



AGENCY: City Council  
MEETING DATE: June 8, 2020  
DEPARTMENT: City Manager  
PRESENTED BY: Tabatha Miller  
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## AGENDA ITEM SUMMARY

**TITLE:**

**Receive Report and Consider Adoption of City Council Resolution Approving Waste Management Residential, Commercial and Multifamily, and Rolloff Rate Increases**

**ISSUE:**

The City's current Franchise Agreement (Agreement) with USA Waste of California, Inc., DBA Empire Waste Management (Waste Management) provides for the approval of all rates and charges by the City Council and/or the City Manager prior to such rates and charges becoming effective.

The Agreement entitles Waste Management to receive an annual cost-of-living rate adjustment as of June 1<sup>st</sup> of each year and pass-through adjustments when disposal rates are increased or decreased. Waste Management has calculated the June 1, 2020 rate increase of 4.10% and is requesting the City's approval.

**ANALYSIS:**

Pursuant to the Agreement, Waste Management is entitled to rate adjustments in the form of pass-through adjustments, cost-of-living adjustments and extraordinary rate adjustments.

The Agreement Section 14 A, titled City's Powers, provides for City approval of all rates:

*Maximum rates and charges assessed by Grantee for any and all services and activities it performs or engages in the Franchise Area, and which are covered under this Agreement, must be approved by the City Council and/or the City Manager prior to such rates and charges becoming effective.*

The current practice is to have both the City Council and City Manager approve rate changes, so that the public has an opportunity to participate and is better informed about the changes.

**Pass-Through Adjustment**

Pass-through adjustments are provided for in the Agreement (Attachment 3, Section 15 A, Pass-through Rate Adjustment). The Agreement states that a City surcharge or an increase in a disposal charge will be "passed-through" to the rate. The Agreement explicitly provides for retroactive application of a pass-through adjustment. Likewise, if another jurisdiction establishes or increases surcharges, fees or taxes, the increased expense may be added to the rate and applied retroactively.

The rates provided for in the letter from Waste Management include a weighted percent increase of 1.94% due to increased costs of disposal. Disposal costs account for nearly 30% of the rate and increased 6.50%. This includes an increase in fees for Solid Waste of Willits, an increase of tipping fees at Cold Creek Compost, and an increase in recycling costs as of January 1, 2020.

Disposal Changes						
Material	Previous Rate	New Rate	Rate Change	Rate Change Percent	Material Allocation	Allocated Rate Change
MSW	\$76.76	\$79.74	\$2.98	3.88%	61.86%	<b>2.40%</b>
Yard Waste	\$36.00	\$36.97	\$0.97	2.69%	16.18%	<b>0.44%</b>
Recycle	\$60.00	\$70.00	\$10.00	16.67%	21.96%	<b>3.66%</b>
<b>Combined Disposal Adjustment Eff 1/1/2020</b>						<b>6.50%</b>

Cost of Living Adjustment

Positive annual cost-of-living adjustments are provided for as of June 1<sup>st</sup> of each year in the Agreement (Attachments 3 and 7, Section 15 B, Cost of Living Rate Adjustment, as amended by Amendment No. 4 to Franchise Agreement Between the City of Fort Bragg and USA Waste of California Inc., DBA Empire Waste Management). The cost-of-living adjustment is based on the change in CPI-U, all items for the San Francisco-Oakland-San Jose CA and the most recently published California Index for #2 diesel fuel.

Additionally, Mendocino Solid Waste Management Authority (MSWMA) added a \$1.50 per ton to the disposal rate in Mendocino County, effective January 31, 2020, although this is reflected as an increase effective June 1, 2020 as provided in the chart below:

Expense Allocation %	Fuel Component	6.61%	Fuel % Change	0.51%	Weighted % Change
	All Other Component	57.35%	CPI % Change	2.91%	<u>1.67%</u>
	Disposal Pass Through Component	36.04%	Disposal % Change	1.16%	<u>0.42%</u>
					<b>2.12%</b> RRI Total % Adj. Eff. 6/1/20

Individual service rate increases are set forth in Attachment 2. A typical residential customer with a 32-gallon trash container will see a \$1.53 increase in the monthly service fee.

**RECOMMENDED ACTION:**

Consistent with the Agreement, staff recommends that the Council adopt a Resolution to approve the rate adjustment of 2.12%, effective June 1, 2020. Staff recommends the pass-through rate adjustment of 1.94% be approved per the Agreement retroactive to January 1, 2020.

**ALTERNATIVE ACTION(S):**

Do not approve the Resolution or the Waste Management rate increases. However, the Franchise Agreement requires the City to provide rate adjustments, so long as they meet the terms of the Agreement.

**FISCAL IMPACT:**

The rate increases impact City of Fort Bragg Residents and Businesses. Increases in City of Fort Bragg fees result in the same increase in franchise fees that the City receives on gross revenue generated within the City limits.

**GREENHOUSE GAS:**

The price increases are not expected to have any direct impact on greenhouse gas emissions, although any action that encourages a reduction in the waste stream through diversion, composting or reduced production of waste will reduce creation of methane gas in landfills and reduce the number of truck trips to haul the waste to recycle centers, compost facilities and/or the landfill.

**CONSISTENCY:**

Approval of the rate increases are consistent with the terms of the current Franchise Agreement.

**IMPLEMENTATION/TIMEFRAME:**

If approved, the rate increases will be applied to the Waste Management bills generated in the month of June. The disposal pass-through increase will apply retroactively to January 1, 2020 and the cost-of-living adjustment will be effective June 1, 2020.

As a reminder, the Franchise Agreement expires on June 30, 2021.

**ATTACHMENTS:**

1. Resolution
2. Rate Increase Submittal
3. Franchise Agreement
4. Amendment No. 1 to Franchise Agreement
5. Amendment No. 2 to Franchise Agreement
6. Amendment No. 3 to Franchise Agreement
7. Amendment No. 4 to Franchise Agreement

**NOTIFICATION:**

1. Kayla Rodriguez, Public Sector Manager, Waste Management
2. Steve Shamblin, District Manager 1, Empire Waste Management