

13. **SETTING A PUBLIC HEARING TO CONSIDER PROPOSED MAXIMUM RATES FOR SOLID WASTE AND RECYCLING COLLECTION SERVICES**

Recommendations:

1. Receive a report on the proposed maximum solid waste service rates, including the proposed cart-based pricing structure for multi-family residential properties with two to eight units;
2. Direct the City Manager, or designee, to prepare and distribute all notices required for the proposed rate adjustments and set a public hearing for June 23, 2026, at 5:00 p.m.; and
3. Find the proposed action exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15061 (B)(3) and 15308 or, alternatively, determine that the proposed action is not a “project” under CEQA pursuant to CEQA Guidelines section 15378.



STAFF REPORT

CONSENT

Meeting Date:

13

April 28, 2026

SUBJECT: SETTING A PUBLIC HEARING TO CONSIDER PROPOSED MAXIMUM RATES FOR SOLID WASTE AND RECYCLING COLLECTION SERVICES

RECOMMENDATION: It is recommended that the City Council:

1. Receive a report on the proposed maximum solid waste service rates, including the proposed cart-based pricing structure for multi-family residential properties with two to eight units;
 2. Direct the City Manager, or designee, to prepare and distribute all notices required for the proposed rate adjustments and set a public hearing for June 23, 2026, at 5:00 p.m.; and
 3. Find the proposed action exempt under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15061 (B)(3) and 15308 or, alternatively, determine that the proposed action is not a “project” under CEQA pursuant to CEQA Guidelines section 15378.
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SUMMARY OF THE MATTER

On July 11, 2023, the City Council awarded Franchise Agreement No. 23-132 to CR&R for the collection, transportation, processing, diversion, and disposal of municipal solid waste. The eight-year agreement became effective on July 1, 2024, and includes the option for two one-year extensions based on performance standards. Following implementation of the new franchise agreement, the City and CR&R identified service and billing discrepancies affecting certain smaller multi-family properties, including inconsistencies in unit counts, service levels, and cart allocations. These issues, together with feedback from affected property owners, prompted further evaluation of the agreement’s application to multi-family properties with two to eight units.

On January 28, 2025, the City Council approved an amendment to the agreement modifying service and billing options for multi-family properties with two to eight units by allowing those properties to subscribe to residential waste and recycling service rates without requiring a separate cart set for each unit, provided the property continues to have access to landfill, recycling, and organics collection service consistent with Senate Bill 1383. Staff has continued to evaluate the actual service levels being provided at these properties, what services residents are availing themselves to and found that the current per-unit billing structure still could possibly benefit from further refinement. Approximately 858 multi-family properties with two to eight units are currently billed on a per-unit basis, and several property owners have raised concerns that the existing rate structure requires them to pay for more service than they reasonably use.

The Franchise Agreement authorizes annual rate adjustments based on changes in landfill disposal costs and applicable Producer Price Indices for collection and processing services. The proposed solid waste rate adjustments are driven by three factors: implementation of the Waste Infrastructure System Enhancement (WISE) agreement, contractual inflationary adjustments tied to the Finished Goods and Natural Gas Producer Price Indices, and a proposed repricing of multi-family properties with 2 to 8 units from a per-unit billing structure to a cart-based billing structure. Staff recommends a cart-based adjustment because it more closely reflects actual service levels, maintains compliance with SB 1383 requirements, and provides

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a fairer rate structure. This reflects the City’s ongoing efforts to consistently review its solid waste rates to ensure that they reflect the on-the-ground reality. This is an ongoing process based on changing behaviors and costs for certain services.

DISCUSSION

Under the current agreement between the City and CR&R, multi-family properties with dwelling units located in a building or complex of eight or fewer units may subscribe to the Residential Rates set forth in the agreement on a per unit basis. Multi-family properties with bin service, multiple days per week collection, and/or nine or more units are subject to billing for services at the (higher) Commercial/Multi-family Maximum Rates.

Approximately 858 multi-family properties with two to eight units are currently being charged for one residential 3-cart set for each dwelling unit, regardless of the actual number of containers onsite. For example, under the current per-unit pricing structure, a two-unit property pays \$54.42 per month, calculated as two units multiplied by \$27.21 for a 3-cart set with a 95-gal trash cart. A three-unit property pays \$81.63 per month, calculated as three units multiplied by \$27.21 for that same 3-cart set with a 95-gal trash carts. In other words, the cost was not connect to the actual number of containers onsite.¹ Several affected property owners have contacted the City to express concern that the current rate structure does not accurately reflect the level of service being provided. Based on site visits and evaluations of current service levels, staff found believes that there could be some benefit to tweaking the rates to more accurately reflect actual usage and costs associated with the City’s solid waste services.

In response, CR&R has provided a revised rate proposal that would allow eligible multi-family properties with two to eight units to pay for one base residential 3-cart set, with additional carts billed only as needed at the existing residential extra-cart rates. This cart-based pricing approach more closely aligns billing and actual service levels while maintaining compliance with SB 383 requirements that each property has access to landfill, recycling, and organics collection service. For example, under the proposed cart-based structure, a two-unit property would be assumed to receive one base residential 3-cart set, resulting in an estimated monthly rate of \$28.40 rather than the current \$54.42. A three-unit property would be assumed to receive one base residential 3-cart set plus two additional landfill (MSW) carts, resulting in an estimated monthly rate of \$35.63 rather than the current \$81.63. These assumptions are intended to reflect a more typical service level for smaller multi-family properties and form the basis for the estimated cost comparisons shown in Table 1. Actual service levels may vary by site.

Table 1: Estimated Cost Savings for Multi-Family Properties (2-8 Units) with Cart-Based Pricing

Property Type	Approx. Properties	Current Rate (Unit-Based)	Adjusted 2025 Rate (Cart-Based)	Percent Reduction
2-Unit Property	551	\$54.42	\$28.40	-48%

¹ However, these properties did receiver additional services such as more bulky item pick-ups, hazardous waste pick-ups, textile recycling pick-ups and access to other City-wide solid-waste events.

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3-Unit Property	165	\$81.63	\$35.63	-56%
4-Unit Property	71	\$108.84	\$50.10	-54%
5-Unit Property	34	\$136.05	\$69.58	-49%
6-Unit Property	17	\$163.26	\$68.30	-58%
7-Unit Property	12	\$190.47	\$56.99	-70%
8-Unit Property	8	\$217.68	\$68.30	-69%

** Current rate based on residential 3-cart set with 95-gallon trash cart.*

Impact of Multi-Family Repricing (Adjustments)

The proposed rate configuration would result in an estimated reduction for the multi-family properties with two to eight units, as well as a corresponding reduction in CR&R rate revenue of approximately \$27,753 per month. A review of CR&R’s costs to provide the service indicates that the base solid waste and recycling rates for residential and commercial customers would need to increase to account for that reduction in revenue because CR&R’s costs are not decreasing. This adjustment would result in an estimated 4.4% increase for the base residential rate and a 5.2% increase for commercial uses effective July 1, 2026.

The purpose of the re-pricing is to better align rates for multi-family properties with 2-8 units with the actual level of service being provided, rather than continuing a pricing structure that may require some properties to pay for more service than they would likely reasonably use. If one customer type is re-priced downward to better reflect its share of service costs, the remaining cost of the system must still be recovered through the rate structure. See Table 2 for the residential and commercial rate impacts of repricing the multi-family 2–8-unit properties from a per unit pricing system to a cart-based pricing system.

Table 2: Impact of Multi-family Repricing Adjustment on Current Rates

Service Bundle	Approx. Customers	Current 2025 Monthly Rate	Monthly Rate with MF Reprice	Rate Change/ Customer/month	% Change
35-Gallon Cart Set	1,182	\$26.69	\$27.86	\$1.17	4.42%
65-Gallon Cart Set	2,938	\$27.00	\$28.18	\$1.18	4.41%
95-Gallon Cart Set	4,130	\$27.21	\$28.40	\$1.19	4.41%
Commercial Bin 3 Cubic Yard Bin, 1x/week (Refuse)	52	\$ 229.42	\$241.70	\$12.28	5.4%

2026 Rate Adjustment Components

In addition to the proposed multi-family 2–8-unit repricing, residents and businesses in Laguna Beach will

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experience additional rate impacts resulting from two separate contractual drivers: 1) increased landfill disposal costs associated with implementation of the WISE agreement, which was approved by Council at the March 24 council meeting, and 2) annual contractual inflationary adjustments tied to the Finished Goods and Natural Gas Producer Price Indices. Unlike the WISE and PPI adjustments, which are driven by contractual obligations and system cost increases, the multi-family adjustment is discretionary and intended to better align rates with actual service levels for a specific customer class.

Table 3 combines the three rate adjustments that would become effective July 1, 2026, and demonstrates the potential impact on residential and commercial rates. The City is obligated under its agreement with CR&R to incorporate the applicable PPI adjustment. In addition, because the City ratified the WISE agreement on March 24, 2026, and no other disposal facilities with adequate capacity are located within a reasonable proximity, the City has limited discretion with respect to the landfill disposal component. The optional policy question before the City Council is whether to also implement the proposed multi-family repricing adjustment to better align rates for smaller multi-family properties with actual service levels.

Table 3: Residential and Commercial Rate Impact with All Three Adjustments

Service Level	2025 Base Rate	WISE Impact	PPI Impact	MF Reprice Adjustment	Final 2026 Rate	Total Change 2025→2026
35-Gallon Cart Set	\$26.69	\$2.27	\$1.33	\$1.17	\$31.47	\$4.77
65-Gallon Cart Set	\$27.00	\$2.34	\$1.34	\$1.18	\$31.86	\$4.86
95-Gallon Cart Set	\$27.21	\$2.38	\$1.35	\$1.19	\$32.12	\$4.92
Commercial 3 Cubic Yard Bin, 1x/Week (Refuse)	\$ 229.42	\$16.62	\$12.90	\$12.28	\$271.22	\$41.80

Comparative Rate Analysis with Other Orange County Cities

The City’s residential solid waste rates are approximately at the midpoint Orange County jurisdictions, ranking 16th highest out of 35 cities. The City’s commercial sample rate for one 3-cubic yard bin serviced once per week is comparatively higher and currently ranks 5th highest out of 33 cities with available data. This reflects the practical realities of providing solid waste service in Laguna Beach, including steep terrain, narrow alleys, constrained access, and heavy seasonal traffic, all of which create a more challenging and costly operating environment.

Based on the comparative analysis (Attachment 1) and assuming other Orange County jurisdictions also experience disposal fee and inflationary increases, Laguna Beach is projected to rank 11th highest for residential rates if the WISE, PPI, and the proposed multi-family repricing adjustments, while the

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commercial sample rate would remain 5th highest countywide.

Proposition 218 Notice and Next Steps

Staff recommends that the City Council set a public hearing for June 23, 2026, at 5:00 p.m. to satisfy the Proposition 218 noticing requirements applicable to the proposed solid waste and recycling rate adjustments. Following Council’s action, notices describing the proposed rates, which are scheduled to become effective on July 1, 2026, would be mailed to affected customers. In accordance with Proposition 218, the rate adjustments may not be imposed if a majority protest is received from noticed ratepayers.

FINANCIAL ANALYSIS

No General Fund appropriation is requested as part of this action. Solid waste collection, processing, and disposal services are supported through customer rates established under the Franchise Agreement. The WISE-related disposal fee increase and the annual PPI adjustments are pass-through cost components authorized by contract. If the multi-family repricing adjustment is adopted, it will decrease charges to the affected two-to-eight-unit multi-family customer class while redistributing system costs through corresponding residential and commercial base-rate adjustments needed to maintain proportional recovery of reasonable service costs. Franchise fee revenues paid to the City will continue to be based on gross receipts under the Franchise Agreement and will adjust consistent with the adopted rates.

ENVIRONMENTAL ANALYSIS

The proposed action is exempt under the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines section 15061(b)(3), in that the proposed rate adjustments and related administrative actions are not anticipated to result in a direct or reasonably foreseeable indirect physical change in the environment. In addition, the proposed action is not a “project” for purposes of CEQA pursuant to CEQA Guidelines section 15378, because it has no potential to result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS

1. Orange County Residential and Commercial Rate Comparison Charts (Pgs. 6-7)

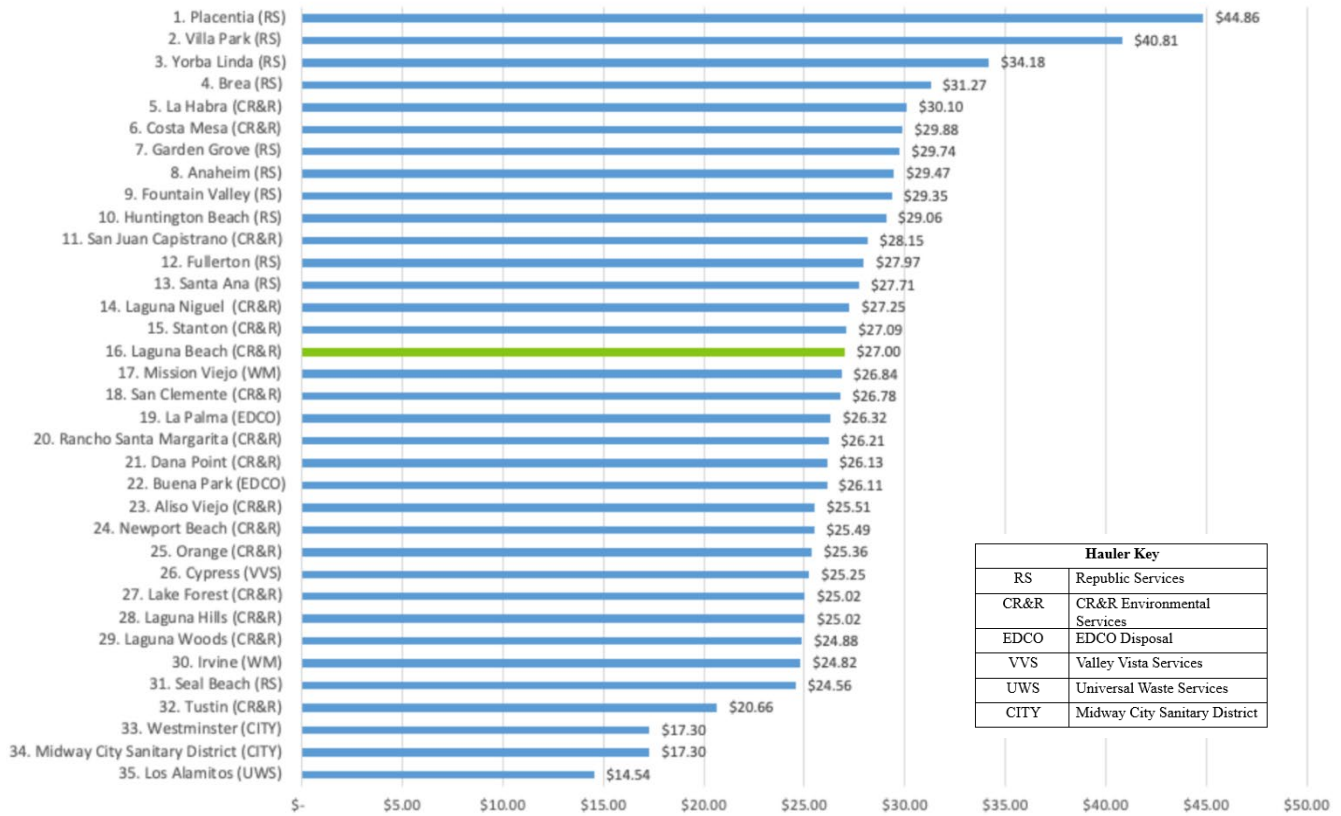
Submitted By: Mark McAvoy
Mark McAvoy, Director of Public
Works & Utilities

Approved: Gavin Curran, for
Dave Kiff, City Manager

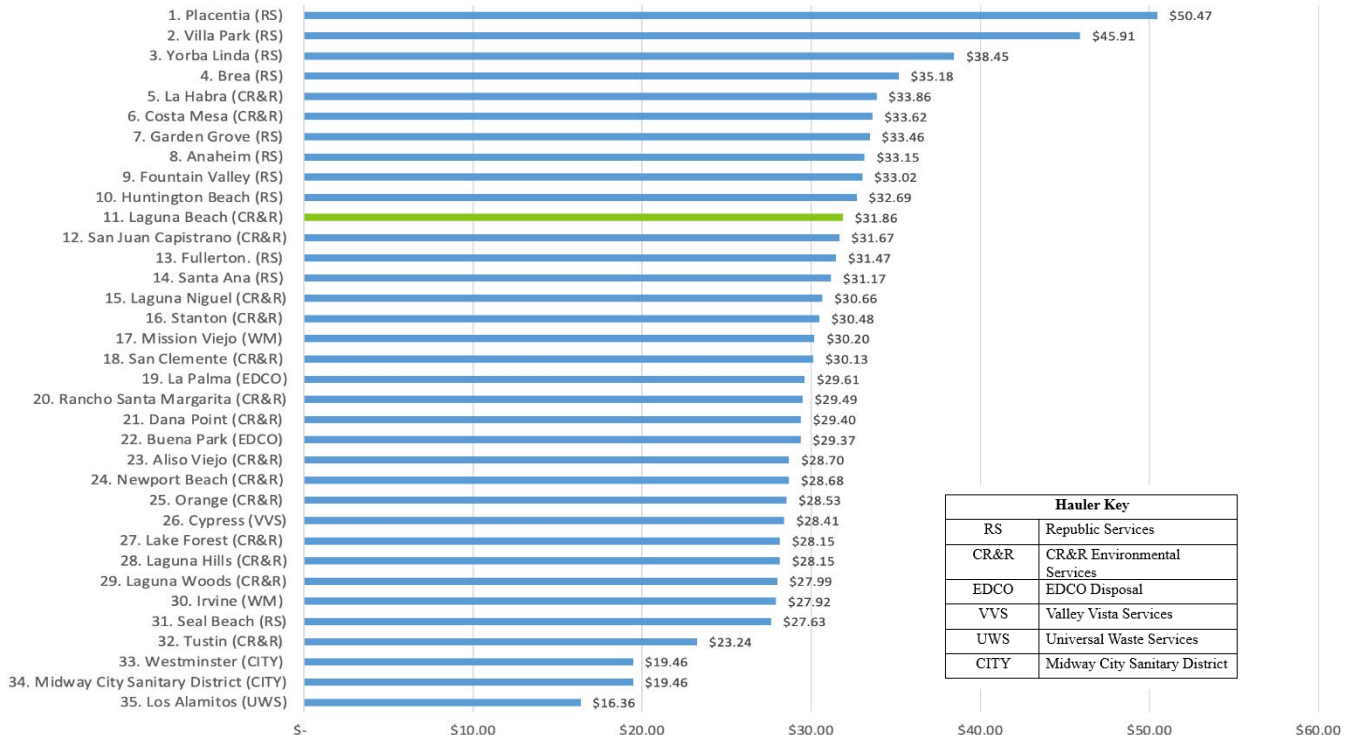
Report Prepared By:
Ashley Moran, Sr. PW Analyst/Solid Waste
Coordinator

Coordinated With:
Patrick Donegan, Assistant City Attorney

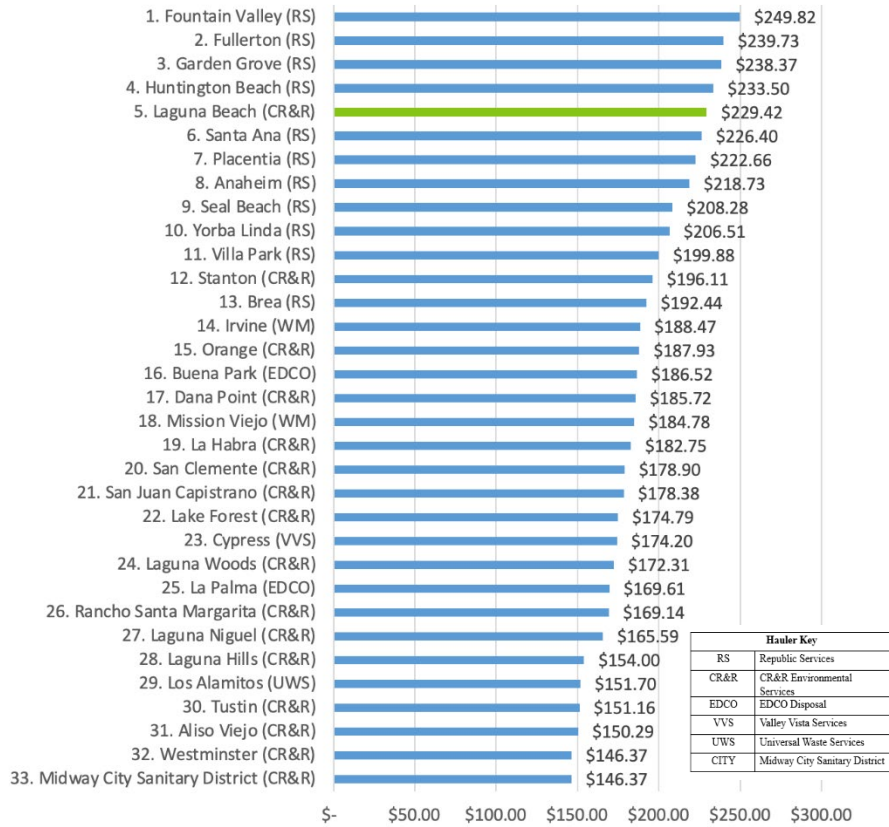
OC Residential Rate Survey – Current FY25-26 Rates (95-Gal 3 Cart Bundle)



FY26-27 OC Rate Estimate – Residential + CPI and WISE (95-Gal 3 Cart Bundle)



OC Commercial Rate Survey – Current FY25-26 Rates (1) 3-Yard, 1x/week



FY26-27 OC Rate Estimate – Commercial (1) 3-Yard, 1x/week +CPI +WISE

