



FAQs: Proposed Changes to Resource Recovery Refuse Collection Rates

On June 13, 2023 the Santa Cruz City Council approved the scheduling of a Public Hearing to discuss proposed changes to Resource Recovery Refuse Collection Rates to occur on Tuesday, August 8, 2023 during the regular meeting of the City Council after 11 a.m.

Below are a few of the most common questions and their answers regarding Proposed Changes to Resource Recovery Refuse Collection Rates:

How are the City's refuse, recycling and street sweeping programs funded?

The Refuse Enterprise Fund is a self-supporting fund that operates the City's refuse, recycling and street sweeping programs. This means that all costs are covered through rates only; no general City funds help support the program. The Refuse Enterprise Fund owns the City landfill and the recycling sorting facility on Dimeo Lane and markets all the recyclable materials collected through the program.

Why are Resource Recovery collection rates rising?

City Council last raised collection rates in 2014 with a four-tier schedule through 2018. Rates have not increased since July of 2018. We were able to build up a healthy Refuse Enterprise Fund balance but starting in 2023 our expenses are exceeding our revenues and spending down that fund balance. Projections indicate that revenues will exceed revenues and deplete the fund balance by FY2027.

In fiscal year 2023 the budget is about \$20.8 million in operating costs. Although we end FY 22-23 with a healthy fund balance estimate of \$12.7 million, our expenses overspend our revenues, between \$1 and almost \$2 million each year, cutting into that fund balance quickly. A healthy enterprise fund needs not only enough revenue to meet annual expenses, it also needs a fund balance, or reserve, to operate through an emergency or a downturn in revenues.

Why is a Refuse Enterprise Reserve Fund important?

The unrestricted Reserve Fund is meant to keep the operation running in the event of any unforeseen events, either natural disaster or man-made like revenue or expense volatility, or unfunded capital projects.

This target has been traditionally calculated based on having reserves of one to three months of the annual operating budget of all refuse operations activities, as well as a capital cost contingency. Unfortunately, escalating costs over the last several years, in the areas of construction and environmental clean-up show that our previous target is now too low; it is more appropriate at the high end of that range. The proposed collection rates are projected to result in a fund balance of \$14 million by FY2028 or approximately 50% of our anticipated operating budget.

How have Resource Recovery operations costs increased?

Resource Recovery personnel costs have increased by 36% over fiscal year 2018 costs. Trucks and heavy equipment is up over that same period, and local and State mandated change from diesel to electric vehicles will further increase those costs.

Capital construction costs have substantially risen. Construction of a new landfill cell has created a deficit of about \$6 million, severely cutting into the fund balance.

Also, Resource Recovery is responding to the California State mandate to replace diesel vehicles with electric vehicles at considerable increase in cost.

The passage of California State's mandated SB 1383 has brought new costs with requirements to provide residential and commercial food waste collection and recovery programs.

Last, citywide software that runs finances and other services is aging and must soon be replaced; the Resource Recovery portion will cost \$3-4 million.

How would the proposed rate increases work?

With our proposed rate increases, annual revenues are projected to equal annual expenditures by FY2025 and return a moderate unrestricted fund balance in FY2028 as a hedge against any unforeseen costs.

Rather than raise revenues all at once to meet expenses, the proposed rate increases raise revenues and spend down some of the fund balance until five years from now when we will have revenues equaling expenses while also meeting the Target Reserve.

By combining this increased revenue with some spending of the fund balance, the rate increase is kept from being immediately much larger, if revenues and expenses were made to equal out right away.

What new services are being added?

Our new Food Scrap Collection Program serves both residents and businesses in compliance with SB 1383 to reduce greenhouse gas emissions. It is now part of the bundled service including garbage, yard waste, and recycling. For commercial customers, this means your rates are now bundled, and food scrap collection is included without an additional charge. Collection for residents is curbside, and onsite for businesses. The scraps are turned into mash that is processed into a variety of products including pellets for pig feed; eventually it will be transformed into energy for onsite use at the Wastewater Treatment Facility. Customers are provided containers for food scrap collection that may include vegetables, fruits, meat, dairy products, seafood, solid fats, and more. Learn more at cityofsantacruz.com/foodwaste.

What new fees are being added?

There are no new fees. Costs for services including Recycling Collection, Yard Waste Collection, Street Sweeping, Food Scrap Collection, Bulky Item Pickup, Household Hazardous Waste Drop-Off, Medications and Sharps Drop-Off Sites, Home Composting Rebates, and Fluorescent Bulb and Battery Drop-Off Sites are all included within the residential refuse collection rates. Commercial refuse collection rates now include recycling, yard waste, and food scrap services.

How do the rate changes affect the City's Zero Waste Goal?

The new collection rates align with the City's Zero Waste Goal providing a financial incentive for both

residential and commercial customers to move to smaller containers or less frequent pickups— thus further reducing waste, increasing recycling and saving landfill space.

Are there any customer options to reduce the new rates?

As noted in the Zero Waste question above, there are financial incentives for both residential and commercial customers to move to smaller containers, if appropriate, or less frequent pickups. Reviewing the proposed [rate mailer](#) lists all of these options. For example, if your current residential refuse container is 64-gallon, you would save money by switching to a 32-gallon container. You would save even more by downsizing to a 20-gallon container.

Can I opt out of services, like food scrap collection, to reduce the new rates?

No, the new State law, SB 1383, mandates that all customers have food scrap, recycling, and yard waste collection services, as appropriate. Additionally, it is not a specific charged line item, it is bundled in your complete service rate.

When would the new rates take effect?

If approved by the City Council, the proposed Resource Recovery Refuse Collection Rates increase would take effect September 1, 2023.

What if I want to protest the proposed rate increases?

If you oppose the proposed rate increases, your protest must be submitted in writing to be counted, even if you plan to attend the public hearing.

Any property owner or a tenant who is a customer of the City Resource Recovery collection program may protest the proposed Resource Recovery collection rates. Only one written protest per parcel, filed by an owner or a tenant who is a customer, will be counted.

Only written and signed protests that include the writer’s address and/or assessor parcel number will be counted to determine whether a majority protest to the proposed Resource Recovery collection rate increase exists. Written protests may be mailed or hand delivered to the Santa Cruz Mayor and City Council at 809 Center St., Rm. 10, Santa Cruz, CA 95060.

To be counted, the protest must:

1) be in writing; 2) state opposition to the proposed rate increase; 3) identify the parcel by assessor’s parcel number or street address; 4) include the original signature of the owner of record or a tenant who is a customer of the City Resource Recovery collection service submitting the protest; 5) be received before the conclusion of the public hearing on August 8, 2023 which will be held in City Council Chambers at 809 Center St., Santa Cruz, 95060.

Notice: Pursuant to Calif. Govt. Code § 53759 (d), there is a 120-day statute of limitations for challenging any new, increased or extended fee or charge.

For more information, contact:

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