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DATE: May 3, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **RESOLUTION ADJUSTING THE MAXIMUM SOLID WASTE USER RATES; ANNUAL COMPENSATION CONSUMER PRICE INDEX ADJUSTMENT; AND EXTRAORDINARY RATE ADJUSTMENT TO WASTE MANAGEMENT OF CALIFORNIA**

### **SYNOPSIS**

Staff recommends that the City Council adopt a resolution adjusting the maximum solid waste user rates; approve Waste Management's annual request for Consumer Price Index adjustment under the City's solid waste service contract; approve Waste Management's request for an extraordinary adjustment on solid waste disposal rates; and direct staff to implement the user rates and franchise service provider charges.

### **BACKGROUND**

Waste Management of California, Inc. (WM) is the City's contractor for solid waste disposal services. The current Franchise Agreement (Contract), approved by the City Council on October 20, 2010, established initial rates for all user services, including both residential and commercial collection.

On September 25, 2019, the City Council approved Amendment 1 to the Contract which specified that a portion of the rate is to be paid to WM and a portion of the rate is to be paid to the City for other solid waste related programs. The current contract expires December 31, 2023.

As further described below, WM is also requesting the City approve an additional 1.59% increase to residential rates, and a 2.07% increase to recurring commercial municipal solid waste disposal rates on the basis of extraordinary rate increases in third party disposal tipping fees that commenced June of 2022. WM is not permitted to request retroactive compensation, but instead is requesting this increase be applied to rates effective July 1, 2023 through December 31, 2023.

It is important to note that the rate adjustments under current consideration are not related to Waste Management's new Franchise Agreement (approved April 2022) which commences January 1, 2024.

**ANALYSIS**

Pursuant to Section 9.04 of the current Franchise Agreement, WM may request the higher increase of the National CPI-U (all urban consumers) or 75 percent of the CPI-U for San Diego. The percent increase is calculated by comparing the difference of the previous year's Rate Index to the New Index, creating the percentage change of the two indices, and applying a weight to the percentage change (75 percent for the CPI-U San Diego, and 100 percent for the National CPI-U), as described in Table 1. The City received a request from WM for an 8% percent increase which applies only to the payment paid to WM for solid waste services rendered. All other City rate components remain the same.

Table 1 FY 2023-24 CPI Rate Adjustment to Waste Management

Rate Index	Old Index	New Index	Percentage Change in Index	Index Weighting	Total Weighted Change
CPI - All Urban Consumers - San Diego	319.761	344.416	7.71%	75%	5.78%
(344.416 – 319.761) = 24.655 Change in rate		24.655 / 319.761 = 7.71% Percentage Change		7.71% x 75% = 5.78% Weighted Change	
CPI-I, U.S. Average	270.9698	292.6549	8.00%	100%	8.00%
(292.6549 – 270.9698) = 21.6851 Change in rate		21.6851 / 292.6549 = 8.00% Percentage Change		8.00% x 100% = 8.00% Weighted Change	
Total Percentage Rate Adjustment (Total Weighted Percentage Index that produces highest change)				8.00%	

Pursuant to section 9.05 of the Franchise Agreement, WM may request an extraordinary rate adjustment in the event that it materially alters the Contractor's operations or costs; could not have reasonably been foreseen; and is expected to continue for at least six months. Waste Management's extraordinary rate increase of an additional 1.59% for residential and 2.07% for commercial will only be applied to disposal/landfill service fees, and will not be applied to recycling, food scraps and/or other ancillary fees. WM stated that the basis for the request of the extraordinary rate adjustment is due to an exorbitant increase in disposal tipping fees by a third party, that justified the tipping increase to WM on the basis of increases in fuel, transportation and operating costs.

Standard Solid Waste Services	Current FY 22/23	Proposed 7/1/23 – 12/31/23	Monthly Increase (CPI/Extraordinary)	Total 6 month Increase
Residential	\$21.33	\$23.23	\$1.90	\$11.40
Commercial	\$124.99	\$136.74	\$11.75	\$70.50

The attached rate sheet reflects the updated rates, including the CPI increases to all rates and the extraordinary adjustments to only residential and commercial disposal rates.

**FISCAL IMPACT**

There is no fiscal impact to the City, as WM took over the billing for all solid waste and recycling services in April 2023.

**COMMISSION OR COMMITTEE REPORT**

The Water Utilities Commission approved staff's recommendation at its scheduled meeting on April 18, 2023.

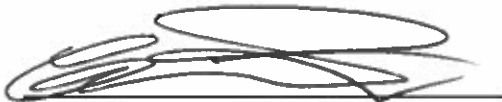
**CITY ATTORNEY'S ANALYSIS**

The City is authorized to hold a public hearing in the matter.

**RECOMMENDATION**

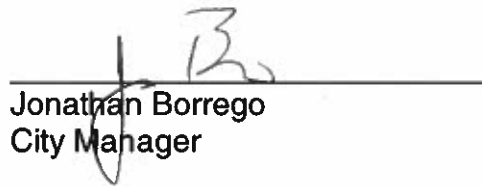
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PREPARED BY:



Colleen Foster  
Environmental Officer

SUBMITTED BY:



Jonathan Borrego  
City Manager

REVIEWED BY:

Michael Gossman, Assistant City Manager

Lindsay Leahy, Water Utilities Director

Jill Moya, Financial Services Director

Rosemarie Chora, Water Division Manager



ATTACHMENTS:

- A: Waste Management Rate Sheet
- B: Resolution
- C: Waste Management CPI Request Letter

Waste Management - City of Oceanside  
Schedule of Rate Adjustment Calculations - July 1, 2023

Table with 6 columns: Rate Index, Old Index, New Index, Percent Change in Index, Index Weighting, Total Weighted Change. Rows include CPI - All Urban Consumers - San Diego, CPI - All Urban Consumers - U.S. City Average, and Total Percentage Rate Adj.

Rate adjustment per Article 9, of the Solid Waste Franchise Agreement. CPI adjustment applies to Contractor Rate only and does not apply to any City service rates. No Change in Storm Water fees 0%

Cells highlighted in green subject to extraordinary request

Main table with multiple columns for rates and adjustments. Sections include Residential Services, Commercial Services, and Split Bin Rate. Columns include Current Rates, 2022-23 CPI INCREASE, NEW RATES W/ CPI EFFECTIVE 7/1/23, Extraordinary Rate Increase, and NEW RATES W/ CPI & EXTRAORDINARY EFFECTIVE 7/1/23.







Single and Multi-Family Cart customers - 3 bulky item pickups per calendar year with 5 items maximum per pickup).

Bulky Item - Exceeding 5 per pickup-1st item	\$	54.21	\$	-	\$	-	\$	54.21	\$	4.34	\$	-	\$	-	\$	4.34	\$	58.55	\$	-	\$	-	\$	58.55	\$	-	\$	-	\$	-	\$	58.55	\$	-	\$	-	\$	58.55
Bulky Item - Exceeding 5 per pickup-each add'l item	\$	13.89	\$	-	\$	-	\$	13.89	\$	1.11	\$	-	\$	-	\$	1.11	\$	15.00	\$	-	\$	-	\$	15.00	\$	-	\$	-	\$	-	\$	15.00	\$	-	\$	-	\$	15.00
Multi Family and Commercial Bin Customers shall be charged for bulky item pickups.																																						
Per Bulky Item- first item	\$	54.21	\$	-	\$	-	\$	54.21	\$	4.34	\$	-	\$	-	\$	4.34	\$	58.55	\$	-	\$	-	\$	58.55	\$	-	\$	-	\$	-	\$	58.55	\$	-	\$	-	\$	58.55
Per Bulky Item -each add'l item	\$	13.89	\$	-	\$	-	\$	13.89	\$	1.11	\$	-	\$	-	\$	1.11	\$	15.00	\$	-	\$	-	\$	15.00	\$	-	\$	-	\$	-	\$	15.00	\$	-	\$	-	\$	15.00
Bulky Item requiring 2 people to handle																																						
Per Bulky Item Trip	\$	77.86	\$	-	\$	-	\$	77.86	\$	6.23	\$	-	\$	-	\$	6.23	\$	84.09	\$	-	\$	-	\$	84.09	\$	-	\$	-	\$	-	\$	84.09	\$	-	\$	-	\$	84.09
Bins that are overloaded can be charged a fee.																																						
Overload Bin Fee	\$	49.07	\$	-	\$	-	\$	49.07	\$	3.93	\$	-	\$	-	\$	3.93	\$	53.00	\$	-	\$	-	\$	53.00	\$	-	\$	-	\$	-	\$	53.00	\$	-	\$	-	\$	53.00
BAGSTER																																						
Per Collection	\$	179.35	\$	-	\$	-	\$	179.35	\$	14.35	\$	-	\$	-	\$	14.35	\$	193.70	\$	-	\$	-	\$	193.70	\$	-	\$	-	\$	-	\$	193.70	\$	-	\$	-	\$	193.70
Commercial Bin Delivery - Bad Debt	\$	66.48	\$	-	\$	-	\$	66.48	\$	5.32	\$	-	\$	-	\$	5.32	\$	71.80	\$	-	\$	-	\$	71.80	\$	-	\$	-	\$	-	\$	71.80	\$	-	\$	-	\$	71.80
<i>Bins that are redelivered after removal for non-payment</i>																																						

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ADJUSTING THE MAXIMUM RATES FOR THE COLLECTION OF WASTE MATTER WITHIN THE CITY OF OCEANSIDE**

WHEREAS, the City contracts with Waste Management of California, Inc. (Waste Management) for solid waste disposal services to the City.

WHEREAS, pursuant to said contract, Waste Management has requested an annual adjustment to increase the maximum contractor compensation for solid waste services provided, based on the change in Consumer Price Index and an extraordinary increase in the cost of providing service; and

WHEREAS, in order to accommodate this request, it will be necessary to adjust the maximum rates to be charged for solid waste services for both residential and commercial customers, in accordance with Oceanside City Code, Chapter 13 (Solid Waste and Recycling).

NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

The request made by Waste Management to adjust the maximum contractor compensation for solid waste and franchise provider services, is hereby approved and the maximum monthly rates for collection of solid waste maybe adjusted in accordance with the schedule attached hereto and incorporated herein by reference.

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PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this  
\_\_\_\_\_ day of \_\_\_\_\_, 2023 by the following vote:

AYES:  
NAYS:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY CLERK

  
\_\_\_\_\_  
CITY ATTORNEY

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE, ADJUSTING MAXIMUM RATES FOR THE COLLECTION OF WASTE MATTER WITHIN THE CITY OF OCEANSIDE



March 6, 2023

Colleen Foster  
City of Oceanside  
300 N. Coast Hwy.  
Oceanside, CA 92054

Subject: Annual Rate Adjustment 2023

Dear Ms. Foster:

Pursuant to Section 9.04.1 of our Franchise Agreement (Agreement), the Consumer Price Index –All Urban Consumers, U.S. City Average All Items weighted at 100% produced the highest percentage change, and results in an 8% increase in 2023.

Additionally, pursuant to Section 9.05 of the Agreement, WM is requesting an increase to rates related to extraordinary rate increases in disposal. On June 10, 2022, Republic Services (Republic) sent notification to WM of the increase in disposal rates that were effective June 1, 2022. The disposal rate went from \$48.19 per ton to \$59.23 per ton, which is a 22.9% increase. The justification by Republic for the extraordinary increase was to cover their continued increases to fuel, transportation and operating costs.

WM is respectfully requesting the City approve an additional 1.59% increase to residential rates, and 2.07% increase to recurring commercial municipal solid waste (MSW) services to account for the exorbitant costs in the increased disposal rate. The timing of Republic's extraordinary increase in disposal came after WM submitted rates to the City in 2022. WM has since continued to absorb this increase, which significantly impacted our operating costs since June 1, 2022.

The table below outlines the impact the disposal increase from Republic Services has to the per ton rate applied to residential and commercial MSW tons collected in Oceanside. The incremental increase per ton from June 2021 to June 2022 was \$11.04, which equates to 22.9%. However, when we apply the annual rate adjustment WM received in 2022, the per ton increase adjusts down to \$8.78 tons, so the amount ends up being an 18.2% increase in disposal. This is the shortfall amount WM incurs on residential and commercial MSW tons each month.

Period	2022 PI%		
	Actual	4.7%	Shortfall
Jun-21	\$ 48.19	\$ 48.19	
Jun-22	\$ 59.23	\$ 50.45	
Incremental Increase	\$ 11.04	\$ 2.26	\$ 8.78
% Increase	22.9%	4.7%	18.2%

The request for the extraordinary price increase is based on the amount of revenue WM would need to cover the per ton disposal rate shortfall for July 2023 – December 2023. In the table below, WM used the residential MSW tonnage from 2022 and adjusted it to 6 months. When the incremental disposal increase of \$8.78 per ton is applied, the average monthly shortfall to residential revenue is \$16,119.07. When compared to the monthly residential revenue, this results in a 1.59% increase for residential rates.

The same process was used to calculate the increase needed for reoccurring commercial MSW rates. WM used commercial solid waste tonnage from 2022 and adjusted to 6 months. When the incremental disposal increase of \$8.78 per ton is applied, the average monthly shortfall is \$17,920.52. When compared to the recurring monthly commercial revenue, the increase to commercial MSW rates is 2.07%.

The table below provides more information in detail:

<b>Residential</b>	
2022 MSW Tons	22,043
Shortfall per Ton	\$ 8.78
Total Shortfall	\$ 193,428.87
Total Monthly Shortfall	\$ 16,119.07
Monthly Residential Revenue	\$1,014,927.00
% Increase	1.59%

<b>Commercial</b>	
2022 MSW Tons	24,506.5
Shortfall per Ton	\$ 8.78
Total Shortfall	\$ 215,046.25
Total Monthly Shortfall	\$ 17,920.52
Monthly Commercial Revenue	\$ 864,219.00
% Increase (MSW Recurring Services ONLY)	2.07%

Attached is the rate schedule for customer rates effective July 1, 2023. It includes the 8% CPI request pursuant to Section 9.04.1 of the Agreement, plus the extraordinary rate increase as requested.

Thank you for your consideration. If you have any questions regarding the annual CPI request, please contact me directly at (760) 268-7108.

Sincerely,

*Lori Somers*

Lori Somers  
Community and Municipal Relations Manager