



AGENCY:	City Council
MEETING DATE:	May 28, 2019
DEPARTMENT:	City Manager
PRESENTED BY:	Tabatha Miller
EMAIL ADDRESS:	tmiller@fortbragg.com

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 maximum 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 1st of each year and pass-through adjustments when disposal rates are increased or decreased. Waste Management has calculated the June 1, 2019 rate increase of 4.72% 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.

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 1.52% increase due to increased tipping fees at the Cold Creek Compost. On January 28, 2019, City Council approved the increase from \$27.26 per ton to \$36.00 per ton for Cold Creek in order to account for increased costs from changes in law and regulation and changing market conditions, effective March 1, 2019.

Cost of Living Adjustment

Annual cost-of-living adjustments are provided for as of June 1st of each year in the Agreement (Attachments 3 and 6, Section 15 B, Cost of Living Rate Adjustment, as amended by Amendment No. 4 to Franchise Agreement). 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.

City Approval of Rate Increases

The Agreement Section 14 A, entitled 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 rate adjustment calculation is shown in the chart below:

Expense Allocation %					Weighted % Change
	Fuel Component	4.40%	Fuel % Change	19.86%	<u>0.87%</u>
	All Other Component	65.79%	CPI % Change	3.53%	<u>2.32%</u>
	Disposal Pass Through Component	29.82%	Disposal % Change	5.11%	<u>1.52%</u>
					<u>4.72%</u>

Individual service rate increases are set forth in Attachment 2. A typical residential customer with a 32-gallon trash container will see a \$1.68 increase in the monthly service fee as of June 1, 2019.

RECOMMENDED ACTION:

Pursuant to the Franchise Agreement, staff recommends that the Council adopt the Resolution to approve the Rates attached as Attachment 1, effective June 1, 2019.

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.

ATTACHMENTS:

1. Resolution
2. Rate Increase Submittal

3. Franchise Agreement
4. Amendment No. 4 to Franchise Agreement

NOTIFICATION:

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