



COUNCIL REPORT

DATE: June 28, 2022

CATEGORY: Public Hearing

DEPT.: Finance and Administrative Services

TITLE: **Public Hearing on the Recommended Trash/Recycling/Organics Rate Increase**

RECOMMENDATION

Convene a public hearing to accept and consider public comments on the following recommended trash/recycling/organics rate increase:

- Trash/Recycling/Organics: 6.0% effective July 1, 2022.

BACKGROUND

In 1997, voters approved Proposition 218, amending the State Constitution to reinforce voter approval requirements for all new and increased taxes as well as adding substantive and procedural requirements prior to the imposition of property assessments and new or increased “property-related fees and charges.”

In a July 2006 California Supreme Court decision (*Bighorn*), the Court ruled that utility rates charged by governmental entities for water, sewer, and trash/recycling services are considered property-related fees and subject to the procedural requirements of Proposition 218, Article XIII D, of the California State Constitution (Proposition 218). Proposition 218 (as now interpreted) requires governmental agencies that charge for utility services to conduct a public hearing prior to adopting any changes in utility rates, at which time the governing body will consider public input on the recommended rates.

A notice must be mailed no later than 45 days prior to the public hearing and include the recommended rate adjustments, the calculation methodology, and a description of the process for submitting a protest vote to the rate adjustments. If written protest letters are received from a majority of the parties affected by the rate increases, the recommended increases cannot be imposed or further considered without repeating the notice and hearing process.

The legislation provided for future rate increases within prescribed limits to be approved without holding a hearing each year for up to an additional four years. These prescribed limits include an inflation adjustment, third-party (supplier) pass-through costs, and future fiscal year rate

increases pursuant to a schedule of adjustments noticed and adopted by the City Council through the rate hearing process.

In compliance with Proposition 218, on or before May 13, 2022, 45 days prior to the June 28, 2022 public hearing of the City Council, approximately 16,600 notices containing the required information were mailed to City of Mountain View utility customers. A copy of the notice is included as Attachment 1. Protests must be submitted in writing and may be mailed and received or dropped off at the City Clerk's Office at City Hall by 5:00 p.m. on June 28, 2022, or dropped in the Utility Payments mail slot on the side of City Hall between Castro Street and the main entrance to City Hall by the close of the public hearing on June 28, 2022. Written protests received prior to or during the public hearing will be counted at the public hearing, and a final tally will be given to the City Council after the hearing is closed. As of June 14, 2022, one protest had been received.

ANALYSIS

Recommended utility rate increases were included in the Third Quarter Budget Update Report, discussed at the April 26, 2022 Council meeting, and they were again discussed at the June 14, 2022 public hearing on the Recommended Budget. A Proposition 218 hearing is not required for the recommended water and wastewater rate increases as these recommended increases for Fiscal Year 2022-23 are within the prescribed limits as noticed May 7, 2021 and approved at the June 22, 2021 public hearing.

Recology is the private company that provides trash, recyclables, and organics collection services in the City. The City's recently updated contract with Recology provides for a 3.38% increase in collection services for Fiscal Year 2022-23. The updated agreement included significant changes that went into effect January 2022, whereby residential organics (food waste), construction and demolition (C&D) debris, and source-separated (SS) recycling are no longer delivered to the SmaRT® Station for processing, but are delivered to specialized facilities for processing instead.

The City's residential trash, residential recyclables, and commercial trash are processed at the SmaRT Station under a Memorandum of Understanding (MOU) between the City of Mountain View and the City of Sunnyvale. This MOU was updated during the last fiscal year with the above-mentioned significant changes in processing, effective January 2022. The MOU provides for the City to pay its proportionate share of costs, and while the City's share of SmaRT Station costs are approximately 2.4% lower for Fiscal Year 2022-23, after taking into consideration the change in processing services, costs are estimated to increase 1.0%. These changes were made in an effort to reduce the amount of waste sent to landfills as well as abide by Senate Bill 1383, which mandates residential and commercial organics composting.

City operating costs are increasing approximately 23.0% primarily due to these changes, and, as a result, trash/recycling/organics rates would need to increase approximately 15.0% to maintain

a balanced operating budget. However, there is sufficient available fund balance to smooth this rate increase over three fiscal years. Accordingly, a 6.0% rate increase for trash/recycling/organics is recommended for Fiscal Year 2022-23, with the remainder spread over the following two fiscal years.

These fees will be included in the resolution amending the City of Mountain View Master Fee Schedule to be adopted at a public hearing for adopting the Fiscal Year 2022-23 Budgets, Appropriations Limit, and Fee Modifications scheduled after this public hearing on the June 28, 2022 agenda. If there is a majority protest, these fees will be removed from the resolution amending the Master Fee Schedule.

FISCAL IMPACT

The recommended 6% rate increase would result in a monthly increase of \$2.25 per month for a 32-gallon cart for an average single-family home and is necessary to continue the operating and financial sustainability of the Solid Waste Fund and the services provided.

ALTERNATIVES

1. Modify the recommended rate increase as presented.
2. Provide other direction.

PUBLIC NOTICING

Agenda posting, and a notice of the public hearing was published in two newspapers of general circulation: the *Daily Post* and *Mountain View Voice*. In addition, a notice of the rate increase was mailed to all customers.

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GZ/6/CAM
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Attachment: 1. [Notice of Public Hearing—Proposed Trash/Recycling/Organics Rates Effective July 1, 2022](#)