



CITY OF CORONADO

CITY COUNCIL STAFF REPORT

April 15, 2025

{{section.number}}b

REVIEW PROPOSED RATE ADJUSTMENTS FOR SOLID WASTE SERVICES AND SET A PUBLIC HEARING AS REQUIRED BY PROPOSITION 218

RECOMMENDATION:

Review proposed rate adjustments for solid waste services and schedule a public hearing for June 17, 2025.

BACKGROUND:

The agreement between the City of Coronado and EDCO, the City's waste hauler, permits annual rate increases for solid waste services. For the past five rate cycles, these increases have been implemented every two years. Rate adjustments are calculated by two cost-of-living-adjustment (COLA) formulas alongside several adjustment factors: landfill tipping fees for refuse and organics, fuel and oil prices, and changes in the San Diego Region Consumer Price Index (CPI). These factors influence both commercial and residential rates for refuse, recycling, and organic waste services. Rate adjustments are further influenced by City costs and recycling revenue fluctuations.

Any change to solid waste service rates is subject to public noticing and a Proposition 218 hearing, which requires at least 45 days' notice between the mailing of the Notice of Public Hearing (Attachment 1) and the public hearing date.

Coronado residents approved funding for solid waste services through a property tax levy in 1944, which remained in place until 1978-79, when Proposition 13 restricted property tax allocations for such services. Subsequently, the City's General Fund subsidized solid waste costs for approximately 14 years. By the early 1990s, the City reconsidered this funding approach due to escalating landfill costs and new state-mandated recycling under (Assembly Bill 939).

In 1992, the City Council approved a phased reduction of the City's contribution for single-family residential refuse services, reducing the subsidy from 50% to 25%, with plans for full elimination by January 1, 1999. However, in late 1998, the City Council reversed this decision and reinstated the 50% subsidy effective 1999. The subsidy then remained unchanged for 16 years.

The subsidy only applies to single-family residential ratepayers and does not extend to multi-family or commercial customers, who pay the full rate for solid waste collection.

Since 2015, the City Council has gradually reduced the subsidy in each of the past five rate adjustments: 2015: 35%; 2017: 31.5%; 2019: 25%; 2021: 20%; and 2023: 15%.

This gradual reduction continues the City's long-term policy of shifting the cost of service directly to the benefiting ratepayers, rather than distributing the cost through the General Fund.

From 1993 to 1998, recycling revenue helped offset a portion of the subsidy. Since then, declining market values for recyclable materials have resulted in program costs exceeding revenue. State

law nonetheless requires the City to maintain recycling and organic waste collection services for both residential and commercial customers.

ANALYSIS:

The most recent rate adjustment was implemented on June 20, 2023. Over the last two years, the San Diego CPI has increased by 8.39%, refuse and organic tipping fees have increased by 27.22% and 8.27% respectively, while fuel and oil costs decreased by 25%. The primary driver of this year's recommended rate increase is the substantial rise in disposal costs, which impacts multiple components of the rate structure.

The City employs a rate-setting formula that allocates various cost drivers –including landfill and organic disposal fees, fuel and oil prices, and regional CPI - across different portions of the solid waste bill. While fuel prices have declined, fuel carries a relatively low weighting (7.5%) in the cost-of-living adjustment (COLA), and the COLA itself only applies to select portions of the overall rate.

The franchise agreement allows for a cap of 10% increase per year for commercial accounts (or 20% over two years) and 7% per year for residential accounts (or 14% for two years).

Based on the City's rate formulas and in coordination with EDCO, the recommended rate for the typical residential service is \$31.11 monthly, representing a 13.21% increase from the previous \$27.48. For a typical commercial service, the recommended rate is \$152.77 monthly, a 12.8% increase from the previous \$135.43.

These proposed increases largely result from the substantial 27.22% in landfill tipping fees since June 2023. Additionally, decreased anticipated revenues from recycling commodities, which offset the cost of recycling service, have factored into the residential rate increase.

The existing and proposed charges for standard service levels are shown in the following table:

RESIDENTIAL SERVICE	CURRENT MAXIMUM MONTHLY SOLID WASTE FRANCHISE SERVICE RATE	REQUESTED MAXIMUM MONTHLY SOLID WASTE FRANCHISE SERVICE RATE (FY 2025-26 / FY 2026-27)
90-gallon cart 1X Weekly Service	\$27.48	\$31.11
COMMERCIAL SERVICE	CURRENT MAXIMUM MONTHLY SOLID WASTE FRANCHISE SERVICE RATE	REQUESTED MAXIMUM MONTHLY SOLID WASTE FRANCHISE SERVICE RATE (FY 2025-26 / FY 2026-27)
3 CY Bin 1X Weekly Service	\$135.43	\$152.77

Additional detail regarding the proposed rate changes are available in Attachment 2. Attachment 3 provides a regional comparison chart showing that the City's full single-family residential solid waste service rate would rank as the fourth lowest among of the 18 cities in the County of San Diego after the proposed increase.

In alignment with previous Council decisions, the recommendation includes reducing the City's

subsidy for single-family residential solid waste services by five percentage points, from 15% to 10%. The current single-family residential cost sharing plan distributes the City's portion of the cost among all taxpayers via a General Fund subsidy; solid waste services are a defined service provided to specific ratepayers where a fee-for-service model is best applied.

Unless directed otherwise, the proposed 10% City subsidy (\$3.11) will be deducted from the new residential rate of \$31.11, for a monthly cost to single family homes of \$28.00. The resulting net change in rates for single family homes is from \$23.34 to \$28.00.

Staff requests approval of the draft Notice of Public Hearing and scheduling a public hearing for June 17, 2025, to consider the proposed rate adjustments for collection services and tabulate the written protests.

FISCAL IMPACT:

Rates were last reviewed and approved on June 20, 2023. The proposed adjustments will increase single-family residential rates from \$27.48 to \$31.11 per month, with the unsubsidized portion paid by the customer rising from \$23.34 to \$28.00. The commercial three-cubic-yard bin rate will increase from \$135.43 to \$152.77 per month.

The General Fund subsidy is recommended to decrease from 15% to 10%, reducing annual expenditures by approximately \$40,000. At the 20% subsidy level in Fiscal Year (FY) 2022-23, the General Fund contribution for single-family refuse was \$234,000. This dropped to \$188,500 in FY 2023-24 and FY 2024-25. If the subsidy is reduced to 10% and the proposed rate increase is approved, the General Fund contribution is projected at \$141,600 in FY 2025-26 and FY 2026-27.

Multi-family and commercial customers pay the full EDCO rate for refuse services.

The General Fund pays the cost of recycling for multi-family and some single-family customers, not utilizing bin service. The current cost for this, paid from the General Fund, is approximately \$138,000 per year.

ALTERNATIVE:

Approve EDCO's rate adjustment but continue the current 85/15 or alternate cost sharing plan for single-family residential refuse service, or provide staff other direction.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

The setting of rates, tolls, fares, and charges for operating expenses for a public service is statutorily exempt from environmental review pursuant to Section 15273 of the CEQA Guidelines.

PUBLIC NOTICE:

Pursuant to Proposition 218 procedures, each customer will be mailed a notice 45 days in advance of a public hearing proposed to be held on June 17, 2025.

ATTACHMENTS:

1. Proposed Notice of Public Hearing
2. Detailed Rate Information
3. Rate Comparison Listing of Other San Diego County Jurisdictions

Submitted By: Public Services and Engineering Department / Sean Harris