



AGENCY:	City Council
MEETING DATE:	July 8, 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 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. Because the original rates provided by Waste Management prior to June 1, 2019 were not consistent with the Agreement and needed to be revised, the cost-of-living increase will be applied to the July 2019 billings and not retroactive to the prior month.

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 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 to \$36.00 per ton for Cold Creek in order to account for increased costs from changes in law and changing market conditions, effective March 1, 2019.

Cost of Living Adjustment

Positive annual cost-of-living adjustments are provided for as of June 1st of each year in the Agreement (Attachments 3 and 4, 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. The proposed rates, include a 3.2% increase for the cost-of-living adjustment.

Per the Agreement, Waste Management is to notify the City of the cost-of-living adjustments at least thirty days prior to the Adjustment Date (June 1, 2019), so that there is sufficient time to review and approve the new rates prior to the rate adjustment date. There is no reference to retroactive application of a cost-of-living adjustment, indicating that the parties to the Agreement did not intend to provide such application, as it is explicitly provided for in the pass-through and extraordinary rate adjustment clauses. Because of the delay in revising the rates, Waste Management has agreed to apply the cost-of-living adjustment effective for the July 2019 billing.

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.

RECOMMENDED ACTION:

Consistent with the Agreement, staff recommends that the Council adopt a Resolution to approve the cost-of-living rate adjustment of 3.20%, effective July 1, 2019. Staff recommends the pass-through rate adjustment of 1.52% be approved per the Agreement retroactive to March 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.

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 July. The disposal pass-through increase will apply retroactively to March 1, 2019 and the cost-of-living adjustment will be effective July 1, 2019.

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