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March 21, 2025

Los Angeles City Council
C/O Office of the City Clerk
200 North Spring Street, Room 395
Los Angeles, CA 90012

Attention: Honorable Marqueece Harris-Dawson, Council President

LA SANITATION AND ENVIRONMENT – SOLID RESOURCES PROGRAM PROPOSED RATE ACTION (C.F. 23-0600-S9)

Honorable Councilmembers:

Los Angeles Sanitation and Environment (Bureau of Sanitation or LASAN) herein submits analyses in support of rate adjustments for the Solid Resources Program for your consideration.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the Bureau of Sanitation to take the necessary steps to implement the following changes to Article 6.1, Chapter VI of the Los Angeles Municipal Code, Article 7 of the Los Angeles Administrative Code, and any associated Municipal Code and Administrative Code sections:

- a. Set the Solid Resources Fee, Extra Capacity Fee, and Multi-Family Bulky Item Fee as shown in Attachment A;
- b. Revise the rate structures of the Solid Resources Fee and Multi-Family Bulky Item Fee to charge one single rate to all customer classes;
- c. Replace the Lifeline Program of the Solid Resources Fee with a Solid Resources Low Income Customer Assistance Program to include all qualified low income customers;

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- d. Amend the Lifeline Extra Capacity Fee discount to a fifty percent discount to all extra capacity refuse containers;
 - e. Expand the current Multi-Family Bulky Item Program to extend service to and collect revenue from an estimated 132,000 previously exempted residential dwellings;
 - f. Expand the current Multi-Family Bulky Item Lifeline and Low Income Program to include all qualifying customers; and,
 - g. Designate the Bureau of Sanitation as the fund administrator for both the Solid Waste Resources Revenue Fund and the Multi-Family Bulky Item Special Revenue Fund.
2. Request the City Attorney to prepare and present an ordinance amending Article 6.1, Chapter VI of the Los Angeles Municipal Code, Article 7 of the Los Angeles Administrative Code, and any associated Municipal Code and Administrative Code sections, to adjust the customer assistance programs and the rates for the Solid Resources Fee, Extra Capacity Fee, and Multi-Family Bulky Item Fee as shown in Attachment A, and to implement other necessary changes addressed in this report;
 3. Authorize the Bureau of Sanitation to print and distribute two notices regarding two public hearings, one for the Solid Resources Fee and one Multi-Family Bulky Item Fee in compliance with Proposition 218;
 4. Direct departments to assist the Bureau of Sanitation, as needed, with the implementation of the rate adjustments; and,
 5. Authorize the Bureau of Sanitation to make technical changes as needed to implement Mayor and City Council intentions.

SUMMARY

During the development of the Fiscal Year 2023-24 Adopted Budget, the City Council directed LASAN to report on fee studies and recommendations related to actions necessary to preserve the Bureau's operations, meet contractual and regulatory obligations, and moderate fee impacts to residents and constituents (C.F. 23-0600-S9). Further, as part of the Fiscal Year 2024-25 Adopted Budget, LASAN was instructed to evaluate and report back on Extra Capacity and Intermittent Extra Capacity fees. This report focuses primarily on the Solid Resources Program and the Solid Resources Fee (SRF), Extra Capacity Fee (ECF), and Multi-Family Bulky Item Fee (MBIF) as these are the primary sources of revenue for the Solid Waste Resources Revenue Fund (SWRRF) and the Multi-Family Bulky Item Fee Special Fund (MBIF) and are critically in need of adjustment in order to sustain solid waste operations. The SRF and MBIF are property-related fees, and adjustments to the SRF and MBIF are subject to the requirements of Proposition 218 as codified in the California Constitution as well as requirements of the Government Code. Attached to this report are the schedule of proposed rates (Attachment A), examples of charges based on the typical SRF bill (Attachment B), and the fee study (Attachment C).

BACKGROUND

LASAN's Solid Resources Program (SRP) is responsible for managing the collection, recycling, and disposal of solid resources for approximately 743,000 households and the collection of bulky items from an additional 473,000 residences that are otherwise served by private service providers. LASAN operates a fleet of 720 heavy-duty vehicles to collect residential solid resources from six waste sheds: East Valley, West Valley, West Los Angeles, North Central, South Los Angeles, and Harbor. Through the SRP's Clean Fuel Program, the majority of collection vehicles have been converted to operate on clean fuel such as liquefied natural gas (LNG) and compressed natural gas (CNG), and efforts are underway to move forward with pilot testing of electric heavy-duty vehicles.

In response to California Senate Bill 1383, which requires that 75% of organic waste be diverted from landfills, LASAN implemented the Organics Recycling Program in January 2023. Residents are required to divert organic food scraps and food-soiled paper products from the landfills by placing organic waste into their green container.

In FY 2023-24, the SRP collected a daily average of 720 tons of recyclables, 1,610 tons of organic waste, 15 tons of manure, and 3,910 tons of residual waste. Recyclables are delivered to Material Recovery Facilities to be processed for beneficial reuse. Green material and manure are delivered to processing facilities for composting, while residual waste is landfilled.

In addition to the above services, the SRP operates the Central Los Angeles Recycling and Transfer Station (CLARTS), performs closure activities and post-closure maintenance for inactive landfills, and operates collection facilities for household hazardous waste (HHW). Other services provided by the SRP include unlimited bulky item collection, the Christmas tree recycling program, Dead Animal Pickup, a 24/7 Call Center service, free composting classes, solid waste yard open houses, a citywide Earth Day event, as well as exhibits and workshops provided at the Environmental Learning Center at Hyperion and the Lopez Canyon Environmental Education Center and other outreach and education associated with these programs.

Financial Analyses

The services and programs under SRP are funded by various solid resources special funds that rely on different revenue sources. The largest of these funds is the Solid Waste Resources Revenue Fund (SWRRF). The Solid Resources Fee (SRF), which is the primary component of revenue for the SWRRF, is imposed on all single-family dwellings in the City and those small, multiple unit dwellings for which the City provides solid waste collection services. The current SRF rates are \$36.32 per month for single-family customers and \$24.33 per month for multi-family customers. Since 2008, there has been no increase to this fee.

LASAN retained the Bulky Item collection service when the City transitioned to the recycLA program for commercial and large multi-family collections. The City charges apartment owners and tenants of large multi-family apartment dwellings a Multi-family

Bulky Item Fee (MBIF) for the collection, transfer, recycling, and/or disposal of bulky items pursuant to Section 66.41 et seq., as amended, in Article 6.1 of Chapter VI of the Los Angeles Municipal Code. Per Ordinance 179070, which was adopted by the City Council on July 31, 2007 and became effective on October 1, 2007, the MBIF is \$1.28 per unit per month for separately-metered apartment buildings (\$0.64 billed to residents, and \$0.64 billed to owners, per unit), and \$1.11 per unit per month for master-metered apartment buildings (billed to owners).

In addition, the City provides SRF customers with optional extra capacity services. The City has developed a standard allowance, which the City deems adequate to meet the requirements of the average dwelling unit, for the collection and management of solid waste, recyclables, and organic waste. The standard allowance for a parcel with one dwelling unit is one 60-gallon black container for solid waste, one 90-gallon blue recycling container, and one 90-gallon green container for organic waste. Additional on-going capacity beyond this standard allowance is currently offered to SRF customers according to the extra capacity fee schedule shown in the table below.

Commodity	Rate per Month	Last Updated
Extra Capacity Refuse Unit - 30 Gallons	\$5.00	2002
Extra Capacity Recycling Unit - 30 Gallons	\$0.00	
Extra Capacity Organics Unit - 30 Gallons	\$2.50	
Extra Capacity Manure Unit - 30 Gallons	\$5.00	

The Solid Resources Fee, Multi-Family Bulky Item Fee, and Extra Capacity Fee have remained the same for over 16 years. The current fees no longer provide sufficient revenues to pay for solid waste operations, facilities, and debt service costs. The revenue shortfalls have resulted in the Solid Waste Resources Revenue Fund (SWRRF) and Multi-Family Bulky Item Fee Special Revenue Fund (MBIF) receiving significant subsidies from the General Fund (GF) in order to maintain current operations. For the past 16 years, LASAN has been diligent in controlling and managing costs while providing enhanced services to City residents. During this time, LASAN has explored various cost reduction measures such as extending the life of refuse collection vehicles, securing external grants, and issuing revenue bonds to maintain the affordability and stability of the SWRRF and MBIF.

While LASAN was able to sustain for more than a decade without a rate adjustment, it is no longer possible to do so due to inflationary increases to the key cost drivers consisting of staff salaries, refuse collection vehicles and equipment, disposal costs, and overhead costs. In addition, the state mandated organics program and the downturn in the recyclables market are also major contributing factors to the increase in costs. Commodities markets have been disrupted by China's import policies on post-consumer paper and plastics, which significantly decreased the marketability for recyclables, and therefore drastically reduced recyclables sales revenue. As a result, all recyclable materials require processing, hauling and tip fee costs, which are estimated

at \$20 million annually. Prior to 2017, LASAN's contractual agreements with Material Recycling Facilities for the City's collected blue-bin materials were revenue-generating, at about \$6 million per year.

The state mandated residential organics program requires residents to recycle their food scraps with their yard trimmings using the green bin. The green bin material is then further processed through composting and/or anaerobic digestion to produce renewable products and/or energy. This program is aimed at meeting SB 1383's requirements and is essential to reducing the City's reliance on landfills as well as resulting greenhouse gas (GHG) emissions. The annual cost for this program is approximately \$66 million.

LASAN engaged a consultant, Carollo Engineers, Inc. and their subcontractor, HF&H Consultants, LLC to assist with the financial analysis, cost of service analysis, and rate design resulting in the proposed rate adjustments. LASAN worked with HF&H Consultants to update the Solid Waste Financial Plan, Solid Resources Rate Model, Multi-Family Bulky Item Rate Model, and the cost analysis for Extra Capacity Fees for projecting future rates and revenue requirements to support the solid waste operations and provide adequate funding for system improvements and maintenance. HF&H compiled and summarized all relevant expenditure and revenue data and incorporated financial assumptions, existing and planned capital improvements at solid resources facilities, maintenance needs, policy considerations, and timelines for final analysis and recommendation of a rate increase proposal. HF&H is a recognized expert in the field, having completed rate studies for other cities including Ontario and Long Beach, and is currently performing rate studies for San Diego and San Francisco. The attached HF&H report provides additional details regarding the rigorous analyses undertaken in support of this proposal (Attachment C).

Customer Assistance Programs

LASAN is committed to assisting customers in need by replacing the existing SRF Lifeline Program with a Solid Resources Low Income Customer Assistance Program. The current program provides a 30 percent discount to customers who meet the low income requirements and are senior citizens or disabled. This Program has a cap of 51,400 customers. LASAN recommends removing the cap and eliminating the dual requirement to include all qualified low income customers similar to the Sewer Low Income Customer Assistance Program. The Los Angeles Department of Water and Power (DWP) administers this discount program, known as the EZ-SAVE, in compliance with state and federal regulations. This could save low income customers approximately \$200 annually.

In addition, residents who qualify for the SRF Lifeline Program can currently receive the first 30 gallons of extra refuse capacity at no charge and additional capacity beyond the first 30 gallons at 50 percent of the extra refuse capacity fee. LASAN recommends that this program be modified so that it is available to all customers who qualify for the proposed Solid Resources Low Income Customer Assistance Program, and so that all refuse extra capacity units be provided to low income customers at 50 percent of the extra capacity fee.

The current Multi-Family Bulky Item Lifeline and Low Income Program also provides a discount to low income apartment tenants of \$0.20 per month as well as a Lifeline exemption to any customer who qualifies for a senior citizen exemption, including certain disabled persons. LASAN proposes that the current program remain unchanged.

Rate Structure Changes

The cost of service analysis supports structural rate changes as discussed below and detailed in Attachment A.

Solid Resources Fee

LASAN currently charges different SRF rates for single-family dwellings and multiple-family dwellings. HF&H's cost of service analysis determined that the cost to provide service for all customer classes will be the same over the course of the rate increase period, and so the proposed SRF rates will no longer include different rates for single-family dwellings and multiple-family dwellings.

The majority of SRF customers are provided with the three-cart system based on standard service delivery. However, to accommodate a small segment of customers that primarily reside in small multi-family dwellings, LASAN provides bins for solid resources collection services. There are approximately 2,800 multi-family dwellings that are currently serviced by the bin collection system. The cost of service analysis identified that there is a slight cost difference between the standard cart collection system and the bin collection system. LASAN recommends maintaining both collection systems and charging a single rate for both to simplify the billing process. To continue providing bin collection service, the General Fund will need to reimburse SWRRF approximately \$1 million annually to compensate for the cost difference in accordance with Proposition 218 requirements.

Multi-Family Bulky Item Fee

Currently, separately metered and master-metered apartments are charged different rates for the Bulky Item Fee. HF&H's cost of service analysis determined that the cost of service for the rate increase period will be the same for all customers regardless of the type of electric meter. As a result, the proposed MBIF rates will no longer include different per-unit rates depending on the customer's associated electric meter type.

Despite the fact that LASAN has been providing bulky item removal services to multi-family apartments with five or more units since 2007, a significant number of these items such as mattresses, appliances and furniture are still being discarded in our public right of ways. An expansion of the current program will be needed to extend service to and collect revenue from an additional 132,000 previously exempted residential dwellings. This expansion will allow LASAN to provide uniform bulky item services to residential dwellings throughout the City while recovering the cost of removing these items.

Extra Capacity Fees

Extra capacity fees are currently charged based on 30-gallon units for refuse, organics, and manure. The current rates for extra capacity containers are significantly below the cost of providing service. LASAN recommends charging the full cost of service for extra capacity containers to reduce the GF reimbursement. In addition, LASAN recommends that extra capacity fees be charged based on the most common-sized containers (a 60-gallon refuse container, 90-gallon organics container, 90-gallon recycling container, and 60-gallon manure container) to increase operational efficiency. Currently, 93 percent of extra capacity refuse containers are 60 gallons, 95 percent of extra capacity recycling containers are 90 gallons, and 86 percent of extra capacity organics containers are 90 gallons.

FINANCIAL IMPACT TO THE GENERAL FUND

The GF subsidy to the SRP is projected to reach \$229 million (approximately 40 percent of the total program cost) in FY 2025-26 without the proposed rate adjustments. However, if the proposed rate changes take effect on January 1, 2026, the subsidy is projected to decrease to \$180 million, resulting in a significant reduction in GF burden. The GF subsidy is expected to be eliminated in the following four years of the proposed rate adjustment.

Reimbursements from the General Fund

In accordance with Proposition 218, the GF reimburses SWRRF and MBIF for the subsidies provided to customers under the Lifeline and Low Income Program.

Should the SRF Lifeline Program be replaced with the Solid Resources Low Income Customer Assistance Program to include all qualified low income customers, the annual GF reimbursement attributable to the low income program will range between \$8 million to \$19 million over the five-year term of the proposed rate adjustments. The extra capacity services provided to low income customers is projected to cost the GF between \$700,000 to \$1.6 million annually over the five-year term. In addition, the projected GF reimbursement for the MBIF Lifeline and Low Income Program ranges from \$300,000 to \$650,000 annually over the next five years. Further, the projected GF reimbursement for cost differences between the collection models is approximately \$1 million annually.

Annual combined projected related costs to be reimbursed by SWRRF and MBIF to the GF ranges from \$119 million to \$142 million over the five-year term of the proposed rate adjustment. These estimates are subject to change depending on policy decisions and the adopted Cost Allocation Plan.

FINANCIAL IMPACT TO THE SWRRF AND MBIF

Over the five-year term of the proposed rate adjustment, projected revenue growth ranges from \$46 million to \$306 million, projected operation and maintenance expenditures range from \$512 million to \$603 million, capital expenditures range from \$18 million to \$23 million, and debt service expenditures range from \$42 million to \$51 million. These estimates are subject to change depending on operational and capital needs and economic and financial market conditions.

Thank you in advance for your continued support of LASAN. If you have any questions or would like to discuss any of these items further, please feel free to contact myself or Sarai Bhaga, Chief Financial Officer, at (213) 485-2210.

Sincerely,



Barbara Romero
Director and General Manager

BR/SB/es/qd/nm

Attachments

- c: Carolyn Webb de Macías, Chief of Staff, Mayor's Office
- Randall Winston, Deputy Mayor of Infrastructure
- Nancy Sutley, Deputy Mayor of Energy and Sustainability
- Matt Hale, Deputy Mayor of Finance, Operations and Innovation
- Andrea Greene, Executive Officer, Infrastructure
- Ryan Jackson, Director of Public Works
- Sharon Tso, CLA
- Matt Szabo, CAO
- Vahid Khorsand, President, BPW
- LASAN Executive Team

Solid Resources Fee

Dwelling Type	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Single Family Solid Resources Fee	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Duplex Solid Resource Fee	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Multi-Family (3-4 units) Solid Resources Fee (per unit)	\$24.33	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93

Solid Resources Fee with Low Income Customer Assistance

Dwelling Type	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Single Family Solid Resources Fee - Low Income (30% discount)	\$25.42	\$39.17	\$41.67	\$42.31	\$44.29	\$46.15
Duplex Solid Resource Fee - Low Income	\$25.42	\$39.17	\$41.67	\$42.31	\$44.29	\$46.15
Multi-Family (3-4 units) Solid Resources Fee (per unit)	\$17.03	\$39.17	\$41.67	\$42.31	\$44.29	\$46.15

Multi Family Bulky Item Fee

Electric Meter Type	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Multi-Family Bulky Fee Item (Separately Metered) Tenant	\$0.64	\$1.52	\$1.57	\$1.60	\$1.64	\$1.67
Multi-Family Bulky Fee Item (Separately Metered) Landlord	\$0.64	\$1.52	\$1.57	\$1.60	\$1.64	\$1.67
Multi-Family Bulky Item Fee (Master Metered) Landlord	\$1.11	\$3.04	\$3.13	\$3.20	\$3.27	\$3.34

Multi Family Bulky Item Fee with Low Income Customer Assistance and Lifeline Exemption

Electric Meter Type	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Multi-Family Bulky Fee Item (Separately Metered) Tenant - Low Income (31.25% Discount)	\$0.44	\$1.05	\$1.08	\$1.10	\$1.13	\$1.15
Multi-Family Bulky Fee Item (Separately Metered) Tenant - Lifeline	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Extra Capacity Fee

Commodity	FY 2024-2025 ⁽¹⁾
Extra Capacity Refuse Container - 30 Gallons	\$5.00
Extra Capacity Recycling Container - 30 Gallons	\$0.00
Extra Capacity Organics Container - 30 Gallons	\$2.50
Extra Capacity Manure Container - 30 Gallons	\$5.00

(1) Extra capacity refuse rates are currently charged on a per 30-gallon basis.

Extra Capacity Fee

Commodity ⁽¹⁾	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Extra Capacity Refuse Container - 60 Gallons	\$15.65	\$16.65	\$16.91	\$17.70	\$18.44
Extra Capacity Recycling Container - 90 Gallons	\$11.24	\$11.96	\$12.14	\$12.71	\$13.24
Extra Capacity Organics Container - 90 Gallons	\$16.28	\$17.32	\$17.59	\$18.41	\$19.18
Extra Capacity Manure Container - 60 Gallons	\$23.81	\$25.33	\$25.72	\$26.92	\$28.05

(1) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Extra capacity recycling rates are currently no additional charge. Future extra capacity rates are based on provision of a 60-gallon refuse container, 90-gallon recycling container, 90-gallon organics container, or 60-gallon manure container. Currently 93% of extra capacity refuse carts are 60-gallons, 95% of extra capacity recycling containers are 90-gallon, and 86% of extra capacity organics containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

Extra Capacity Fee for Lifeline Customers

Commodity	FY 2024-2025 ⁽¹⁾
Extra Capacity Refuse Container - First 30 Gallons	\$0.00
Extra Capacity Refuse Container - Each Additional 30 Gallons	\$2.50

(1) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. The first 30-gallons of extra capacity refuse are free and additional 30-gallon units receive a 50% discount.

Extra Capacity Fee for Low Income Customers⁽¹⁾

Commodity	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Extra Capacity Refuse Container - 60 Gallons ⁽²⁾	\$7.83	\$8.33	\$8.46	\$8.85	\$9.22

(1) The Solid Resources Fee Lifeline Program will be replaced by a Low Income Customer Assistance Program

(2) Future extra capacity rates are based on provision of a 60-gallon refuse container and receive a 50% discount.

Typical Bi-Monthly Bill

Dwelling Type	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Single Family & Duplex Solid Resources Fee	\$72.64	\$111.90	\$119.06	\$120.88	\$126.54	\$131.86
Increase for the typical SF bimonthly bill		\$39.26	\$7.16	\$1.82	\$5.66	\$5.32
Multi-Family (3-4 units) Solid Resources Fee (per unit)	\$48.66	\$111.90	\$119.06	\$120.88	\$126.54	\$131.86
Increase for the typical MF bimonthly bill		\$63.24	\$7.16	\$1.82	\$5.66	\$5.32
Single Family & Duplex Solid Resources Fee – Low Income*	\$50.85	\$78.34	\$83.34	\$84.62	\$88.58	\$92.30
Increase for the typical SF bimonthly bill – Low Income*		\$27.49	\$5.00	\$1.28	\$3.96	\$3.72
Multi-Family (3-4 units) Solid Resources Fee - Low Income*	\$34.06	\$78.34	\$83.34	\$84.62	\$88.58	\$92.30
Increase for the typical MF bimonthly bill - Low Income*		\$44.28	\$5.00	\$1.28	\$3.96	\$3.72

* The Solid Resources Fee Lifeline Program will be replaced by a Low Income Customer Assistance Program



CITY OF LOS ANGELES

LA Sanitation and Environment

SOLID WASTE COST-OF-SERVICE RATE STUDY



March 21, 2025



HF&H Consultants
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Phone: (925) 977-6950
Web: hfh-consultants.com

March 21, 2025

Barbara Romero
Director and General Manager
Department of Sanitation and Environment
City of Los Angeles
1149 S. Broadway, 9th Floor,
Los Angeles, CA 90015

Subject: Solid Waste Cost-of-Service Rate Study – Draft Report

Dear Barbara Romero:

HF&H Consultants, LLC (HF&H) is pleased to submit this Cost-of-Service (COS) report to the City of Los Angeles (City). The report begins with HF&H's calculation of the City's required solid waste rate revenue projections for the next five fiscal years (FY) beginning July 1, FY 2025-26 through FY 2029-30. The report describes the City apportions collection, processing, and disposal costs between cart and bin customers for the Solid Waste Resources Revenue Fund, as well as the costs for the multi-family bulky item fund. Finally, to ensure that customers are paying their proportionate share, HF&H concludes our report with recommendations related to the appropriate rate design for each customer class and material stream.

The report reflects input from City staff related to refining the rates. The resulting rate increases are necessary for several reasons: (1) the cost of collecting solid waste materials has increased since the City's last rate increase over 16 years ago; (2) the cost of processing organic materials and recycling has increased; and (3) other significant pricing pressures such as labor rates and vehicles costs are impacting the entire solid waste industry.

HF&H BACKGROUND AND QUALIFICATIONS

Founded in 1989, HF&H specializes in providing tailored solutions to local governments. Our consultancy focuses on offering environmentally responsible economic, financial, strategic planning, and management services. HF&H has provided leadership, expertise, independence, and support to hundreds of municipal agencies through over 2,500 engagements. More specifically, since the passage of Proposition 218 in 1996, we have assisted jurisdictions in developing and implementing Proposition 218-compliant water, sewer, and solid waste rates for more than 75 clients within California. Most recently completing solid waste rate studies for municipal-run operations for the cities of Ontario and Long Beach and providing draft results for studies for the cities of San Francisco and San Diego in March 2025.

* * * *

We are pleased to have had the opportunity to assist the City with this study and would like to thank you for your support during the project. If you have any questions, please contact me directly at (925) 977-6957 or RSimonson@hfh-consultants.com.

Sincerely,
HF&H CONSULTANTS, LLC


Rick Simonson
Senior Vice President

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Definitions

Bin	Container provided by the City that is usually made from metal and is serviced by a front-end load collection vehicle. The City provides its bin customers with solid waste collection service at varying frequencies in a range of container sizes from one (1) to six (6) cubic yards to meet each customer's needs.
Cart	Container provided by the City that is usually made from plastic with wheels for portability that is serviced by an automated or semi-automated collection vehicle. The City provides SWRF customers with a 60-gallon solid waste container, 90-gallon recycling container, and 90-gallon organic waste container.
COS	Cost-of-Service.
EC	Extra Capacity.
ECU	Equivalent Container Unit.
ECF	Equivalent Container Factor.
Fixed Collection Costs	Collection costs not dependent on the subscribed volume of service.
FTE	Full Time Equivalent.
FY	Fiscal Year (July 1 through June 30).
MBIF	Multi-Family Bulky Item Fee.
MBIFSRF	Multi-Family Bulk Item Fee Special Revenue Fund.
Organic Waste	Waste containing material originated from living organisms and their metabolic waste products including, but not limited to, food, yard trimmings, wood, paper products, and manure, or as otherwise defined in 14 CCR Section 18982(a)(46).
SB 1383	California law, specifically Senate Bill 1383 (Chapter 395, Statutes of 2016), and the accompanying regulations promulgated by the California Department of Resources Recycling and Recovery that took effect January 1, 2022, to reduce short-lived climate pollutants, including methane. Reduction of organic waste disposal is a primary component resulting in new yard and food waste recycling organics programs.
SRF	Solid Resources Fee.
SWRRF	Solid Waste Resource Revenue Fund.
Volumetric charge	Refers to the volumetric costs associated with the size of the container subscribed to by residential or commercial customers.

Limitations

HF&H prepared this study solely for the City of Los Angeles in accordance with the contract between the Carollo Engineers, Inc. and HF&H. This study is not intended for use by any other party for any other purpose.

In preparing this study, HF&H relied on the best available information provided by the City, which we considered accurate and reliable and, therefore, did not independently verify.

The cost of service (COS) model and accompanying analyses contain projections of revenues and expenditures based on various assumptions and estimates. While HF&H reviewed these projections with City staff 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 may have material effects on 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.

Executive Summary

BACKGROUND

LA Sanitation and Environment (LASAN) is responsible for the collection and processing of solid waste, recyclables, and organics materials from approximately 743,100 households in Los Angeles, as well as the bulky item collection programs for single-family and multi-family residences. In addition to the aforementioned customers, LASAN currently provides bulky item collection service to approximately 474,000 multi-family dwelling units.

Pursuant to Section 66.40 et seq., as amended, in Article 6.1 of Chapter VI of the Los Angeles Municipal Code, the City of Los Angeles ("City") charges residents receiving City sanitation services a Solid Waste Collection, Transfer, Recycling Recovery of Waste Resources and Disposal Fee ("Solid Resources Fee" or "SRF"). The City also separately charges owners and tenants of multi-family apartment dwellings a Multi-Family Bulky Item Fee ("MBIF") for the collection, transfer, recycling, and/or disposal of bulky items pursuant to Section 66.40 et seq., as amended, in Article 6.1 of Chapter VI of the Los Angeles Municipal Code. These revenues pay for the operations of curbside collection and bulky-item pickup, respectively.

Prior to Fiscal Year (FY) 2008-2009, LASAN increased user rates annually; LASAN has not changed the current SRF or MBIF since they were enacted in September 2008 and October 2007, respectively. The SRF and MBIF have remained the same for over fifteen years. The current fees no longer provide sufficient revenues to pay for solid waste operations, facilities, and debt service costs. Due to numerous regulatory changes requiring source separation and additional processing, rising costs for provision of service, and other economic headwinds, LASAN has received an increasing subsidy from the General Fund in the amounts listed in Figure ES-1.

Figure ES-1: Annual General Fund Subsidy

Fiscal Year	SRF Subsidy	MBIF Subsidy	Total
FY 2020-21	\$ 3,872,012	\$ -	\$ 3,872,012
FY 2021-22	\$ 64,424,789	\$ -	\$ 64,424,789
FY 2022-23	\$ 58,519,530	\$ -	\$ 58,519,530
FY 2023-24	\$ 73,618,078	\$ 2,622,214	\$ 76,240,292
FY 2024-25 (Estimated)	\$ 136,095,597	\$ 3,352,558	\$ 139,448,155
FY 2025-26 (Projected)	\$ 217,287,244	\$ 11,262,146	\$ 228,549,390

Maintenance of rates for a period spanning sixteen (16) years is atypical in the solid waste industry. Figure ES-2 demonstrates projected rates if LASAN had increased rates annually consistent with the Consumer Price Index.

Figure ES-2: Projected FY 2025-26 Rates if Rates were Adjusted Consistent with CPI

Service Level	Current Rates Per Month	Projected Rates Per Month with CPI increase	Delta Per Month
Single Family Solid Resources Fee	\$36.32	\$61.80	\$25.48
Duplex Solid Resources Fee	\$36.32	\$61.80	\$25.48
Multi-Family (3-4 units) Solid Resources Fee (per unit)	\$24.33	\$41.40	\$17.07
Multi-Family Bulky Item Fee (separately metered)	\$1.28	\$2.18	\$0.90
Multi-Family Bulky Item Fee (master metered)	\$1.11	\$1.89	\$0.78

Additionally, late-payment and non-payment relief, which began during the COVID-19 pandemic and continues to date, has resulted in an additional loss of revenue. This reduction in revenue has necessitated a corresponding increase in funding from the General Fund. Figure ES-3 below shows the revenue collection rate as a percentage of services billed (i.e., the difference has historically been covered by the City’s General Fund.)

Figure ES-3: Revenue Collection Rate

Service Category	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024	FY 2024-2025
User Fees Collection Rate for SRF Customers	99.18%	96.47%	90.71%	91.63%	92.78%	90.44%	91.95%
User Fees Collection Rate for MBIF s)	96.85%	95.36%	93.01%	93.33%	95.24%	93.73%	92.96%
User Fees Collection Rate (all users)	99.12%	96.44%	90.77%	91.67%	92.84%	90.52%	91.97%

The City contracted with HF&H Consultants, LLC (HF&H) to update the City’s rate model and rate structure, which HF&H prepared, based on the level of service received by each customer. The purpose of this solid waste rate study is to conduct a comprehensive analysis of the City’s solid waste rates, including documentation of the analysis, underlying assumptions, and the rationale for the recommended rates.

STUDY PURPOSE AND OBJECTIVES

This solid waste rate study provides a comprehensive evaluation of the City's existing solid waste rates, assessing financial sustainability, cost allocations, and regulatory compliance. The analysis is designed to ensure transparency, document key assumptions, and support a data-driven rationale for the recommended rate adjustments.

Our approach focuses on three core objectives:

- Revenue Requirement Assessment: Establish the total funding required to sustain solid waste operations, including operating and maintenance expenses, capital investments, and reserve contributions.
- Cost of Service Allocation: Determine cost distribution across customer segments based on container type, size, and service level to ensure equitable pricing.
- Regulatory Compliance: Align the proposed rate structure with Proposition 218 mandates and industry best practices.

This study leverages proven methodologies and adheres to all applicable legal and regulatory requirements to support the City's long-term financial and operational objectives.

FINDINGS

In calculating the proposed solid waste rates, HF&H made the following findings.

- 1. COS Revenue Requirement - SRF.** The COS study calculates the initial COS SRF rates based on the annual revenue requirement and projects the annual rate increases needed to cover the cost of providing solid waste management services. Figure ES-4 summarizes the annual revenue requirement for the SRF.

Figure ES-4: Revenue Requirement - SRF

Fiscal year	Annual Revenue Requirement
Projected Revenue at Current Rates	\$304,521,000
FY 2025-2026	\$555,072,259
FY 2026-2027	\$590,583,269
FY 2027-2028	\$606,593,949
FY 2028-2029	\$630,276,070
FY 2029-2030	\$657,378,289

As shown, projected revenues at current rates are insufficient to cover projected costs for the five-year planning period (FY 2025-2026 through FY 2029-30). Rate increases are necessary to fully fund SRF services.

- 2. SRF COS Rates.** The SRF COS analysis (described in detail in Sections 2-5 of this report) apportions the cost to each waste stream collected. Figure ES-5 summarizes the current rates and the monthly COS rates for each waste stream over the five-year planning period. The SRF COS rates include weekly solid waste, weekly recycling, and weekly organic waste collection. This analysis did not find justification for charging different rates based on dwelling type (e.g., single family residence versus multi-family residence) as further described in Section 2.

Figure ES-5: Current and COS SRF Rates (\$ per month per dwelling unit)

Service Level	Current	FY 2025-2026 ⁽¹⁾	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
<u>Base Service⁽²⁾</u>						
Single Family Solid Resources Fee ⁽³⁾	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Duplex Solid Resource Fee – per unit	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Multi-Family (3+ units) ⁽⁴⁾ Solid Resources Fee (per unit)	\$24.33	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
<u>Optional Service</u>						
Extra Capacity Refuse Container ⁽⁵⁾	\$5.00	\$15.65	\$16.65	\$16.91	\$17.70	\$18.44
Extra Capacity Recycling Container ⁽⁵⁾	\$0.00	\$11.24	\$11.96	\$12.14	\$12.71	\$13.24
Extra Capacity Organics Container ⁽⁵⁾	\$2.50	\$16.28	\$17.32	\$17.59	\$18.41	\$19.18
Extra Capacity Brown (Manure) Container ⁽⁵⁾	\$5.00	\$23.81	\$25.33	\$25.72	\$26.92	\$28.05

- (1) Rates will be effective January 1, 2026. For future years, rates will be effective July 1st.
- (2) Base services include one solid waste container, one recycling container, and one organics container
- (3) Includes accessory dwelling units, and junior accessory dwelling units
- (4) Excludes complexes receiving service from permitted franchise haulers; Includes mobile homes

(5) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Extra capacity recycling rates are currently no additional charge. Future extra capacity rates are based on provision of a 60-gallon refuse container, 90-gallon recycling container, 90-gallon organics container, or 60-gallon manure container. Currently 93% of extra capacity refuse carts are 60-gallons, 95% of extra capacity recycling containers are 90-gallon, and 86% of extra capacity organics containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

3. **Impacts of SB 1383.** As stated earlier, rates have not increased in over 16 years which is resulting in the need to increase the SRF rate by nearly \$30 per month by FY 2029-30. In addition to the lack of increases since 2009, new mandatory State requirements from the passage of SB 1383 require diversion of organic materials from landfills. As such, residents must now place organic materials (e.g., food waste) in their yard waste containers, and the addition of food waste in the yard waste containers has increased the cost of processing such materials. Figure ES-6 summarizes the impact of the new regulation.

Figure ES-6: Cost of SB 1383 Organic Material Collection Mandate

Variable	FY 2021-2022 Actual	FY 2025-2026 Projected	Difference
Processing Costs	\$15,706,630	\$52,000,000	\$36,293,370
Organics Education	\$0	\$5,000,000	\$5,000,000
Number of Customers	731,127	731,127	N/A
Cost Per Customer Per Month	\$1.79	\$5.93	\$4.14

4. **COS Revenue Requirement – MBIF.** The COS study calculates the initial COS MBIF rates based on the annual revenue requirement and projects the annual rate increases needed to cover the cost of providing bulking item collection services to multi-family dwelling units. Figure ES-7 summarizes the annual revenue requirement for the MBIF program.

Figure ES-7: Revenue Requirement - MBIF

Fiscal year	Annual Revenue Requirement
Projected Revenue at Current Rates	\$7,101,000
FY 2025-2026	\$22,118,362
FY 2026-2027	\$22,808,753
FY 2027-2028	\$23,334,754
FY 2028-2029	\$23,876,543
FY 2029-2030	\$24,434,594

As shown, projected revenues at current rates are insufficient to cover projected costs for the five-year planning period (FY 2025-2026 through FY 2029-30). Rate increases are necessary to fully fund MBIF services.

5. **MBIF COS Rates.** The MBIF COS analysis (described in detail in Sections 2-5 of this report) identified direct costs to operate the MBIF bulky item collection and processing costs and apportioned City overhead costs to SRF and MBIF operation (as identified in Figure ES-7 above) All MBIF customers are provided the same level of service;

therefore, the rate per customer per month is derived by dividing total costs by the number of customers and number of months in a fiscal year. Note: Historically, the MBIF rate has differed based on how each multi-family customer is billed for electricity services as the MBIF charge is included in the LADWP utility bill. Our analysis did not find justification for charging different rates based on how a multi-family complex is charged for electricity service; therefore, we are recommending a uniform charge (per dwelling unit) moving forward.

Figure ES-8: Current and COS MBIF Rates (\$ per month per dwelling unit)

Customer Class	Current	FY 2025-2026 ⁽¹⁾	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Multi-Family Complex (with individual water meters)	\$1.28	\$3.04	\$3.13	\$3.20	\$3.27	\$3.34
Multi-Family Complex (with master water meters)	\$1.11	\$3.04	\$3.13	\$3.20	\$3.27	\$3.34

(1) Rates will be effective January 1, 2026. For future years, rates will be effective July 1st.

Section 1. Introduction

LASAN contracted with HF&H to create a solid waste COS model and rate structure, which HF&H prepared, based on the level of service received by each customer class. The objective of this COS study is to perform a thorough evaluation of the City's solid waste rates, providing a well-documented analysis that outlines key assumptions, methodology, and the justification for the proposed rate adjustments.

STUDY PURPOSE

The primary purpose of this report is to document that the proposed rates comply with the relevant laws in California for setting solid waste rates. Another key purpose is to ensure that the rates generate sufficient revenue to fund the solid waste, recyclable material, and organic waste collection, processing, and disposal activities over a five-year planning period (commencing FY 2025-26 through FY 2029-30) as well as to begin building reserves associated with these operations and services. This study intends to propose rates for implementation in FY 2025-26 (commencing January 1, 2026) and FY 2026-27 (July 1, 2026).

BILLING PROCEDURES AND CURRENT RATES

The City currently bills SRF and MBIF customers bi-monthly (once every two months); customers receive their solid waste service and sewer charges on their Los Angeles Department of Water and Power (LADWP) bill, along with water and electricity charges. Customers pay their LADWP bill, and LADWP will then remit payment back to LASAN for payment received on solid waste and sewer charges. Single family customers who pay the SRF are entitled to receive collection of a 60-gallon refuse container, 90-gallon recycling container, and 90-gallon organic waste container; multi-family customers are provided with services commensurate with their demand based on the number of units. Historical fees are included in Figure 1.

Figure 1: Monthly Service Rates (FY 2006-2007 to Present)

Fiscal Year	Single Family Dwelling Unit	Multi-family Dwelling Unit
FY 2006-2007	\$18.00	\$11.88
FY 2007-2008	\$22.00	\$14.52
FY 2008-2009	\$26.00	\$17.16
FY 2008-2009 to Present	\$36.32	\$24.33

In addition to the base services charge describe above, the City Council approved an optional extra capacity fee in 1996, by ordinance No. 170686. The extra capacity fee is currently \$5.00 per month for each additional 30-gallons of refuse or manure, \$2.50 per month for each additional 30-gallons of organics, or \$2.00 for a tag to allow 30-gallons of intermittent extra capacity.

In 2007, the City implemented a bulky item collection program to provide bulky item collection to multi-family dwellings which do not receive City-provided solid waste collection services. This service is funded by a user fee of \$1.28 per month per multi-family dwelling unit, split equally between the owner and tenants for separately metered buildings, and \$1.11 per month for owners of master-metered buildings for each dwelling unit. Currently the landlord pays half of the fee and the tenant pays the other half. These fees are included on the municipal services bill sent by LADWP and have not been amended since their inception in 2007.

LEGAL REQUIREMENTS

The City is responsible for setting rates in compliance with California law. In November 1996, voters passed Proposition 218, which added article XIII D to the California Constitution. Article XIII D section 6(b) (1-5) has five substantive requirements that the City must adhere to:

- 1) Revenue from rates must not exceed the cost of providing service.
- 2) Revenue from rates must be used for providing service.
- 3) Fees and charges imposed must be proportional to the cost of providing the service attributable to the parcel.
- 4) Fee or charge may not be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
- 5) No fee or charge may be imposed for general governmental services.

The methodology for setting rates that are proportionate to the cost of providing service is not prescribed in article XIII D; therefore, the analyst was responsible for meeting the requirements of Sections 6(b) 1-5, as reasonably as possible. "Reasonable" rates are not capricious (there is a documented source for all data), not arbitrary (decisions required to make assumptions and analyze data have a sound reason), and not discriminatory (the results do not unduly favor one customer at the expense of another).

We interpret this concept to mean that rates must be proportionate to the COS across the range of subscribed services. We further interpret it to mean that the rates for each level of service must correlate to the actual demand placed on the collection vehicles and other resources from within the solid waste system that are expended to ensure that customers from each service level are provided the required levels of service.

Section 2. SRF Revenue Requirement Projections

To assess the need for additional rate revenue, projected operating expenses and target reserve balances are evaluated against anticipated revenue from existing rates. If a shortfall is identified, rate adjustments are implemented to ensure the City can fully fund the projected expenses and achieve or maintain the required reserve levels.

EXPENSE PROJECTIONS

Rates are developed to cover costs for projected expenses on an annual basis over a five-year planning period. Projected costs commencing FY 2025-2026 through FY 2029-2030 are summarized in Figure 2. Projections are based on the City’s FY 2023-2024 actual costs and FY 2024-2025 projections which have been inflated using inflation factors provided by the City (summarized in Figure 3).

Figure 2: Projected Expenses - SRF

Fiscal Year	Projected Expenses
FY 2025-2026	\$ 555,072,259
FY 2026-2027	\$ 590,583,269
FY 2027-2028	\$ 606,593,949
FY 2028-2029	\$ 630,276,070
FY 2029-2030	\$ 657,378,289

Figure 3 depicts the most common inflation factors with significant impacts on rates.

Figure 3: Inflation Factors

Fiscal Year	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Labor	3.00%	3.00%	3.00%	3.00%	3.00%
Bureau of Sanitation Expenses	3.93%	3.93%	3.93%	3.93%	3.93%
Disposal (1)	7.41%	7.41%	7.41%	7.41%	7.41%
Recyclables Processing (1)	6.64%	6.64%	6.64%	6.64%	6.64%
Organic Waste Processing (1)	6.51%	6.51%	6.51%	6.51%	6.51%

(1) Inflation factor is a combination of gate rate, population adjustment, and migration of materials between waste streams due to legislation.

The City estimated additional program costs and HF&H included these costs in the projections for FY 2025-2026 through FY 2029-2030. The main categories of new program costs can be summarized into the following groups:

- Revision to LADWP billing costs, including provision of adequate staffing
- Capital improvements to collection yards to alleviate deferred maintenance
- Implementation of reserve fund associated with SRF and MBIF operations, which can only be used on SRF and MBIF operations and capital expenditures
- Vehicle telematics
- S.A.F.E Center reimbursement for services provided to SRF ratepayers

REVENUE INCREASES

Current revenue at current rates are estimated to result in a revenue shortfall of \$217,287,244 in FY 2025-2026. Working with City Staff, HF&H has developed proposed revenue increases and rate structure changes to fully fund the cost of providing service to all customers.

The revenue increase strategy determined the cost of service attributable to each parcel based upon the type and size of container serving the property and the subscribed service level. While historically, the City has charged different rates to single-family and multi-family customers based on the number of units, HF&H did not find a justification for charging different rates on a go-forward basis for the following reasons:

- SB 1383 mandates the provision of organic waste services and recycling services to all customers, including multi-family customers. As such, multi-family customers will receive the same base services per unit as single-family subscribers (60-gallon refuse, 90-gallon recycling, and 90-gallon organic waste containers).
- The costs of providing solid waste, organic waste, and recycling services are agnostic to the type of property being serviced; instead, rates are based on the subscribed volume and the concept that each customer is reserving a specific amount of volume on collection vehicles on a weekly basis.

The cost-of-service study determined the City’s revenue requirement for provision of services, and the cost per customer necessary to meet the revenue requirement. Figure 10 below compares current and proposed rates by service level, with the first rate increase occurring on January 1, 2026, and subsequent rate increases occurring annually on July 1st.

Figure 4: Current and COS Rates

Service Level	Current	FY 2025-2026 (1)	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
<u>Base Service</u> (2)						
Single Family Solid Resources Fee(3)	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Duplex Solid Resource Fee – per unit	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Multi-Family (3+ units)(4) Solid Resources Fee (per unit)	\$24.33	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
<u>Optional Service</u>						
Extra Capacity Refuse Container(5)	\$5.00	\$15.65	\$16.65	\$16.91	\$17.70	\$18.44
Extra Capacity Recycling Container(5)	\$0.00	\$11.24	\$11.96	\$12.14	\$12.71	\$13.24
Extra Capacity Organics Container(5)	\$2.50	\$16.28	\$17.32	\$17.59	\$18.41	\$19.18
Extra Capacity Brown (Manure) Container(5)	\$5.00	\$23.81	\$25.33	\$25.72	\$26.92	\$28.05

- (1) Rates will be effective January 1, 2026. For future years, rates will be effective July 1st.
- (2) Base services include one solid waste container, one recycling container, and one organics container
- (3) Includes accessory dwelling units, and junior accessory dwelling units
- (4) Excludes complexes receiving service from permitted franchise haulers; Includes mobile homes
- (5) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Extra capacity recycling rates are currently no additional charge. Future extra capacity rates are based on provision of a 60-gallon refuse container, 90-gallon recycling container, 90-gallon organics container, or 60-gallon manure container. Currently 93% of extra capacity refuse carts are 60-gallons, 95% of extra capacity recycling containers are 90-gallon, and 86% of extra capacity organics containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

Section 3. SRF Cost-of-Service Analysis

METHODOLOGY

A COS Study determines the unit cost of the services provided to the City’s solid waste customers. Each customer class is charged the same unit cost for its share of the services that it requires. In this way, the total revenue requirement is split between the fixed service charges and the volumetric charges; with the volumetric charges further proportioned among the customer classes. The customer classes for this study are ‘cart’ and ‘bin’ customers because service is provided based on the type of container.

Most of the City’s solid waste services are related to meeting customer demands for solid waste, recycling, and organic waste collection services.

The collection services vary based on the customer’s subscribed size and type of container (bin vs. cart) used for the collection of solid waste materials.

The solid waste collection service levels are defined as follows:

Cart Customers – Cart customers receive three carts for the monthly rate, a 60-gallon solid waste cart, a 90-gallon recycling cart, and a 90-gallon organic waste cart. Additional carts may be provided if requested for an additional fee. Additional capacity is currently sold in 30-gallon increments.

Bin Customers – Bin customers typically receive service in containers ranging from one (1) to six (6) cubic yards. The bins are collected primarily by front-loaded refuse trucks. Typically, these containers are used at multi-family complexes.

FY 2024-2025 COST-OF-SERVICE

Figure 5 below summarizes the allocation factors used to allocate the revenue requirement into each customer class and material streams. HF&H calculated these factors based on operational and financial information provided by the City. For costs that are only applicable to a specific customer class or material stream, HF&H created allocation factors to direct 100% of the costs to a specific category (e.g., disposal costs for solid waste are only allocated to the cart and bin solid waste streams).

Figure 5: Allocation Factors for FY 2025-2026 Through FY 2029-2030

Allocation Factors	Solid Waste Cart	Recycling Cart	Organic Waste Cart	Solid Waste Bin	Recycling Bin
Routes	42.84%	26.30%	28.31%	2.18%	0.21%
Solid Waste Volume	96.90%	0.00%	0.00%	3.10%	0.00%
Recycling Volume	0.00%	99.81%	0.00%	0.00%	0.19%
Organic Waste Volume	0.00%	0.00%	100.00%	0.00%	0.00%

Figure 6 summarizes the revenue requirement by customer class after the application of the allocation factors from Figure 5. This represents the expenditures by customer class to achieve cost of service for current programs.

Figure 6: Cost of Service By Customer Class FY 2023-2024

Customer Class	Net COS
Solid Waste Carts	\$201,315,631
Recycling Carts	\$112,304,855
Organic Waste Carts	\$149,274,618
Brown Carts	\$894,321
Solid Waste Bins	\$9,381,212
Recycling Bins	\$795,219

HF&H needed to design rates that generate each class’s share of the revenue requirement. Section 4 provides a recommended rate structure to meet the COS.

Section 4. Rate Design – SRF

This section discusses the design of volumetric charges for the various sizes of carts and bins, as well as the fixed service charges for each customer class. All cost categories were evaluated to determine if the cost would fluctuate based on subscribed volume (volumetric) or remain constant (fixed) and if there were variances in the subscribed level of service and type of container. The following methodology was used to calculate the cost of service by service level and customer class for solid waste, recycling, organic waste, and manure (brown cart).

Figure 7 details the fixed, volumetric, and disposal costs by customer class and material stream. Fixed collection costs are administrative support which does not vary according to the capacity of collection a customer subscribes to. Volumetric collection costs include direct collection expenditures for servicing containers. These costs vary according to the capacity of collection a customer subscribes to. Disposal and/or processing costs include the cost to dispose of or processes solid waste, recyclables, organic materials, or manure and are allocated to the respective material streams.

Figure 7: Fixed, Volumetric, and Disposal/Processing Costs FY 2023-2024

Cost of Service Overview	Net COS
<u>Solid Waste Carts</u>	
Fixed Costs	\$119,865,946
Volumetric Costs	\$37,409,381
Disposal Costs	\$44,040,305
<u>Recycling Carts</u>	
Fixed Costs	\$73,256,226
Volumetric Costs	\$23,150,007
Processing Costs	\$15,898,621
<u>Organic Waste Carts</u>	
Fixed Costs	\$78,855,428
Volumetric Costs	\$24,784,419
Processing Costs	\$45,634,770
<u>Brown Carts</u>	
Fixed Costs	\$466,600
Volumetric Costs	\$146,296
Processing Costs	\$281,426
<u>Solid Waste Bins</u>	
Fixed Costs	\$6,082,849
Volumetric Costs	\$1,889,664
Processing Costs	\$1,408,698
<u>Recycling Bins</u>	
Fixed Costs	\$583,250
Volumetric Costs	\$181,721
Processing Costs	\$30,248

FIXED COLLECTION COSTS

Fixed collection costs ("Fixed Costs") are established based on the City's prior expenditures and annual budget and remain independent of service volume fluctuations. These costs encompass essential operational expenses, including customer service staffing, billing functions, administrative support, and public education and outreach initiatives. Fixed Costs are distributed uniformly across all ratepayers, irrespective of their individual service levels

or subscription volumes. Figure 8 outlines the methodology for calculating Fixed Costs by material stream.

Figure 8: Fixed Collection Costs FY 2023-2024

Description	Solid Waste Carts	Recycling Carts	Organic Waste Carts
Annual Fixed Costs	\$119,865,946	\$73,256,226	\$78,855,428
Containers per Week	1,022,438	894,844	862,638
Annual Rate per Container	\$117.24	\$81.86	\$91.41
Monthly Rate per Container	\$9.77	\$6.82	\$7.62

VOLUMETRIC COLLECTION COSTS

Volumetric collection costs are directly proportional to the size of the subscribed containers. To ensure accurate allocation of these volumetric costs, the factors outlined below were calculated based on the City's current subscription levels. These costs specifically exclude expenses related to transfer, disposal, processing, and Fixed Costs, which are accounted for separately.

Equivalent Container Factors

The subscribed level of service of each customer, in essence, reserves that equivalent volume of space in the collection vehicle. The City must route its drivers and vehicles in order to ensure the collection trucks on those routes have sufficient capacity to accept the amount of material set out for collection by the customer. The size of the containers multiplied by the number of containers will determine the amount of truck capacity required. Further, the average route hours, collection truck capacity per load, and disposal trip time are integral to apportion volumetric costs.

An Equivalent Container Factor (ECF) was calculated to determine the volumetric component of the monthly rates as follows:

1. For a given material stream, the total number of containers collected by a specific truck were gathered to find a total sum of containers.
2. Percentages of the number of carts versus the overall total number of carts were calculated.
3. For each container size collected, a theoretical maximum of container lifts to be collected was calculated by dividing the trucks weight at capacity by a maximum weight of a single container collected. Please note that all SRF customers are to be provided with a standard 60-gallon refuse cart, 90-gallon recycling cart, and 90-gallon organic waste cart.
4. The percentages in step 2 were multiplied by the lifts in step 3 to determine the total number of containers collected for each size in an ideal route.
5. The total number of containers in step 1 was divided by step 4 to determine the total number of loads required to service all containers in one week.
6. For each container size collected, the number of lifts in step 3 were divided by the total number of containers to calculate the adjusted loads if all customers subscribed to that size.
7. The volumetric collection costs divided by the number of loads per week calculated in step 5 were used to calculate a unit rate per load.
8. The unit rate per load was multiplied by the adjusted loads in step 6 to calculate a cost per load for each container size.

The ECF for each container size was calculated by dividing cost per load by the minimum cost per load of all container sizes.

Figure 9 lists the ECFs for solid waste, recycling, organic waste, and brown container discarded material streams. Please note that the provision of the same size base containers for SWRF cart customers results in an ECF of 1.00 for each cart stream. If multiple sizes were offered (e.g., pay-as-you throw system), the ECF would vary by container size. Multiple size bins are offered which results in multiple ECFs.

Figure 9: Cart and Bin ECFs

Description	Equivalent Container Factor
Solid Waste (Gallons)	
60	1.00
Recycling (Gallons)	
90	1.00
Organic Waste (Gallons)	
90	1.00
Brown Container (Gallons)	
60	1.50
Solid Waste (Cubic Yards)	
1 Yard	1.00
2 Yard	1.58
3 Yard	2.15
4 Yard	2.73
6 Yard	3.77
Recycling (Cubic Yards) (1)	
1 Yard	1.00
2 Yard	1.00
3 Yard	1.00
4 Yard	1.00
6 Yard	1.00

(1) Please note that recycling containers have an ECF of 1.00 due to extremely low participation volume in the recycling program. Based on processing tonnage and volume in service, recycling containers are collecting 0.07 lbs. per gallon of service.

Equivalent Container Units

Equivalent Container Units (ECU) were calculated to properly allocate the volumetric collection costs. ECUs were calculated by multiplying the number of containers by size by the applicable ECF. Current containers in service were provided by the City from limited and best available operational data. It is recommended that LASAN implement telematics in collection vehicles to verify the number of containers in service which will improve accuracy of billing and increase revenue recognition. Figure 16 shows the calculation of the ECUs for solid waste, recycling, organic waste, and brown containers.

Figure 10: Equivalent Container Units

Description	Equivalent Container Units
Solid Waste (Gallons)	
60	1,022,438
Recycling (Gallons)	
90	894,844
Organic Waste (Gallons)	
90	862,638
Brown Container (Gallons)	
60	5,349
Solid Waste (Cubic Yards)	
1 Yard	2
2 Yard	262
3 Yard	6,998
4 Yard	18,223
6 Yard	17,786
Recycling (Cubic Yards)	
1 Yard	4
2 Yard	132
3 Yard	246
4 Yard	852
6 Yard	280

Volumetric Collection Costs Calculation

Volumetric costs vary based on the size, type, and number of containers and frequency of service. Costs include items such as: labor, equipment operation, fuel, and maintenance. Figure 11 shows the calculation of the monthly variable cart collection costs per month for solid waste, recycling, organic waste, and brown carts.

Figure 11: Cart Volumetric Collection Costs FY 2023-2024

Description	Solid Waste Carts	Recycling Carts	Organic Waste Carts
Annual Volumetric Costs	\$37,409,381	\$23,150,007	\$24,784,419
Equivalent Container Units (ECU)	1,022,438	894,844	862,638
Annual Volumetric Costs per ECU	\$36.59	\$25.87	\$28.73
Monthly Volumetric Costs	\$3.05	\$2.16	\$2.39

Disposal and Processing Costs

Disposal and processing costs represent the projected costs to dispose and/or process the collected materials. The cost per gallon of service is calculated by dividing the projected disposal costs by the number of subscribed gallons. Figure 12 summarizes the cost per month to dispose of the collected solid waste, recyclable, or organic materials.

Figure 12: Disposal and Processing Costs FY 2023-2024

Description	Solid Waste Carts	Recycling Carts	Organic Waste Carts
Annual Disposal & Processing Costs	\$44,040,305	\$15,898,621	\$45,634,770
Equivalent Container Units (ECU)	1,022,438	894,844	862,638
Annual Disposal & Processing Costs per ECU	\$43.07	\$17.77	\$52.90
Monthly Disposal & Processing Costs	\$3.59	\$1.48	\$4.41

Summary of Cost of Service

Figure 13 and Figure 14 summarize the cost of service for FY 2023-2024.

Figure 6: Cart Collection Cost of Service FY 2023-2024 (\$/month)

Waste Stream	Cost of Service
Solid Waste Carts (60 gallons) (1)	\$16.41
Recycling Carts (90 gallons) (2)	\$10.46
Organic Waste Carts (90 gallons) (3)	\$14.42
SRF Bundle	\$41.29

- (1) Solid Waste Carts columns from Figures 14, 17, and 18
- (2) Recycling Carts columns from Figures 14, 17, and 18
- (3) Organic Waste Carts columns from Figures 14, 17, and 18

Figure 7: Bin Collection Cost of Service FY 2023-2024

Container Type/Size	Cost of Service
Solid Waste (Cubic Yards)	
1 Yard	\$151.88
2 Yard	\$167.67
3 Yard	\$187.65
4 Yard	\$212.17
6 Yard	\$269.81
Recycling (Cubic Yards)	
1 Yard	\$127.07
2 Yard	\$140.05
3 Yard	\$140.05
4 Yard	\$153.03
6 Yard	\$166.01

COS Rates were calculated based on FY 2023-2024 actual expenses from the City’s financial statements. Because rates will be effective January 1, 2026, they require adjustment; projected rates are inflated based on a combination of factors, including those listed in Figure 9, projected capital expenditures, and addition of reserve funding (90 days of operating expenses by year 5 of rate increases). Projected COS rates for 2025-2026 are presented in 15 and 16.

Figure 15: Cart Collection Cost of Service FY 2025-2026 (\$/month)

Waste Stream	Cost of Service
Solid Waste (60 gallons)	\$22.23
Recycling (90 gallons)	\$14.18
Organic waste (90 gallons)	\$19.54
SRF Bundle	\$55.95

Figure 16: Bin Collection Cost of Service FY 2025-2026 (\$/month)

Container Type/Size	Cost of Service
Solid Waste (Cubic Yards)	
1 Yard	\$205.83
2 Yard	\$227.22
3 Yard	\$254.30
4 Yard	\$287.53
6 Yard	\$365.64
Recycling (Cubic Yards)	
1 Yard	\$168.17
2 Yard	\$181.72
3 Yard	\$193.34
4 Yard	\$206.89
6 Yard	\$232.06

Multi-family complexes have the option of receiving services utilizing individual carts or bins. Many complexes have limited space to place multiple small carts for each resident throughout

their properties, in this case complex management will elect to have a limited number of larger cubic yard bins which are shared amongst the residents. Our COS analysis calculated the cost of bin service to those multi-family complexes utilizing shared cubic yard bins (as shown in Figure 16). However, due to billing system constraints which require charges to be applied on a per-dwelling unit basis (and because there is a wide range of the number of dwelling units within each complex), and not on a per container basis, a variance exists between the cost of providing bin service and the per-dwelling unit cost of service rate of \$55.45 per month. This variance results in lower annual revenue (\$1,127,311.20 as shown in Figure 17) coming from the per-dwelling unit rate versus the bin service costs. As such, this variance needs to be made up by a General Fund subsidy, as in accordance with Proposition 218, other customer classes (i.e., single-family ratepayers) cannot absorb this cost vs. revenue differential.

Figure 17. General Fund Subsidy of Multi-Family Bin Customers

Container Size	# of Containers	COS/Container/ Month	COS/Year
FEL Containers: Trash			
1 Yard	2	\$205.83	\$4,939.92
2 Yard	83	\$227.22	\$226,311.12
3 Yard	175	\$254.30	\$534,030.00
4 Yard	82	\$287.53	\$282,929.52
6 Yard	206	\$365.64	\$903,862.08
FEL Containers: Recycling			
1 Yard	4	\$168.17	\$8,072.16
2 Yard	66	\$181.72	\$143,922.24
3 Yard	86	\$193.34	\$199,526.88
4 Yard	29	\$206.89	\$71,997.72
6 Yard	0	\$232.06	\$0.00
Organics cart (1 per dwelling unit)			
90 gallon	2,857	\$ 19.54	\$669,909.36
Total	N/A	N/A	\$3,045,501.00 ^a

# of Dwelling Units	2,857
Per Dwelling Unit Rate	\$ 55.95
Annual Revenue from per Dwelling Unit Rate	\$1,918,189.80 ^b
General Fund Subsidy	\$1,127,311.20 ^{a-b}

Section 5. SRF Implementation

COST OF SERVICE RATES

This analysis assumes implementation of rates on January 1, 2026 for regular collection services and adjust annually on July 1 thereafter. The rates represent the cost of providing service based on the COS analysis. Actual revenue generated above the projected operational revenue requirement from these rates must be held in the City’s reserves to support future SRF operations, SRF-related new solid waste regulations, unforeseen SRF-related expenses, and fluctuations in economic conditions. These rates have been projected to develop a reserve balance of 90-days’ operating expenses by the commencement of FY 2030-2031. Please note that single family, duplex, and multi-family customers will be charged the same rate per dwelling unit for reasons described in Section 2, Revenue Increases. Figure 18 includes the COS rates through FY 2029-2030.

Figure 18: Projected Cost of Service Rates

Service Level	Current	FY 2025-2026 ⁽¹⁾	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
<u>Base Service ⁽²⁾</u>						
Single Family Solid Resources Fee ⁽³⁾	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Duplex Solid Resource Fee – per unit	\$36.32	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Multi-Family (3+ units) ⁽⁴⁾ Solid Resources Fee (per unit)	\$24.33	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
<u>Optional Service</u>						
Extra Capacity Refuse Container ⁽⁵⁾	\$5.00	\$15.65	\$16.65	\$16.91	\$17.70	\$18.44
Extra Capacity Recycling Container ⁽⁵⁾	\$0.00	\$11.24	\$11.96	\$12.14	\$12.71	\$13.24
Extra Capacity Organics Container ⁽⁵⁾	\$2.50	\$16.28	\$17.32	\$17.59	\$18.41	\$19.18
Extra Capacity Brown (Manure) Container ⁽⁵⁾	\$5.00	\$23.81	\$25.33	\$25.72	\$26.92	\$28.05

- (1) Rates will be effective January 1, 2026. For future years, rates will be effective July 1st.
- (2) Base services include one solid waste container, one recycling container, and one organics container
- (3) Includes accessory dwelling units, and junior accessory dwelling units
- (4) Excludes complexes receiving service from permitted franchise haulers; Includes mobile homes
- (5) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Extra capacity recycling rates are currently no additional charge. Future extra capacity rates are based on provision of a 60-gallon refuse container, 90-gallon recycling container, 90-gallon organics container, or 60-gallon manure container. Currently 93% of extra capacity refuse carts are 60-gallons, 95% of extra capacity recycling containers are 90-gallon, and 86% of extra capacity organics containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

COMPARISON OF COS RATES TO COLLECTION RATES OF OTHER MUNICIPAL HAULERS IN LOS ANGELES COUNTY

Figure 19 is a summary of rate increases by municipal haulers in Los Angeles County based on publicly available data.

Figure 19: Municipal Hauler Collection Rates in Los Angeles County

City	2022	2023	2024	2025	2026	2027	2028	2029	2030
Burbank	\$54.64	\$56.92	\$60.55						
Claremont	\$41.25	\$42.48	\$43.75	\$45.07	\$46.42				
Culver City	\$48.63	\$53.49	\$54.83	\$56.20	\$57.60	\$59.04	\$60.52	\$62.03	\$63.58
Glendale(1)	\$18.34	\$32.34	\$46.90	\$58.63	\$64.49	\$70.94			
Long Beach(2)	\$34.42	\$38.32	\$42.66	\$59.30	\$60.49				
Pasadena	\$40.99	\$46.61	\$49.87	\$53.36	\$57.10	\$61.10			
Santa Monica (3)		\$59.83	\$66.41	\$73.71	\$81.82	\$90.82			
Torrance		\$35.31	\$40.74	\$44.41	\$48.41	\$52.29	\$56.48		

- (1) Glendale did not increase rates between 2010 and 2023. This resulted in a residential rate increase of 76% in July of 2023, followed by annual increases of 45% and 25% in July 2024 and July 2025.
- (2) 2025 and 2026 Rates effective August 1. Long Beach recently completed a COS study to arrive at these rates.
- (3) Santa Monica did not increase rates between 2020 and 2023. As such, their rates will increase by 11% annually from August 2023 through August 2027 (compounded increase of 52%).

ALTERNATE IMPLEMENTATION SCENARIOS

While the COS model includes thousands of variables that allow for infinite iterations, we have currently included three (3) scenarios for consideration.

- Scenario 1 – Full cost recovery commencing January 1, 2026. This is the scenario described in prior pages (i.e., COS rates from Figure 17) of this report and is included here for comparison to the phase in approaches in Scenarios 2 and 3.
- Scenario 2 – 2.5-year rate phase in commencing January 1, 2026, with full cost recovery commencing FY 2027-2028
- Scenario 3 – 4.5-year rate phase in commencing January 1, 2026, with full cost recovery commencing FY 2029-2030.

Figure 20 depicts the basic monthly service rates for customers, as well as the monthly rate increases by fiscal year. All three scenarios result in full COS rates by FY 2029-30 (i.e. \$62.09 per month per dwelling unit)

Figure 20: Alternate Rate Implementation Scenarios - \$ per month per unit

Description	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Residential Cart Service Rates (\$ per month per unit)					
Scenario 1 - full cost recovery commencing January 1, 2026	\$55.95	\$59.53	\$60.44	\$63.27	\$65.93
Scenario 2 - 2.5 year rate phase in commencing January 1, 2026	\$44.36	\$52.40	\$60.44	\$63.27	\$65.93
Scenario 3 - 4.5 year rate phase in commencing January 1, 2026	\$42.25	\$48.18	\$54.11	\$60.04	\$65.93
Residential Cart Service Rates Increase (\$ per month per unit)					
Scenario 1 - full cost recovery commencing January 1, 2026	\$19.63	\$3.58	\$0.91	\$2.83	\$2.66
Scenario 2 - 2.5 year rate phase in commencing January 1, 2026	\$8.04	\$8.04	\$8.04	\$2.83	\$2.66
Scenario 3 - 4.5 year rate phase in commencing January 1, 2026	\$5.93	\$5.93	\$5.93	\$5.93	\$5.89

By delaying the implementation of COS rates, the General Fund will incur additional costs to meet the revenue requirements of the SWRRF over the five-year study period, as shown in Figure 21. Note: the General Fund subsidy required in Scenario 1 is the result of the rate increase becoming effective January 1, 2026, six months into FY 2025-2026.

Figure 21: General Fund Subsidy

Scenario	Total Expenses for the SWRRF Program (FY 2025-2026 through FY 2029-2030)	General Fund Subsidy Required (FY 2025-2026 through FY 2029-2030)	General Fund as % of Total SWRF Expenses
Scenario 1 - full cost recovery commencing January 1, 2026	\$3,116,137,699	\$184,001,039	5.90%
Scenario 2 - 2.5 year rate phase in commencing January 1, 2026	\$3,116,137,699	\$352,182,750	11.30%
Scenario 3 - 4.5 year rate phase in commencing January 1, 2026	\$3,116,137,699	\$535,863,186	17.20%

GENERAL FUND REIMBURSEMENT FOR EXTRA CAPACITY CHARGES

Currently, LASAN’s customer rates for extra capacity containers are significantly below the cost of providing service. This study considered three primary options for charging extra capacity containers as described below.

Option 1 – Charge Cost of Service

If the City implements COS rates, there will be no charge to the General Fund for extra capacity containers.

Option 2 – Maintain Existing Monthly Rates for Extra Capacity Services

If the City opts to maintain current rates for extra containers it will cost the General Fund an estimated \$80.8 million per year as shown in Figure 22.

Figure 8: General Fund Cost for Maintaining Existing Extra Capacity Rates

Service (1)	Units	Current Rate	COS Rate	Difference /Month/ Container	Difference /Year/ Container	Difference/ Year
Refuse Extra Capacity	287,375	\$5.00	\$15.65	\$10.65	\$127.80	\$36,726,252.00
Recycling Extra Capacity	159,781	\$0.00	\$11.24	\$11.24	\$134.88	\$21,551,261.28
Organics Extra Capacity	131,511	\$2.50	\$16.28	\$13.78	\$165.36	\$21,746,658.96
Manure Extra Capacity	3,566	\$5.00	\$23.81	\$18.81	\$225.72	\$804,917.52
Total						\$80,829,362.76

(1) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Future extra capacity rates are based on a provision of a 60-gallon refuse container, 90-gallon recycling container, or 90-gallon recycling container. Currently 93% of extra capacity refuse carts are 60-gallons, 86% of extra capacity organics containers are 90-gallon, and 95% of extra capacity recycling containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

Option 3- Charge All Extra Capacity Containers the Same Rate

The City may also opt to increase rates for all streams to \$11.14 per month for extra capacity charges (the lowest COS rate for all material types). This rate is the COS for providing recycling extra capacity containers; the reason for considering charging all streams at the

same rate is to incentivize proper source separation. Under this scenario, it is estimated the general fund would need to subsidize approximately \$23.7 million per year. Please see the chart on the following page for further details.

Figure 23: General Fund Cost for Charging All Extra Capacity Containers the Same Rate

Service (1)	Units	New Rate	COS Rate	Difference /Month	Difference /Year	Difference/Year All
Refuse Extra Capacity	287,375	\$11.24	\$15.65	\$4.41	\$52.92	\$15,207,885.00
Recycling Extra Capacity	159,781	\$11.24	\$11.24	\$0.00	\$0.00	\$0.00
Organics Extra Capacity	131,511	\$11.24	\$16.28	\$5.04	\$60.48	\$7,953,785.28
Manure Extra Capacity	3,566	\$11.24	\$23.81	\$12.57	\$150.84	\$537,895.44
Total						\$ 23,699,565.72

(1) Extra capacity refuse and organics rates are currently charged on a per 30-gallon basis. Future extra capacity rates are based on a provision of a 60-gallon refuse container, 90-gallon recycling container, or 90-gallon recycling container. Currently 93% of extra capacity refuse carts are 60-gallons, 86% of extra capacity organics containers are 90-gallon, and 95% of extra capacity recycling containers are 90-gallon. Provision of only the most common size containers will minimize inventory costs and increase operational efficiency.

CUSTOMER ASSISTANCE PROGRAM - SRF

A customer assistance program (“Lifeline Program”) is available to those customers who meet income requirements for a low-income household, as defined in the City’s Ordinance, and are either senior citizens or disabled. Customers receive a discount of 30% on SRF, for base services, with revenue being replaced by the General Fund. If a lifeline customer also subscribes to extra capacity containers, they receive a 100% discount on the first extra capacity container and a 50% discount on any additional extra capacity containers.

As of December 2024, there were 44,411 customers utilizing the Lifeline Program. The total amount of this revenue will amount to approximately \$5.8 million in FY 2024-2025. This amount will increase annually proportionally with increases to service rates. The City may consider replacing the Lifeline Program with a low-income discount, which would not require the customer to be senior or disabled, similar to other City programs.

Figure 24: Current General Fund Obligation for Customer Assistance Program - SRF

Description	Volume	Total Units	General Fund Reimbursement Per Month Per Unit	General Fund Reimbursement Per Year
Lifeline Residential Refuse	60 Gallons	35,804	\$10.90	\$4,683,163.20
Lifeline Multi-Family Refuse	60 Gallons	8,607	\$7.30	\$753,973.20
Lifeline Residential Refuse Extra Capacity - No Charge	30 Gallons	1,081	\$5.00	\$64,860.00
Lifeline Residential Refuse Extra Capacity - 50% Discount	30 Gallons	8,979	\$2.50	\$269,370.00
Lifeline Multi-Family Refuse Extra Capacity - No Charge	30 Gallons	37	\$5.00	\$2,220.00
General Fund Obligation for Lifeline Services				\$5,773,586.40

Section 6. Multi-Family Bulky Item Fee

LASAN currently provides bulky item collection service to approximately 474,000 apartment residents. It is recommended to expand the program to cover all multi-family and mixed-use properties. There are approximately 132,489 units that can be added to the program.

MBIF EXPENSES – CURRENT CUSTOMER BASE

Multi-Family bulky item service is currently accounted for via an enterprise fund. Projected expenses for the MBIF fund are included in Figure 25.

Figure 25: Projected MBIF Expenses

Fiscal year	Projected Expenses
FY 2025-2026	\$20,093,575
FY 2026-2027	\$20,703,239
FY 2027-2028	\$21,167,312
FY 2028-2029	\$21,645,313
FY 2029-2030	\$22,137,663

MBIF COS RATES – CURRENT CUSTOMER BASE

All MBIF customers are provided the same level of service, therefore the rate per customer per month is derived by dividing total expenditures by the number of customers and number of months in a fiscal year. Figure 26 includes projected MBIF rates when accounting for estimated population fluctuations.

Figure 26: Projected MBIF Rates

Fiscal year	Projected Rates (1)
FY 2025-2026	\$3.53
FY 2026-2027	\$3.63
FY 2027-2028	\$3.71
FY 2028-2029	\$3.79
FY 2029-2030	\$3.87

- (1) Currently separately metered and master-metered apartments are charged a different rate for these services of \$1.28 and \$1.11, respectively; half of the amount is billed to the property owner and half is billed to the tenant.

MFBIF PHASE II

As previously noted, there are approximately 132,489 units that are not charged the MFBIF. Based on call volumes per customer it is estimated that the addition of these units and notification of the MBIF program to these accounts will increase bulky item requests, requiring the addition of twelve (12) additional refuse collection truck operators and trucks. The addition of these accounts to the MBIF Program is herein referred to as MFBIF Phase II. Figure 24 shows the projected annual expenses including MBIF Phase II and Figure 25 shows the projected monthly cost per unit including MBIF Phase II (applicable to current and new users).

Expanding the MFBIF program to include 132,489 more dwelling units increases costs (as shown in Figures 25 and 27); however, the total monthly cost per unit decreases (as shown in Figures 26 and 28) as the total cost of the MBIF program would be spread over a much larger base of customers.

Figure 27: Projected MBIF Phase II Expenses

Fiscal year	Projected Expenses
FY 2025-2026	\$22,118,362
FY 2026-2027	\$22,808,753
FY 2027-2028	\$23,334,754
FY 2028-2029	\$23,876,543
FY 2029-2030	\$24,434,594

Figure 28: Projected MBIF Phase II Rates

Fiscal year	Monthly Rate per Unit (1)
FY 2025-2026	\$3.04
FY 2026-2027	\$3.13
FY 2027-2028	\$3.20
FY 2028-2029	\$3.27
FY 2029-2030	\$3.34

(1) Currently separately metered and master-metered apartments are charged a different rate for these services of \$1.28 and \$1.11, respectively; half of the amount is billed to the property owner and half is billed to the tenant.

CUSTOMER ASSISTANCE PROGRAM - MBIF

The City’s customer assistance program is available to tenants who are billed directly for services as follows:

- **Low-Income Customer.** If the tenant is a low-income household, as defined in the City’s Ordinance, customers receive a discount of 31.25% off the MBIF monthly charge, with revenue being replaced by the General Fund.
- **Lifeline Customer.** If the tenant is a low-income household, as defined in the City’s Ordinance, and a senior citizen or disabled, customers receive a discount of 100% off the MBIF monthly charge, with revenue being replaced by the General Fund.

As of December 2024, there were 31,934 low-income customers and 12,161 lifeline customers utilizing the customer assistance program. The total amount of this revenue will amount to approximately \$170,000 in FY 2024-2025. This amount will increase annually proportionally with increases in service rates.

Figure 29: Current General Fund Obligation for Customer Assistance Program - MBIF

Description	Total Units	General Fund Reimbursement Per Month Per Unit (1)	General Fund Reimbursement Per Year
Multi-Family – Low Income Discount 31.25% to tenant	31,934	\$0.20	\$76,641.60
Multi-Family – Lifeline Discount 100% to tenant	12,161	\$0.64	\$93,396.48
General Fund Obligation for MBIF Customer Assistance Program			\$170,038.08

(1) Reflects discount percentage applied to \$0.64 per month (i.e., 50% of the current monthly rate of \$1.28) as tenants eligible for the assistance program pay 50% of the total MBIF and landlords pay 50%.