



BREA CIVIC & CULTURAL CENTER | 1 Civic Center Circle | Brea, California 92821 | www.cityofbrea.net

Finance Committee Agenda

Tuesday, May 30, 2023

8:30 a.m.

Executive Conference Room

MEMBERS: Mayor Marty Simonoff and Council Member Steven Vargas
ALTERNATE: Council Member Cecilia Hupp

This agenda contains a brief general description of each item the Committee will consider. The Administrative Services Department has on file copies of written documentation relating to each item of business on this Agenda available for public inspection. Contact the Administrative Services Department Office at (714) 990-7676 or view the Agenda and related materials on the City's website at <https://www.ci.brea.ca.us/509/Meeting-Agendas-Minutes>. Materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet are available for public inspection in the Administrative Services Department's Office at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

Procedures for Addressing the Committee

Members of the public may offer comment or observe the meeting in person. All requests to offer comment must be submitted via phone by calling 714-990-7676 or emailing arlenem@cityofbrea.net by 12:00 p.m. on Monday, May 29, 2023.

PLEASE SILENCE ALL PAGERS, CELL PHONES AND OTHER ELECTRONIC EQUIPMENT WHILE THE COMMITTEE IS IN SESSION.

CALL TO ORDER / ROLL CALL

1. **Matters from the Audience**

CONSENT

2. **April 25, 2023 Finance Committee Regular Meeting Minutes - Approve.**

Attachments

Draft 04-23-2023 Minutes

DISCUSSION

3. **Fiscal Year 2023-24 Refuse Rates - Informational**

Attachments

Refuse Rate Memo

4. **Use of Treasury Bills as LAIF Alternative for Short-term Investments** - Approve the use of Treasury Bills as a LAIF alternative for short-term investments.
5. **Schedule Next Meeting: Tuesday, June 13, 2023**

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administrative Services administrative office at (714) 990-7676. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Finance Committee Members

FROM: Bill Gallardo

DATE: 05/30/2023

SUBJECT: April 25, 2023 Finance Committee Regular Meeting Minutes

RECOMMENDATION

Approve.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Faith Madrazo, Financial Services Manager, Revenue

Concurrence: Kristin Griffith, Director of Administrative Services

Attachments

Draft 04-23-2023 Minutes



DRAFT FINANCE COMMITTEE MINUTES

**Tuesday, April 25, 2023
8:30 AM**

Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

CALL TO ORDER / ROLL CALL

ATTENDEES: Mayor Marty Simonoff, Council Member Steven Vargas, Chris Emeterio, Kristin Griffith, Michael Ho, Faith Madrazo, Sean Matlock, and Ryan Chapman

1. **Matters from the Audience - None**

CONSENT

2. **April 11, 2023 Finance Committee Regular Meeting Minutes – *Approved.***

DISCUSSION

3. **Update to Cityworks (Azteca Systems, Inc.) Software License and Maintenance Agreement – *Recommended for City Council approval.***
4. **Acceptance of Country Hills Subdivision Pavement and Water Improvements, Project No. 7322 – *Finance Committee requested staff update the report to include additional information on the use of the contingency reserve for the project. Finance Committee also requested going forward they be updated if staff anticipated going over the contingency reserve on a project. Recommended for City Council approval.***
5. **Schedule Next Meeting: Tuesday, May 9, 2023**

Meeting adjourned: 8:37 AM

City of Brea

FINANCE COMMITTEE COMMUNICATION

FROM: Bill Gallardo

DATE: 05/30/2023

SUBJECT: Fiscal Year 2023-24 Refuse Rates - Informational

Attachments

Refuse Rate Memo



CITY OF BREA

**ADMINISTRATIVE SERVICES DEPARTMENT
PUBLIC WORKS DEPARTMENT**

Memorandum

Date: May 30, 2023
To: Finance Committee
From: Kristin Griffith, Director of Administrative Services
Michael Ho, Public Works Director
By: Faith Madrazo, Financial Services Manager
Francesca Vivanti, Management Analyst
Subject: **Refuse Rates for Fiscal Year 2023-24 – Informational**

The contractual relationship with Republic Services a.k.a. Brea Disposal (BDI) requires the Public Works Director to review and administratively modify the refuse rates effective July 1 each year. These refuse rate adjustments have traditionally been shared with the Finance Committee.

Overall Residential Rate Increase

The total amount of the rate increase effective July 1, 2023 is \$1.18 per month or 4.67% from the current rate of \$25.28 to \$26.46. The rate increase is more when compared to last year primarily due to the increase in service level provided by the Public Works Department to handle contractual items with the City's refuse provider. The overall rate increase last year was \$0.90 per month or 3.69%

The agreement calls for a commitment to pass on 90% of the December Consumer Price Index (CPI). The December 2022 CPI index for the Los Angeles-Riverside-Orange County area was 4.93% resulting in an application of a 4.43% increase to various components of the refuse rates.

The components of the refuse rate subject to the CPI increase of 4.43% are:

- Refuse Collection (also includes bulky items)
- Recycling Collection & Yard Waste Collection (exclusive of green waste)

The components of the refuse rate subject to adjustment based on actual tonnage disposed as well as the CPI and/or other adjustments are:

- Gate Fees (per ton) paid to the County landfill. This component is adjusted by the gate fee as determined by the County of Orange.
- Transfer Cost (per ton) of disposed waste to landfill. This component is adjusted based on the CPI.
- Yard Waste Processing & Transfer cost of refuse from Republic Services to landfill. This component is adjusted based on the CPI.

The actual tonnage in 2022 was 10,997.95 tons as compared to 11,666.89 tons in 2021, a decrease of 5.73% year over year.

Other components of the refuse rate are:

- Fuel Pricing Index
- Recycling Revenue Credit & Franchise Fee
- City Public Works/Utility Billing Costs

Fuel Pricing Index

The Fuel Pricing Index component to the refuse rate is adjusted annually based on the cost of fuel and related products. The adjustment is based on the year to year change in the December U.S. Bureau of Labor Statistics Producer Price Index – Commodities #2 Diesel Fuel & Liquefied Natural Gas.

The cost of fuel from 2021 to 2022 increased. This results in an 19.28% increase or \$0.16 more per month in the residential rate.

Recycling Revenue Credit

Overall, recycling revenue has significantly decreased over the past couple years as the resale value of aluminum, glass, paper and cardboard products has declined. Beginning in March 2022, the City stopped receiving recycling income, and the recycling credit to customers decreased to \$0.29 per month. This City adjusted credit is based upon a five-year average (2018-2022).

Yard Waste (Green Waste)

Due to the passage of Assembly Bill 1594, as of January 1, 2020, the County of Orange began charging for the disposal of green material at the landfill because the green material no longer constitutes diversion through recycling. On January 21, 2020, the City Council adopted the rate of \$0.63 per residential customer, per month. At that public hearing, the City Council directed this rate was not to be subject to the annual CPI increase and the franchise fee was not to be applied to this rate as well.

Collection, Disposal, and Transfer Components

The average black can refuse per week was 38.09 pounds last year which has slightly decreased to 35.72 pounds per can a week representing a decrease of 6.22%.

Yard waste has decreased from 15.13 to 13.99 pounds per can a week, a decrease of 7.53%. This decrease could be the result of residents no longer improving landscape areas and no longer adding excess trash in their brown bins.

Public Works/Utility Billing

A component of the monthly trash rate is City staff time related to providing residential trash services. Public Works and Utility Billing staff support the operation and administration of trash services to residential customers. The City bills refuse for residential customers through the monthly utility bill. The utility bill for residential customers includes water, sewer, trash, street sweeping and urban run-off utility charges.

There have been several unfunded State mandates passed in recent years related to recycling and organics, requiring all jurisdictions in California to bring their commercial businesses and/or residents into compliance. The current focus for Brea and other cities is Senate Bill 1383, which has extensive requirements for residential and commercial trash customers. Staff and the City's contractor are working on various areas of compliance, which includes, but is not limited to, the following: residential and commercial organics collection services, edible food recovery, community outreach and education, procurement, food recovery capacity, and compliance monitoring/enforcement. Efforts will involve changes to, or creation of new, City policies and ordinances, program infrastructure changes negotiated with the City's solid waste hauler in order to collect and dispose of organic material, and the participation of various City Departments.

REFUSE RATE COMPONENTS					
REFUSE RATE CHANGES FOR FY 2023-24					
		JULY 1ST	JULY 1ST	INCREASE	%
		RATE	RATE	(DECREASE)	INCREASE
		FY 2022-23	FY 2023-24	ROUNDED	(DECREASE)
Residential					
Refuse Collection		\$ 6.25	\$ 6.53	\$ 0.28	4.48%
Recycling Collection		5.41	5.65	0.24	4.44%
Yard Waste Collection		2.83	2.96	0.13	4.59%
Landfill Disposal					
Fuel Price Index		0.83	0.99	0.16	19.28%
Yardwaste (Greenwaste)		0.63	0.63	-	0.00%
Net to Hauler		15.95	16.76	0.81	5.08%
Yard Waste					
	Processing & Disposal	1.60	1.55	(0.05)	-3.13%
Landfill Disposal					
	Gate Fee	3.32	3.40	0.08	2.41%
	Transfer	1.27	1.19	(0.08)	-6.30%
Tonnage Fees		6.19	6.14	(0.05)	-0.81%
	Sub-total	22.14	22.90	0.76	3.43%
Less: Recycling Revenue Credit		(0.33)	(0.29)	0.04	-12.12%
	Sub-Total	21.81	22.61	0.80	3.67%
Franchise Fee @ 10%		2.12	2.20	0.08	3.77%
	Sub-Total	23.93	24.81	0.88	3.68%
Public Works/Utility Billing		1.35	1.65	0.30	22.22%
	TOTAL	\$ 25.28	\$ 26.46	\$ 1.18	4.67%

Extra Black Can

There are 632 customers that currently receive an extra black can. The cost for the additional black can will increase \$0.30 from \$12.24 to \$12.54 per month.

Commercial Rate Increase

The commercial monthly rates effective July 1, 2023 for the average customer with a 3-yard bin with once a week pick-up is \$176.81 per month, an increase of \$8.59 per month or 5.10%. Overall commercial rate increases are adjusted based on changes in the consumer price index and similar components such as landfill gate fees and disposal costs.

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Finance Committee Members
FROM: Bill Gallardo
DATE: 05/30/2023
SUBJECT: Use of Treasury Bills as LAIF Alternative for Short-term Investments

RECOMMENDATION

Approve the use of Treasury Bills as a LAIF alternative for short-term investments.

BACKGROUND/DISCUSSION

The City has traditionally used the Local Agency Investment Fund (LAIF) as its source for short-term investments and the City has kept sufficient monies in its checking and LAIF accounts to cover its expenditures for the next six to nine months. LAIF has served as an ideal short-term investment tool due to the accessibility of funds within 24 hours and their return on investment was traditionally competitive. However, in recent years LAIF's annual yields have declined to a point where other short-term investment options, such as Treasury Bills (T-bills), are regularly outperforming LAIF's returns.

At the April 24, 2023 Investment Advisory Committee (IAC) Meeting, Chandler Asset Management (Chandler), the City's investment portfolio manager, recommended to the IAC that the City should take advantage of the higher than normal yields for T-bills. Chandler believes the City will likely generate additional interest income by depositing more of its available funds in T-bills, rather than LAIF. T-bills are currently offering 4.45%, while the most recent LAIF yields are 2.87%. Additionally, a 3 month T-bill yielding 5.10%, while a 6 month T-bill is yielding 4.95%. T-bills are highly liquid and cash can be available to meet the City's next business day needs. With early notification, Chandler believes the securities may be sold and monies potentially available the same day.

Staff recommends to continue using LAIF with a smaller balance to maintain operational flexibility. For instance, over the past nine (9) months, the average LAIF balance has been approximately \$6 million, under this scenario staff might recommend investing \$4 million in T-bills and leave the remaining balance with LAIF. In this situation, a 3 month T-bill could produce an additional \$22,300 in interest income (less account fees) as compared to LAIF. The reduced balance in LAIF will provide staff the flexibility to handle unexpected payment needs. Balances in each account will be monitored monthly and the use of T-bills will require departments to identify in-flows and out-flows to avoid continual cash withdrawals and deposits.

Mayor Pro Tem Marick, the Chair of IAC, requested that staff look into the viability of investing in T-bills and if permissible, to bring this item to Finance Committee and the City Council as soon as possible. After a careful review of the City's current Investment Policy,

there are no significant concerns with utilizing T-bills. Currently, T-bills are categorized under US Treasury Obligations, where there is no limitation on investment percentages.

SUMMARY/FISCAL IMPACT

Based upon the most recent yields and a scenario of \$4 million invested in a 3 Month Treasury Bill, the City would expect to accrue an additional \$22,300 in annual interest income (less account fees) as compared to LAIF. The City cash balances and yields are subject to change.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Faith Madrazo, Financial Services Manager, Revenue and

Monica Lo, Deputy Director of Administrative Services

Concurrence: Kristin Griffith, Director of Administrative Services
