



AGENCY:	City Council
MEETING DATE:	January 28, 2019
DEPARTMENT:	City Manager
PRESENTED BY:	Tabatha Miller
EMAIL ADDRESS:	<a href="mailto:tmiller@fortbragg.com">tmiller@fortbragg.com</a>

## AGENDA ITEM SUMMARY

### **TITLE:**

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

### **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 increases in rates and charges by the City Council and/or the City Manager prior to such rates and charges becoming effective.

Pursuant to the Agreement (Section 15) Waste Management is entitled to rate adjustments in the form of pass-through adjustments, cost-of-living adjustments and extraordinary rate adjustments. The pass-through adjustments included in this proposed fee increase result from increases in Solid Waste disposal and the imposition of a charge to accept recyclable materials by Solid Waste of Willits. Rate increases for each type of service are set forth in Attachment 2.

### **ANALYSIS:**

#### Application of Adjustments

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 City-owned 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.

This pass-through adjustment requested by Waste Management is based on the following increases in disposal cost over the last year:

Solid Waste of Willits MSW Disposal History	
Effective Date	Rate Per Ton
1/1/2018	\$74.33
1/1/2019	\$76.76

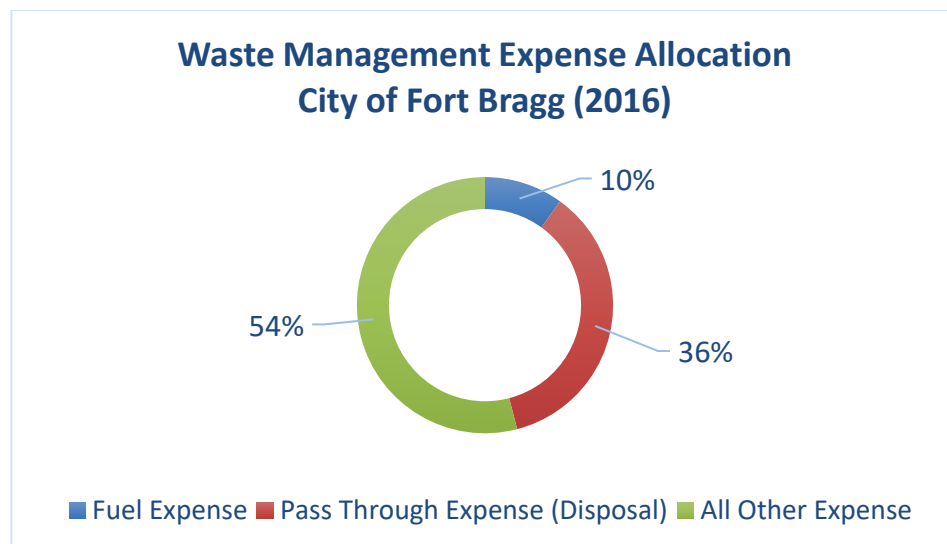
Solid Waste of Willits Recycle Disposal History	
Effective Date	Rate Per Ton
12/31/2017	\$0.00
1/1/2018	\$4.50
3/15/2018	\$31.00
9/1/2018	\$60.00

The increase from Solid Waste of Willits represents a 3.27% increase in the cost per ton of disposal. The increase for Recycle Disposal cannot be measured as a percentage increase in cost because it represents a new cost to the Waste Management rates and there is nothing to compare it too. In past years, recyclable materials were treated as a credit or revenue based on the sale price of those materials. Changes in the world market of recyclable materials in the last year, is the reason for this new expense.

Much of the plunge in the market, is due to China, once the world's biggest importer of recyclable materials. Since January, when China tightened its standards for the waste it would accept, imports to China of solid waste have dropped more than 50%. China has stopped accepting a variety of mixed paper and plastic scrap, citing efforts to clean up the environment, and plans to add other scrap products to its banned import list. Recyclable products that China hasn't banned have much stricter rules regarding contamination.

China's new rules on acceptable contamination levels have been described as drastic changes. Contamination is partly to blame on the American practice of - when in doubt, put it in the recycling bin. Other purchasers are also following China's lead and adopting stricter contamination standards. The increased cost of disposing of recyclables has prompted some municipalities in the US to end pickup of recyclable materials, which are piling up at some facilities for a lack of market.

Disposal costs are only a portion of the costs used to determine the Solid Waste rates.



The overall impact of the increased cost of solid waste disposal and the additional cost to dispose of recyclable materials is an increase of approximately 4.75% in the currently monthly rate. Because pass-through adjustments can be applied retroactively, customers will see the application of a retroactive charge on their February or March bill to recoup the increasing cost of recyclable disposal during 2018.

#### City Approval of Rate Increases

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.*

Staff has reviewed the rate adjustment calculations and concurs that they have been calculated correctly.

#### **RECOMMENDED ACTION:**

Staff recommends that the Council adopt the Resolution to approve the Rates attached as Attachment No. 2.

#### **ALTERNATIVE ACTION(S):**

Do not approve the Resolution or the Waste Management rate increases.

#### **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. Based on the revenue received in FY 2017-18, the rate increase will generate approximately \$21,000 in additional franchise fees for the City.

#### **ATTACHMENTS:**

1. Resolution
2. Resolution Exhibit A: Rate Increase Submittal
3. Franchise Agreement

#### **NOTIFICATION:**

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