



Council Agenda Report

Item 6g

Department: Utilities
Cost Center: 6107
For Agenda of: 10/19/2021
Placement: Consent
Estimated Time: N/A

FROM: Aaron Floyd, Utilities Director

Prepared By: Jordan Lane, Solid Waste and Recycling Coordinator

SUBJECT: CONSIDER ADOPTING A RESOLUTION TO REMAIN A MEMBER AGENCY OF THE SAN LUIS OBISPO COUNTY INTEGRATED WASTE MANAGEMENT AUTHORITY (IWMA)

RECOMMENDATION

Adopt a Resolution entitled, “A Resolution of the City Council of the City of San Luis Obispo, California, to remain a member agency of the San Luis Obispo County Integrated Waste Management Authority Joint Powers Authority (JPA) provided certain conditions are satisfied.”

DISCUSSION

Background

The Integrated Waste Management Authority a Joint Powers Authority

The Integrated Waste Management Authority (“IWMA”) is a Joint Powers Authority (“JPA”) that has been comprised of the County of San Luis Obispo (“County”), seven cities (Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo) and Community Services Districts (Heritage Ranch, San Miguel, Nipomo, San Miguel Sanitary District, California Valley, Cambria, Cayucos, Oceano, Los Osos, and Templeton). The IWMA manages regional household hazardous waste programs and educates and reports on solid waste, recycling, and food/green waste on behalf of its members. The IWMA has allowed JPA members to pool resources and cost-effectively comply with various solid waste regulations, including the recently enacted Short Lived Climate Pollutants regulations – commonly referred to as Senate Bill (SB) 1383. The IWMA staff administer over 40 different solid waste programs, including monitoring and reporting to the State, household hazardous waste collection, electronics waste collection, sharps disposal, and public education and outreach.

The City as a participant member agency fiscally supported the IWMA’s activities on its behalf through payment of solid waste management fees imposed on all solid waste ratepayers and through payment of landfill tipping fee surcharges.

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SB 1383 Compliance – The Most Significant Change to Solid Waste Regulations in 30 years

The IWMA is presently assisting all member agencies in complying with SB 1383, the most significant change to solid waste regulations in California in 30 years. SB 1383 requires all jurisdictions to implement organic waste diversion programs to reduce emissions of methane gas and help curb climate change. These programs must include providing organic waste collection services to businesses and residences, edible food recovery, public education and outreach, contamination monitoring and sampling activities, recordkeeping and reporting, infrastructure capacity planning, procurement of recovered organic waste products, and enforcement.

County of San Luis Obispo Withdrawal

On May 18, 2021, the County of San Luis Obispo commissioned a third-party study of costs to assess the fiscal impacts of the County's withdrawal from the IWMA. The study determined five new full-time positions and multiple programs would be necessary to meet the service level necessary for compliance with SB1383 and historically provided by the IWMA. The cost of implementing a new program at the County was estimated to be between \$1.6 to \$2.1 million per year. To cover these projected cost increases, the County would need to immediately increase solid waste rates by 10% to 12% for residents in unincorporated areas. The County's analysis did not include consideration of how withdrawal would financially impact remaining JPA members, or the policy and agreement issues raised from such a withdrawal.

In 2021, the County of San Luis Obispo commissioned this series of events contributed to the County commissioning a third-party study of costs to assess the fiscal impacts of the County's withdrawal from the IWMA and assumption of the essential functions of the IWMA provided to the County as a member agency. The study determined five new full-time positions and multiple programs would be necessary to meet the service level provided and continued compliance with State laws. The cost of implementing a new program at the County was estimated to be between \$1.6 to \$2.1 million per year. To cover these projected cost increases, the County would need to immediately increase solid waste rates by 10% to 12% for residents in unincorporated areas. The County's analysis did not include consideration of how withdrawal would financially impact remaining JPA members, or the policy and agreement issues raised from such a withdrawal.

On August 10, 2021, the County Board of Supervisors held a hearing to decide whether to withdraw from the IWMA, and on September 14, 2021, the County Board of Supervisors passed a resolution to formally notify the IWMA of its intent to withdraw on November 15, 2021.

IWMA Board Hiring of Consultant to Conduct Analysis of Fee Increases Given County Withdrawal

On September 8, 2021, the IWMA Board met and appointed HF&H, a consulting firm specializing in solid waste, to conduct an analysis of the impacts of the County's withdrawal from the JPA and potential IWMA fee increases given the departure of the County and the implementation of SB1383. Given this change in participation in the JPA, the applicability and accuracy of the initial fee increase previously identified by IWMA (to implement SB1383) must be reevaluated and the City expects to obtain that assessment from HF&H in early October 2021.

Ratepayers in the City currently contribute approximately \$255,000 per year to the IWMA for its services through a combination of a solid waste management fee paid by all solid waste rate payers (approximately \$168,000 per year) and a landfill tipping fee surcharge of \$3 per ton (approximately \$87,000 per year). This \$255,000 amounts to roughly 12.75% of the IWMA's \$2 million annual budget. Prior the County's withdrawal notification the IWMA stated the need to increase its annual budget to about \$3.7 million to conduct additional SB1383 compliance work. The HF&H fee reanalysis is currently underway and will confirm or revise estimated fiscal impacts of the County leaving the IWMA and the service costs of complying with SB1383 by IWMA by member agencies.

On September 8, 2021, the IWMA Board met and appointed HF&H, a consulting firm specializing in solid waste, to conduct an analysis of the IWMA fee increase necessary given the departure of the County and the implementation of SB1383. HF&H is currently contracted by the IWMA to guide member agencies in complying with SB1383 and performed an initial analysis of a necessary IWMA fee increase. Given this change in participation in the JPA the applicability and accuracy of the initial fee increase previously provided must be reevaluated, and the City expects to obtain a secondary assessment from HF&H in early October 2021.

Continued Role of IWMA and Agency Participation in JPA

While changes in service level and revenue are anticipated impacts of the departure of the County, further analysis is required to understand the breadth of those impacts on the remaining member agencies. Despite the circumstances of the County's departure and amidst the reassessment of fees, representatives of several cities and special districts have expressed their intent to remain members of the IWMA.

The City of San Luis Obispo is and has been a significant partner to the IWMA since its inception, and the IWMA has been a critical partner in assisting the City in meeting compliance with State mandates including SB1383. Agencies continued participation as members of the IWMA is critical for the JPA's ongoing viability as a regional organization. Regionality in solid waste traditionally provides an economy of scale, ensures consistent education and outreach among member jurisdictions, and locally has been a successful means of meeting waste diversion and compliance since 1994. The role of the IWMA has provided its member agencies with educational outreach on landfill diversion, source reduction, and emissions reduction efforts implemented in local communities.

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Proposed Resolution in Support of Continued Participation in IWMA JPA

The IWMA is a regional government entity representing its members in solid waste diversion and reduction efforts. The efficacy of the organization depends on the breadth and participation of its member base. To remain an operating JPA the remaining member agencies must agree on terms for the organization sans the County's involvement. Staff and City Management met and conferred on what conditions would be necessary to commit to continued membership once the County fully withdraws. The proposed Resolution requires revisions to the JPA Agreement, and additional actions for the IWMA, in order for the City to continue its membership at this time. These revisions and additional actions include:

JPA Revisions

1. Remove the five County Supervisors as voting board members of the IWMA effective immediately.
2. Remove the eight-member (super-majority) voting provision stated in Section 8.5 of the existing Agreement.
3. Add a provision to the Agreement which clearly and directly limits the IWMA's ability to adopt, impose, or implement any rule, regulation, policy, or ordinance in excess of the State requirements.

Additional Actions

1. Begin recruitment and diligently pursue hiring a permanent Executive Director as soon as practical.
2. Hire a third-party firm with solid waste management expertise to analyze fees and staffing structures and to make a recommendation for any programs and services that are not required by, or are in excess of, State solid waste regulations. The report shall identify potential cost saving measures and the IWMA Board shall evaluate and implement those recommendations to reduce costs and minimize expenses. The report must be completed and distributed to all JPA members.

By adopting this Resolution, the City will achieve compliance with SB 1383 through the services the JPA provides. Additionally, the IWMA will continue as a regional organization providing cost-effective solid waste regulatory compliance services to our neighboring communities.

The Joint Powers Agreement establishing the IWMA was written in 1994 and remains the current and active version. Section 14 of the existing Joint Powers Agreement states that amendments may only be made by a written instrument executed by all Members. Several other cities will be considering adoption of a similar resolution. The City of Paso Robles presented a similar resolution on October 5th which was adopted, and Grover Beach plans to present on October 12th.

Policy Context

The City's Climate Action Plan Pillar 5: Circular Economy lists waste diversion as a means of achieving Greenhouse Gas Emissions Goals. Participation in the IWMA's outreach and education, monitoring, and compliance programs has helped the City make progress towards our Climate Action Plan goals with regional impact.

CONCURRENCE

The City's Finance and Attorney Offices concur with the findings of this report.

ENVIRONMENTAL REVIEW

The recommended actions are not a project as defined under CEQA Guidelines Section 15738.

Fiscal Analysis:

The Fiscal Analysis to remaining member agencies of the IWMA will be calculated by HF&H Consultants during the reanalysis of the IWMA fee increase (currently underway). IWMA related fees have historically been assessed as pass-through costs to customers of San Luis Garbage Company.

ALTERNATIVES

The City Council could continue this item for consideration at a future Council meeting and provide additional direction to staff to perform an analysis on the comparative costs of staffing and performing these services in-house.

ATTACHMENTS

A – Draft Resolution committing to remain a member agency to the IWMA provided certain conditions are satisfied.

B – Joint Powers Agreement to Establish an Integrated Waste Management Authority for the Cities and County of San Luis Obispo, California.