

## **TOWN COUNCIL STAFF REPORT**

Title: Consider Adoption of the Second Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company related to rate adjustments.

Meeting Date: January 17, 2024

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### **RECOMMENDATION:**

Adopt the Second Amendment to the Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company related to rate adjustments.

### **BACKGROUND AND ANALYSIS:**

#### ***Background***

In October 2020, the Town of Mammoth Lakes entered into a 20-year Solid Waste Franchise Agreement (Solid Waste Services 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 2027 was approved by the Town Council and sets a base rate that incorporates a 5.6% increase each year through 2026 to fund the costs of new capital investments, increased operational and processing costs, and enhanced service levels, with a focus on increased recycling programs. On January 1, 2027, the current Franchise Agreement rate structure 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. The Franchise Agreement allows for Mammoth Disposal to request an increase to rates in the event that unforeseen circumstances arise "which are caused by no fault of Contractor and are outside Contractor's control and materially affect Contractor's costs or revenues under this Agreement."

Benton Crossing Landfill closed on December 31, 2022, and per the Franchise Agreement, Mammoth Disposal started hauling all municipal solid waste from Mammoth Lakes to

Russell Pass Landfill in Fallon, Nevada, effective January 1, 2023. Mammoth Disposal hired Cherokee Trucking to haul the waste (also known as the transfer brokerage) pursuant to a one-year agreement. On October 24, 2023, Cherokee Trucking provided Mammoth Disposal notice that it will no longer provide hauling services beginning on January 1, 2024, so Mammoth Disposal solicited new bids for the transfer brokerage work and selected SRT as the most responsive bidder. SRT's rates for brokerage are higher than those charged by Cherokee Trucking and became effective January 1, 2024. Cherokee Trucking also charges an additional fuel surcharge (FSC) to cover the fluctuating costs of fuel.

To cover this brokerage rate increase, Mammoth Disposal has formally requested an amendment to the Franchise Agreement to permit a one-time adjustment of 2.94% to Mammoth Disposal's rates as well as the addition of a pass-through FSC that would be a separate line item on customer billings. To address this, the following changes to the Franchise Agreement are proposed:

- Amend Section 22 to state that Exhibit B (Rates) reflects rates from February 1, 2024 - December 31, 2027.
- Amend Section 22.B to include the one-time 2.94% base rate increase to cover the increased hauling costs.
- Amend Section 22.B to allow for a fuel surcharge to be added to billings, based on a published index used by the brokerage provider (<https://www.eia.gov/petroleum/gasdiesel/>). The FSC will be based on actual fuel costs over a 6-month period and will be capped at 6.1%. Town staff will review the request twice a year to ensure it is reasonable.

Town staff have reviewed the request and information provided by Mammoth Disposal and agree that the allowance for a one-time increase to address the hauling costs as well is appropriate to ensure that Mammoth Disposal is able to provide efficient and effective solid waste services on the Town's behalf. The addition of the FSC is also a reasonable pass-through cost given how fuel prices have increased over the past few years and the distance travelled to dispose of waste generated within the Town.

This is not a request to increase solid waste rates. This item is a request to amend the Franchise Agreement, which allows Mammoth Disposal to come forward with a request to modify the rates. The request for a proposed rate increase is a public hearing scheduled as a separate item on the January 17, 2024 meeting agenda.

## **OPTIONS ANALYSIS**

Option 1: Adopt the Second 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 its request to modify solid waste rates.

Option 2: Do not Adopt the Second 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.

**Attachment:**

Second Amendment to Solid Waste Services Agreement between the Town of Mammoth Lakes and Mammoth Disposal Company