

STAFF REPORT

City Council Consent Item

DATE: June 21, 2022

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, City Manager

SUBJECT: Solid Waste Collection Franchise Rate Adjustment Request

STAFF RECOMMENDATION:

Staff recommends that the council approve the solid waste rate adjustment requested by Recology, Inc. to reflect the Consumer Price Index increase for the coming fiscal year.

EXECUTIVE SUMMARY:

The City of Fortuna entered into a franchise agreement with Eel River Disposal in 1998 for solid waste and recycling and collection. The franchise agreement was transferred to Recology, Inc. in 2017. The term of the franchise agreement currently ends in 2025.

In accordance with Sections 2.03.06, and 2.03.07 of the franchise agreement, rates may be adjusted annually based Consumer Price Index (CPI) for the rates effective on July 1 of the following year. A copy of those sections are shown in Table 1, below. The consumer price index is based on the All Urban Consumers, West-C index determined by the Bureau of Labor Statistics of the United States Department of Labor (CPI Index) and the month identified for annual comparison is March.

The CPI Index increase between March 2021 and March 2022 was 9%. Recology submitted a rate adjustment request to the City reflecting the CPI Index increase of 9% increase to their solid waste collection and disposal rates in accordance with the provisions of the Franchise agreement. A copy of the request and the calculation are attached to this staff report. The net increase to solid waste collection rates is less than the CPI, as recycling rates reduced because the tonnage of recyclables and the processing fees both are expected to be lower in the next fiscal year.

The proposed rates shown with the current rates are presented on page 7 of the Recology Adjustment request. The cost of the 32-gallon can with the proposed rates in Fortuna is still lower than all of the other communities in the Eel River Valley.

Table 1. Sections 2.03.06 and 2.03.07 of the Franchise Agreement between the City of Fortuna and Recology, Inc.

2.03.06	CPI Rate adjustments
Rates may be adjusted annually based on Consumer Price Index (CPI) such that the change takes effect on July 1. This adjustment shall apply only to the portion of the rate that covers operation costs, as described in Exhibits A and B. This CPI annual adjustment shall be equal to the amount derived by multiplying the portion of the service rate that covers operation costs by the annual percentage change in the CPI, All Urban Consumers, West-C, All Items, 1982-84 equals 100 as determined by the Bureau of Labor Statistics of the United States Department of Labor. The month of comparison shall be March. Any such adjustment shall be expressed as a percentage increase or decrease in the rates, rounded off to the nearest five (5) cents. The change in the amount of the Index is to be calculated as a percentage of change, upward or downward. The Index point difference is the current year's Index for March, minus the previous year's Index for March. The Index point difference is then divided by the previous year's Index for March. That amount is multiplied by 100 to get the percentage of change. That percentage of change is then applied, following the rules of normal arithmetic computation, to the current year's Exhibits A and B. The resulting product of which, rounded off to the nearest five cents, is added to the rate shown on Exhibit A and B. This resulting product of which, rounded off to the nearest five cents, is also added to the rate shown on Exhibit A and B for use in computing the following year's rate adjustment.	
2.03.07	Documentation of CPI Rate Adjustment
In consideration of a CPI rate adjustment, CONTRACTOR must submit a written report to CITY describing the calculation used to implement the rate change. Calculation of any CPI service rate adjustment must have approval of CITY Manager as to accuracy prior to any service rate change taking effect. CITY Manager shall not unreasonably withhold approval of a CPI increase of less than or equal to 3%. The City Council must approve any annual CPI adjustment greater than 3%.	

City staff has reviewed the requested increase for accuracy and has determined that the request meets the provisions of the Franchise Agreement for this type of adjustment.

Under the provision of paragraph 2.03.07ⁱ, the City Manager has the authority to approve CPI increases of less than or equal to 3%. However, the City Council must approve any annual CPI adjustment greater than 3%. Therefore, this item is presented to the Council for approval.

RECOMMENDED COUNCIL ACTION

Approve the solid waste rate adjustment requested by Recology, Inc. to reflect the Consumer Price Index increase by Consent Agenda vote.

ATTACHMENT:

- 5/16/2022 Recology Rate Adjustment Request and Calculation
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