

TOWN COUNCIL STAFF REPORT

Title: Resolution Adopting the First Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company related to calculation of fees and charges.

Meeting Date: November 16, 2022

Prepared by: Pam Kobylarz, Assistant to Town Manager
Daniel C. Holler, Town Manager

RECOMMENDATION:

Adopt a Resolution Approving the First Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company related to the calculation of fees and charges.

BACKGROUND AND ANALYSIS:

Background

In October 2020, the Town of Mammoth Lakes entered into a 20-year Solid Waste Franchise Agreement with Mammoth Disposal. The Town is required to provide solid waste services for its residents and visitors, including compliance with recycling and diversion mandates. The Franchise Agreement allows for Mammoth Disposal to provide these services on behalf of the Town; however, compliance with state mandates is still ultimately the Town's responsibility.

The Franchise Agreement governs all aspects of solid waste services, including collection, processing, hauling, and how the rate structure may be approved and modified. The existing rate structure through 2026 was approved by the Town Council and will result in setting a new base rate required to fund the costs of new capital investments, increased operational and processing costs, and enhance service levels, with a focus on increased recycling programs. On January 1, 2027, the Franchise Agreement allows for the rates to increase between 1-4% each year based on the defined Consumer Price Index (CPI).

Analysis

The adopted rates are intended to cover the costs of services, infrastructure investment (including construction of the new transfer station), new operating costs, and ongoing expenses. Since these rates were adopted, Mammoth Disposal has seen substantial cost increases across all categories of its operations. Mammoth Disposal approached the Town about ways to mitigate the amount of unanticipated cost increases.

As mentioned above, beginning in January 2027, the solid waste rates are scheduled to increase by 1-4% each year based on the CPI. Given the extraordinary circumstances and

cost increases that were not anticipated during the initial rate analysis, Mammoth Disposal is requesting that the Franchise Agreement be modified to allow the CPI increase to go into effect beginning January 1, 2023. This would be in addition to the planned rate increases of 5.6% each year, which incorporates an assumed 2.5% CPI increase each year.

Some details about cost increases being experienced by Mammoth Disposal include:

- Building costs for the new transfer station have increased from \$5 million to \$6.8 million. This is for building costs only and does not include increases for the cost of equipment.
- Solid waste trucking and disposal costs are significantly higher than previously quoted. Tipping fees at Russell Pass Landfill were originally quoted at \$21/ton and are now at \$30/ton, representing a 43% increase. Transportation/trucking costs are also expected to increase from the initial estimates. Fuel prices have gone up approximately 60% since the initial cost projections were done in 2020.
- In the initial cost structure escalated wages were set at 3.0% each year from 2019. Due to labor shortages and inflation, the average current hourly rate is at 7.9% above pro forma. Including benefits and taxes, the overall labor expense increase from the original 2022 pro forma cost structure is 12.2% higher.

Town staff have reviewed the information provided by Mammoth Disposal, along with the Consumer Price Index (CPI) data and agree that the allowance for an additional CPI increase at this time is appropriate to ensure that Mammoth Disposal is able to provide efficient and effective solid waste services on the Town's behalf.

The proposed amendment to the Franchise Agreement would allow for a CPI increase to the solid waste rates each year of between 1-4%, based on actual CPI (Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics of the U.S. Department of Labor) in August of the previous year.

This is not a request to increase solid waste rates. This item is a request to amend the Franchise Agreement, which would allow for Mammoth Disposal to come forward with a future request to modify the rates. The request for a proposed rate increase is set for a public hearing on December 7, 2022.

OPTIONS ANALYSIS

Option 1: Adopt a Resolution Approving the First Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company. This would allow Mammoth Disposal to come forward with a future request to modify solid waste rates.

Option 2: Do not Adopt the First Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company. A decision not

to adopt the proposed amendment would result in the existing solid waste rate structure staying in place.

Attachments:

Attachment A: Resolution

Attachment B: First Amendment to Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company