



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
February 20, 2024

TOPIC: Public Hearing to Adjust Sanitation Services Users Charge

AGENDA TITLE

Public Hearing – Adopt a Resolution Adjusting Sanitation Services Users Charge (Non-General Fund)

Legal notice published in the OC Reporter on February 5 and February 9, 2024.

RECOMMENDED ACTION

Hold a public hearing and adopt a resolution adjusting the City Sanitation Services User Charge effective July 1, 2024, July 1, 2025, July 1, 2026, July 1, 2027, and July 1, 2028.

RESOLUTION NO. 2024-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA ADJUSTING THE RATE OF THE SANITATION SERVICES USER CHARGE FOR ROADWAY CLEANING AND ENVIRONMENTAL SANITATION SERVICES PROVIDED BY THE CITY OF SANTA ANA (includes determination that adoption falls within a statutory exemption from environmental review pursuant to sections 15273 and 15060(c)(2) of the State Guidelines for Implementation of the California Environmental Quality Act)

GOVERNMENT CODE §84308 APPLIES: No

DISCUSSION

The City of Santa Ana's Public Works Agency is responsible for maintaining 400 miles of public right-of-way, offering essential maintenance services, including roadway maintenance, tree services, roadway cleaning, and sanitation services. Funding for roadway cleaning and sanitation services is provided through the Sanitation Services Users Charge (Sanitation Fee), collected bi-monthly along with other charges in the City's Municipal Utility Services bill.

Background

On December 5, 2023, the City Council authorized the initiation of the process to adjust the Sanitation Fee in compliance with California's Proposition 218 requirements. This comprehensive approach involved preparing and distributing proposed rate adjustment notices, scheduling a public hearing on February 20, 2024, and completing essential documentation for the proposed sanitation fee adjustment.

These actions were based on the outcomes of a detailed cost-of-service study conducted by Stearns, Conrad and Schmidt Consulting Engineers, Inc. (SCS) (Exhibit 1). Authorized by the City Council on August 1, 2023, this study ensured compliance with Proposition 218 requirements and provided a thorough examination of the financial landscape and capital needs associated with sanitation services.

The Sanitation Fee has remained fixed and without an increase since 1996 and the study underscored the necessity of a fee adjustment driven by inflation, increased service levels, and rising operational costs, including contractual services and street sweeping. The proposed fee adjustment, detailed below, is essential for the continuous delivery of on-demand sanitation services.

Current Situation

The Sanitation Fee, established in 1991 and last adjusted in 1996, is currently \$5.35 per residential, commercial, or industrial unit. The fee supports essential services such as illegal dumping/rubbish removal, roadway cleaning, street sweeping, sanitation and right-of-way inspection and enforcement, and weed abatement. The comprehensive study's findings determined the need for an adjustment due to inflation, increased service levels, and rising operational costs, including contractual services.

Proposed Changes

1. **Monthly Fee Increase:** Proposing an increase from \$5.35 to \$11.72 per unit, effective July 1, 2024.
2. **Reserve Establishment:** Establishing a 90-day reserve, maintaining approximately 20% of operating and maintenance expenses, in alignment with the City's reserve policy.
3. **Annual Adjustment:** Implementing an annual adjustment of 3.5% to keep pace with inflation and operational costs.

Implementation Schedule

Any additional increase that exceeds this methodology and the additional user charge increase percentages below, in any year, would be subject to another Proposition 218 noticed public hearing and approval by the City Council.

Year	Implementation Date	Monthly User Charge per Unit
Year 1 (FY 2024-25)	July 1, 2024	\$11.72
Year 2 (FY 2025-26)	July 1, 2025	\$12.13
Year 3 (FY 2026-27)	July 1, 2026	\$12.56
Year 4 (FY 2027-28)	July 1, 2027	\$13.00
Year 5 (FY 2028-29)	July 1, 2028	\$13.45

This adjustment ensures the continuous delivery of essential sanitation services and allows for improvements and expansions in service areas. The fee adjustment is also

crucial to address the increased costs associated with street sweeping, particularly the State of California's prevailing wage requirements.

Service Enhancements

1. **Increased Street Sweeping Frequency:** Commercial street sweeping will be increased to twice weekly and industrial street services will be increased to twice monthly.
2. **Combatting Illegal Dumping:** The City will intensify efforts to address illegal dumping, enhance removal processes, and improve roadway cleaning services by augmenting sanitation staffing levels and contractual services.

Following the public hearing, the City Council will consider the adoption of a resolution adjusting the Sanitation Fee (Exhibit 2) to ensure the ongoing provision of essential services and community improvements.

Public Hearing Notification

As required by the provisions of Proposition 218, notices of a public hearing for adjusting the Sanitation Fee were mailed to all property owners within the City of Santa Ana service area on December 27, 2023 (Exhibit 3 and 4).

FISCAL IMPACT

The proposed fee rates are designed to meet the cost of service requirements of Proposition 218 and support the Cost of Service Study performed by SCS.

The proposed rates are estimated to produce sanitation fee revenue as follows and will be recorded to the Sanitation Fund, Public Works-Environment/Sanitation Revenue Account No. 06817002-53719 (Sanitation Charge):

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Implementation Date	July 1, 2024	July 1, 2025	July 1, 2025	July 1, 2027	July 1, 2028
Sanitation Fee	\$13,120,540	\$13,613,708	\$14,125,414	\$14,656,353	\$15,207,248

EXHIBIT(S)

1. Sanitation Services Users Charge Study
2. Resolution
3. Proposition 218 Compliant Notice of Public Hearing
4. Notice of Rate Adjustment Proof of Mailing

Submitted By: Nabil Saba, P.E., Executive Director – Public Works Agency

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Approved By: Tom Hatch, Interim City Manager