our analysis:

- Obtained cost, rate, and current customer account data from City staff
- Prepared a summary schedule projecting the City's costs and revenues for the next two fiscal years (FY 23 and FY 24). The City provided the FY 22 budget, which served as the starting point for projecting the City's expenses and revenues. Working with City staff, the projections include the following:
 - an inflationary increase of 7.1% in FY 23 and 4.0% in FY 24
 - an assumption that actual expenditures incurred will be 4.5% less than budgeted. Due to high turnover of Refuse Operator positions, refuse operations have historically come in under budget. The City is passing the savings on to rate payers by basing rates and reserve fund balances on the actual expenditures.
- Created a cost-of-service model, reflecting the estimated costs and revenues for future fiscal years with resulting rate increases by customer class to cover operating and capital costs. HF&H provided the model to City staff, which allowed City Staff to model various scenarios and rate adjustments (Scenario Model) to meet anticipated costs and the Operating Reserve fund target.
 - The Scenario Model was used to include additional expenditures for FY 23 based on City staff estimates. Examples of these expenditures include, but are not limited to, the increase in the recycling contract and certain estimated new organic services costs (e.g., administrative labor, carts, trucks, disposal, public education). The included organic services costs were estimated by the City and do not include all potential future costs of SB 1383 compliance. A cost-of-service study will be performed to establish rates for the FY 24 fiscal year incorporating the full cost of residential organic collection to comply with SB 1383 requirements.
 - HF&H reviewed various rate scenarios modeled by City staff, including the final rate scenario to be recommended to City Council, to confirm the mathematical accuracy of the model calculations and that the final rate scenario aligned with the City's goals.

Mr. Diko Melkonian
July 8, 2022
Page 5 of 11

LIMITATIONS

This study was prepared solely for the City of Long Beach, in accordance with the contract between the City and HF&H and is not intended for use by any other party for any other purpose.

In preparing this study, HF&H relied on information and instructions from the City, which we consider to be accurate and reliable and did not independently verify. The subscription data supplied by the City required manual adjustments by city staff and we relied on the adjusted service levels in the cost-of-service calculations.

The rate model and Scenario Model, and accompanying analyses, contain projections of revenues and expenditures based on various assumptions and estimates provided by the City. While we reviewed those projections for reasonableness, actual results of operations will usually differ from projections because events and circumstances do not always occur as expected. Those differences may be significant and materially affect the analyses and findings presented in this report.

Rounding differences caused by stored values in electronic models may exist.

This study addresses relevant laws, regulations, and court decisions but should not be relied upon as legal advice. Questions concerning the interpretation of legal authorities referenced in this study should be referred to a qualified attorney.

The Scenario Model was created anticipating the new rates would be effective August 1, 2022. However, to ease the burden on rate payers, the City has moved the anticipated implementation date to September 1, 2022, without increasing rates to account for lost revenues. The City acknowledges a delay of the proposed rate increases will affect the projections modeled in this report, including the effects on the Operating Reserve fund balance. HF&H is not under obligation to revise the model, the projections, or this report.

FINDINGS

Current Operations

HF&H reviewed the City's current (FY 21) revenues from collection operations less non-operating revenue. As shown in **Figure 2**, the City is anticipating a revenue shortfall of \$4,619,698 in FY 22, based on projected revenues at current rates of \$51,208,133 and projected costs of \$55,827,831. The revenue shortfall will draw down the City's fund balance to \$3,857,733 by September 30, 2022, well below the City's target fund balance of \$18,609,277.

Mr. Diko Melkonian
 July 8, 2022
 Page 6 of 11

Figure 2:
FY 22 Revenue Requirement Analysis

Analysis of Costs and Revenues at Current Rates			
	FY 21	FY 22	
Projected Costs		\$ 55,827,831	A
Projected Revenue at Current Rates		\$ 51,208,133	B
Deficiency of Revenues vs. Costs		\$ (4,619,698)	B-A = C
Projected Rate Adjustment		9.0%	C/B = D
Fund Balance before use of Reserves		\$ 8,477,431	E
Contribution of Fund Balance to Rates		\$ (4,619,698)	C
Fund Balance after Use of Reserves	\$ 8,477,431	\$ 3,857,733	E + C = F
Months of Expenditures		0.8	F/A*12 = G
Target Fund Balance (4 Months)		\$ 18,609,277	A/12*4=H

The results of this analysis indicate the need for rate increases and/or additional sources of revenue to cover operating and capital costs and maintain a prudent reserve fund balance. While reserves are available to accommodate the projected shortfall in FY 22, continued operating shortfalls will quickly deplete the City's reserves. Currently, the City has a goal of reaching an Operating Reserve fund balance that is, at least, equal to four months of operating expenses. At the start of Fiscal Year 22, the City has \$8,477,431 in reserves, approximately 2 months of operating costs. If the City uses reserves to cover the shortfall, the remaining Operating Reserve fund balance of \$3,857,733 will cover only 0.8 months of expenditures. A 9.0% rate increase would be necessary to cover operating and capital costs without utilizing reserve funds.

Projected Operations

Based on the data above, HF&H projected annual revenue requirements. As directed by City staff, HF&H applied a 7.1% inflation factor to the FY 22 budget and a 4.0% inflation factor annually thereafter. Additionally, City staff cited historical turnover in the Refuse Operator position has led to actual expenses incurred in recent years being approximately 4.5% less than budget. Though City staff aims to fill that position on a full-time basis in the future, the actual expenditures were included for modeling purposes to pass on the savings to the rate-payers. In addition, the City's revenue requirement was increased for new administrative costs related to the upcoming commercial organics collection program, as further discussed below, and the increase in the recycling contract (total increases being between \$4,000,000 - \$4,750,000 annually from FY 23 and thereafter). As shown in **Figure 3** below, under the assumptions of this scenario, revenues under current rates result in a significant shortfall when compared to the revenue requirement for the solid waste system as a whole.

Mr. Diko Melkonian
July 8, 2022
Page 7 of 11

Figure 3:
Projected FY 22 and FY 23 Revenue Shortfalls at Current Rates

Analysis of Costs and Revenues at Current Rates		(In \$1,000s)	
	FY 21	FY 22	FY 23
Project Costs (Budgeted and Inflated)		\$55,828	\$62,447 A
Projected Costs (New Administrative)		-	4,026 B
Projected Costs		55,828	66,473 A + B = C
Actual Revenue at <u>Current Rates</u>		51,208	51,208 D
Deficiency of Revenues vs. Costs		\$(4,620)	\$(15,265) D - C = E
Projected Rate Adjustment		9.0%	29.8% -E/D = F
Fund Balance before use of Reserves		\$8,477	\$3,857 G
Contribution of Fund Balance to Rates		(4,620)	(15,265) E
Fund Balance after Use of Reserves	\$8,477	\$3,857	\$(11,408) G + E = H
Months of Expenditures		0.8	(2.1) H/C*12 = I
Target Fund Balance (4 Months)		\$18,609	\$22,158 C/12*4 = J

The impact of not increasing rates results in a negative fund balance by the end of FY 23 of approximately \$(11,408,000), which, absent rate increases, will continue to decline. To cover increases in operational, capital, and administrative costs, and generate additional funds to reach the target Operating Reserve fund balance, the City will need to implement rate increases.

Rate Adjustment Scenario

The City recognizes the need to increase revenues to cover its current operating costs, new costs, and generate sufficient reserve to meet the goal Operating Reserve fund balance. As such, City staff worked with HF&H to model a rate adjustment scenario that meets both the significant revenue requirement increases and builds toward the targeted Operating Reserve fund balance. After evaluating alternative timing of rate increase(s), City staff determined the final proposed rate increases are planned to occur on September 1, 2022 and January 1, 2023, subject to HF&H's limitations section.

As discussed above, the results of the cost-of-service study showed the City is incurring losses to provide solid waste services to both the residential solid waste customer cart class and the commercial solid waste bin customer class. The study also determined the rates currently charged to the residential solid waste customer class more closely aligned with their cost of service than the commercial solid waste bin customer class. Therefore, when modeling the rate adjustments, higher rate increases should be applied to the commercial solid waste bin customer class than the residential solid waste customer class. This methodology guided the structuring of the rate adjustment scenario.

Based on the above guidelines and goals, the City utilized the Scenario Model to develop a final rate scenario incorporating the following goals and assumptions:



Mr. Diko Melkonian

July 8, 2022

Page 8 of 11

- The four-month Operating Reserve target is projected to be reached by the end of FY 26, barring consideration of additional residential organic program costs to be incurred.
- The recycling contract is to be re-negotiated, leading to assumed costs being used beginning FY 23.
- New costs approximating \$6,943,000, spread over FY 23 and FY 24, will be incurred to comply with SB 1383. See "**New Costs- SB 1383**" section below for further discussion of these costs.

New Costs- SB 1383

The City anticipates new operational and administrative costs will be incurred to comply with SB 1383. City intends to add two new sections to the Recycling and Waste Reduction division: Compliance & Enforcement and Program & Education. The Compliance & Enforcement section will be responsible for compliance with, and enforcement of, State laws, including SB 1383 Regulations, and providing all new reporting as required by the State. The Program & Education section will implement the education and recycling components required by new State laws, including SB 1383 Regulations. These new groups are necessary to implement efforts required by State laws, SB 1383, AB 1826, and AB 341. All new administrative staffing costs were allocated on a fifty/fifty basis to residential and commercial customers. In addition to the staffing requirements, capital needs and operational costs will increase.

A summary of the estimated new cost drivers related to SB 1383 in FY 23 and FY 24 are:

- \$3,917,000 for anticipated capital purchases, including:
 - Approximately 4,850 organics carts for commercial customers
 - 27,500 organics carts for residential customers. This represents approximately 25% of anticipated total needed carts, but is included to build funds for purchase to meet the December 31, 2023 compliance deadline.
 - 2 pick-up trucks (non-collection vehicles) for refuse field investigators
- \$3,924,000 for administrative organics collection costs for personnel, education, administration, and maintenance, increased for inflation annually, including:
 - \$1,825,000 for approximately 17 new full-time employees. Responsibilities for new employees will include, but are not limited to, route reviews (account audits), develop and implement food recovery programs, performing site visits, educational outreach, and other tasks needed for enforcing, tracking, monitoring, and reporting compliance with State laws.

Mr. Diko Melkonian
July 8, 2022
Page 9 of 11

- \$1,039,000 for fuel and vehicle expenses for commercial collection operations. This includes maintenance and leasing costs for eight (8) 25-yard side-loaders, which will be financed.
- \$885,000 in disposal costs for the commercial organics program
- \$175,000 for public education. Cost includes, but is not limited to, advertising, educational outreach program development, and material costs.

Rate and Fund Impact

Figure 4 summarizes the proposed rates for some of the most-common levels of service. Figure 5 summarizes the proposed scenario's impact on the fund balance.

Figure 4:
Proposed Monthly Rates

	Current	1-Sep-22		1-Jan-23	
	Rate	Rate Increase	New Rate	Rate Increase	New Rate
Residential 64-Gallon Solid Waste Cart	\$ 20.44	18.63%	\$ 24.25	18.63%	\$ 28.77
Residential 100-Gallon Solid Waste Cart	\$ 24.96	18.63%	\$ 29.61	18.63%	\$ 35.13
Commercial Solid Waste Bin - 2 YD	\$ 106.79	29.25%	\$ 138.03	40.14%	\$ 193.43
Commercial Solid Waste Bin - 3 YD	\$ 138.06	29.25%	\$ 178.44	40.14%	\$ 250.07
Commercial Solid Waste Bin - 4 YD	\$ 218.62	29.25%	\$ 282.57	40.14%	\$ 395.99
Residential and Commercial Recycling Cart	\$ 4.03	19.46%	\$ 4.81	19.46%	\$ 5.75

Figure 5:
Impact of Proposed Rate Increases for FY 22 and FY 23

	(\$s are in \$1,000s)				
	FY 21	Rate Increase 1-Sep-22	FY 22	Rate Increase 1-Jan-23	FY 23
Projected Costs			\$55,828		\$66,473
Projected Revenue at Increased Rates					
Residential Solid Waste		18.63%	34,236	18.63%	45,493
Commercial Solid Waste and Organics		29.25%	11,785	40.14%	17,883
Residential and Commercial Recycling Carts		19.46%	7,252	19.46%	9,126
Total Projected Revenue at Increased Rates			\$53,273		\$72,502
Excess (Deficiency) of Revenues vs. Costs			\$(2,555)		\$6,029
Fund Balance before use of Reserves			\$8,477		\$5,922
Contribution to/(of) Fund Balance from/(to) Rates			\$(2,555)		\$6,029
Funds Restricted for SB 1383 Related Costs			-		\$(2,193)
Fund Balance after Use of Reserves	\$8,477		\$5,922		\$9,758
Months of Expenditures	-		1.3		1.8
Target Fund Balance (4 Months)			\$18,609		\$22,158



Mr. Diko Melkonian

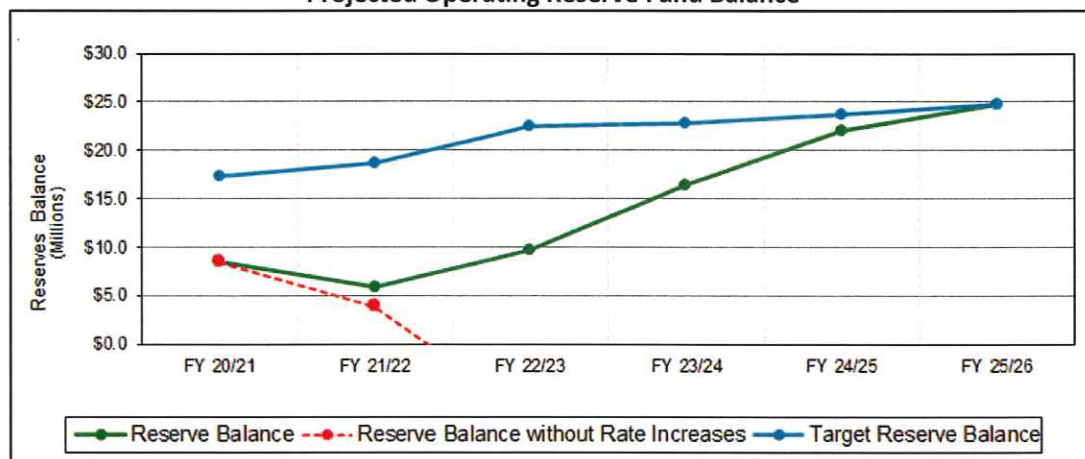
July 8, 2022

Page 10 of 11

HF&H reviewed the City's final scenario of an 18.6% residential increase, a 29.3% commercial increase, and a 19.5% recycling increase on September 1, 2022, and an 18.6% residential increase, a 40.1% commercial increase, and a 19.5% recycling increase on January 1, 2023. The revenue generated for organic carts and trucks in FY 23 (\$2,193,000) and FY 24 (\$1,724,000) will be restricted for SB 1383 capital costs. Finally, the City is projected to reach the four month Operating Reserve target by the end of FY 26, barring consideration of additional residential organic program costs to be incurred.

The impact of not increasing rates versus increasing rates by the scenario presented above on the City's Operating Reserve fund balance, barring consideration of additional residential organic program costs to be incurred and future rate increases to be determined upon the residential organics program implementation, can be seen in **Figure 6** below:

Figure 6:
Projected Operating Reserve Fund Balance



The City may elect to not increase rates, but this will lead to a rapid depletion of the City's Operating Reserve fund balance. This will result in the need for larger rate increases in future years to make up for these shortfalls.

HF&H recommends the City increase residential, commercial, and recycling rates by their respective percentages in **Figure 4** on September 1, 2022 and January 1, 2023 to prevent the projected short-term depletion of reserve funds and to mitigate more significant rate increases in the future. As aforementioned, the City should, and intends to, perform another cost-of-service study to determine the necessary rate increases for FY 24 to account for unanticipated commercial organic program costs and new residential organics program costs.

* * * *

We appreciate the opportunity to be of service to the City. We value our relationship with you and the City and are committed to providing you the highest level of service in the performance of this matter for

Mr. Diko Melkonian
July 8, 2022
Page 11 of 11

you. Should you have any questions, please feel free to reach Rick Simonson at rsimonson@hfh-consultants.com or (925) 977-6957.

Sincerely,

HF&H CONSULTANTS, LLC



Rick Simonson, CMC, Senior Vice President
Lindsey Lagos, CPA, Senior Associate
Danielle Derby, CPA, Senior Associate

Attachment – Projected Revenue and Expense Summary (FY 23 through FY 26)

Attachment A

CITY OF LONG BEACH SOLID WASTE RATE PROJECTIONS

	FY 23 FY 22/23	FY 24 FY 23/24	FY 25 FY 24/25	FY 26 FY 25/26
SUMMARY RESULTS	Projected	Projected	Projected	
Revenue	\$ 73,373,934	\$ 76,924,316	\$ 76,924,316	\$ 76,924,316
Expenditures (Total)	\$ 62,447,316	\$ 63,147,172	\$ 65,718,419	\$ 68,388,020
Solid Waste Cart Expenditures	\$ 40,288,141	\$ 41,899,666	\$ 43,575,653	\$ 45,318,679
Solid Waste Bin Expenditures	\$ 14,027,675	\$ 14,588,782	\$ 15,172,333	\$ 15,779,227
Recycling Cart Expenditures	\$ 8,293,197	\$ 8,624,925	\$ 8,969,922	\$ 9,328,719
Expenditures - New Operational Costs	\$ 4,923,923	\$ 5,373,901	\$ 5,603,776	\$ 5,845,018
Overall Surplus/(Shortfall)	\$ 6,002,694	\$ 8,403,244	\$ 5,602,121	\$ 2,691,278
Transfer to Capital Reserve	\$ (2,193,037)	\$ (1,724,250)	\$ -	\$ -
Net Surplus/ (Shortfall)	\$ 3,809,657	\$ 6,678,994	\$ 5,602,121	\$ 2,691,278
as % of Total Expenditures	5.7%	9.7%	7.9%	3.6%

Operating Reserve

Beginning of FY (Oct. 1)	\$ 5,934,547	\$ 9,744,204	\$ 16,423,198	\$ 22,025,318
End of FY (Sept. 30)	\$ 9,744,204	\$ 16,423,198	\$ 22,025,318	\$ 24,716,596
% of Expenditures	14.5%	24.0%	30.9%	33.3%
Months of Expenditures	1.7	2.9	3.7	4.0
Target Reserve Balance	\$ 22,457,080	\$ 22,840,358	\$ 23,774,065	\$ 24,744,346
Reserve Balance without Rate Increases	\$ (7,381,451)	\$ (19,320,489)	\$ (33,830,776)	\$ (51,010,663)

Capital Reserve

Beginning of FY (Oct. 1)	\$ -	\$ -	\$ -	\$ -
Capital Reserve	\$ 2,193,037	\$ 1,724,250	\$ -	\$ -
Capital Purchases	\$ (2,193,037)	\$ (1,724,250)	\$ -	\$ -
End of FY (Sept. 30)	\$ -	\$ -	\$ -	\$ -
Total Reserve Balance	\$ 9,744,204	\$ 16,423,198	\$ 22,025,318	\$ 24,716,596