

## TOWN COUNCIL STAFF REPORT

Title: Consider Adoption of a Resolution Approving the Solid Waste Disposal Charges and Rates for January 1, 2024 through December 31, 2027.

Meeting Date: January 17, 2024

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### **RECOMMENDATION:**

Adopt a Resolution Approving the Solid Waste Disposal Charges and Rates for January 1, 2024 through December 31, 2027.

### **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 State mandates for recycling and diversion of waste from landfills. The Franchise Agreement allows for Mammoth Disposal to provide these services on behalf of the Town; however, compliance with State mandates is ultimately the Town's responsibility.

As part of the Franchise negotiations, the rate structure for solid waste services was approved and is tied to a variety of increased service offerings, infrastructure investment, new operating costs, and ongoing expenses. In December 2022, the Town Council approved an updated rate structure through 2027 to reflect significant, unanticipated operational costs.

The Franchise Agreement allows Mammoth Disposal to request an adjustment to rates for services under the following extraordinary circumstances: 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. This rate request meets these criteria.

### **ANALYSIS:**

#### ***Current Rates***

The existing fee structure includes the following service and cost assumptions:

- Transportation and disposal of solid waste (~20%). This includes contracting the transportation of solid waste as well as the disposal of waste at a Russell Pass Landfill in Fallon, Nevada.
- Collection and processing of solid waste (~65%), including administration, collection services for residential and commercial customers, equipment (vehicles, bins, and other containers), and operations at the transfer station.

- Recycling services and processing of other solid waste related materials (~15%), including handling of Household Hazardous Waste (HHW) and recyclable materials dropped off and collected, processing of construction and debris material, and the handling of green waste and miscellaneous items.

The rate structure allows for increased rates each January 1st for the calendar year. The base rate incorporates a 5.6% increase each year through 2026. The rate and annual increase were based on the estimated \$9.3 million in capital expenditures as well as anticipated operational costs. In addition to the new facility, capital costs over the life of the Agreement include vehicles, bins/containers, sorting equipment, storage containers, and operational items related to replacement and upgrades. Operational costs include operation of programs and services, solid waste collection, disposal, recycling, and implementation of new State mandates.

From 2024 through 2026, rates and charges will increase a minimum 6.6% and a maximum of 9.6%. The rate includes the 5.6% base increase to the base rate, plus a 1% to 4% increase based on the Consumer Price Index (CPI). The solid waste rates use the Consumer Price Index, series CPI-U for the Los Angeles-Long Beach-Anaheim area published by the Bureau of Labor Statistics of the U.S, Department of Labor to determine the CPI impact each year. The 5.6% increase to the base rate will continue through 2026. The August CPI is used to determine the rates for the following calendar year. In 2027, the increase to the base rate will only include the CPI increase, with the base rates increase set at a minimum of 1% and maximum 4%. The initial rate notice did show the 5.6% increase continuing through 2027. This was corrected and the attached recommended rate increase for 2027 only includes the base CPI increase of 1% - 4% and the FSC charge.

### ***Proposed Rate Increase***

For its first year of hauling municipal solid waste from the Town of Mammoth Lakes to Russell Pass Landfill in Fallon, Nevada, Mammoth Disposal contracted with Cherokee Trucking to provide this service. This was a one-year agreement between the parties and Cherokee Trucking has provided notice that they will no longer be providing the service in 2024. Mammoth Disposal solicited new bids and based on quality of service and price; Mammoth Disposal selected Sierra Rental & Transport (SRT) to provide hauling service beginning January 1, 2024. The increase in trucking costs reflects overall higher rates, in part due to impacts of winter hauling and fees assessed on trucks hauling material between California and Nevada.

Due to increased hauling costs as a result of this change, the base rate proposed for 2024 will increase by an additional 2.94%, for a total increase in 2024 of 11.87% (5.6% base increase + 3.3% actual CPI + 2.94%).

Due to volatility in diesel fuel costs, the trucking company (STR) incorporates a separate fuel surcharge (FSC) in the hauling charge. The FSC is based on the weekly price of diesel fuel as published by the US Energy Information Administration (<https://www.eia.gov/petroleum/gasdiesel/>) for California. The current FSC increase of 4.48% is included in the proposed rates. The fuel surcharge will be averaged over a 6-

month period each February and August, using the noted index, providing time for Town staff to review submitted information and implementation on July 1 and January 1, respectively (adjusted every 6 months). The FSC will be added to all billing to cover the increased cost of hauling with SRT. The FSC will be shown as a separate pass through cost on billings and it is recommended that the FSC be exempt from the 9.5% franchise fee. The rate proposal sets the FSC charges at a minimum increase of 0% and a maximum of 6.1%. The FSC charges would be on a review of information submitted and approval by Town staff, with approval not unreasonably denied, prior to going into effect every six months.

The proposed rate increase requires a public hearing and allows for customers to lodge a protest to the rates as provided for under Proposition 218. This process is often referred as to a Prop 218 hearing. A copy of the Prop 218 hearing notice including the proposed new rates is attached.

Minor modifications to the Solid Waste Franchise Agreement are also required to accommodate this request. The Franchise Agreement amendment is a separate agenda item. If adopted by Town Council the rates provided herein will replace Exhibit B of the Franchise Agreement (Solid Waste Services Agreement) setting the updated rates.

### **OPTIONS ANALYSIS**

Option 1: Adopt a Resolution Approving the Solid Waste Disposal Charges and Rates for January 1, 2024 through December 31, 2027.

Option 2: Do not approve the Solid Waste Disposal Charges and Rates for January 1, 2024 through December 31, 2027 and provide direction to staff.

***Attachments:***

Attachment A: Resolution including Solid Waste Rate sheet for January 1, 2024 through December 31, 2027

Attachment B: Prop 218 notice and opposition letters