



Report to Finance Subcommittee

TO: Marshall Eyerman, Chief Financial Officer/City Treasurer

FROM: Michael L. Wolfe P.E., Public Works Director/City Engineer

AGENDA DATE: May 28, 2019

TITLE: REVIEW OF WASTE MANAGEMENT FISCAL YEAR
2019/20 PROPOSED SOLID WASTE RATE ADJUSTMENT

RECOMMENDED ACTION

Recommendations:

1. Review and forward for the City Council's consideration the Waste Management, Inc. ("Waste Management") Fiscal Year (FY) 2019/20 proposed solid waste rate adjustment.
2. Review and forward for the City Council's consideration Waste Management's proposal of a fee for Recycling Material Offset (RMO) Costs in the amount of \$0.31 per month, per residential account.

SUMMARY

This report provides an overview of Waste Management's proposed FY 2019/20 solid waste rate adjustment for the City of Moreno Valley. Each year, the City Council reviews and considers for approval, as applicable, Waste Management's rates prior to use for assessment on the subsequent Fiscal Year's (i.e. FY 2019/20) solid waste bills. The Waste Management Franchise Agreement indicates that subject to the approval of the City Council, which approval shall not be unreasonably withheld, the Contractor Service Rates shall be adjusted to reflect changes in the Consumer Price Index (CPI). The CPI for the FY 2019/20 rate adjustments is 2.708%, while the previous year's CPI adjustment for FY 2018/19 was 3.785%.

In addition, landfill and green waste processing costs shall be adjusted according to a direct "pass-through" of the actual Contractor's costs on a pro-rata basis to each customer. The rates are being presented to the Finance Subcommittee as an advisory item prior to City Council consideration. The City Council is scheduled to consider this

item during the June 4, 2019 City Council meeting.

The proposed solid waste rate adjustment will allow Waste Management to continue to provide quality comprehensive solid waste services to our community. The adjusted rates are increasing based upon changes in CPI, changes in landfill rates, and changes in green waste processing costs, as applied to actual tonnages of trash and green waste collected in the City of Moreno Valley. Additionally, Waste Management has also proposed an additional fee for *Recycling Material Offset (RMO) Costs* and an increase in the commercial contamination charge greater than CPI for consideration.

Waste Management has also proposed that they would perform ten bulky waste collection events per year, at no additional cost to the City.

DISCUSSION

The City of Moreno Valley has an exclusive franchise agreement with Waste Management for the collection and handling of solid waste, green waste, and recycling within the City (collectively, “solid waste”). Per the Moreno Valley Municipal Code (“Code”), unless otherwise approved by the City for self-hauling, all premises within the City that accumulate or produce solid waste shall receive at minimum weekly solid waste services through the franchise waste hauler. Regular solid waste service is important to preserve the health, welfare, and sustainability of our community.

The four components of the residential solid waste rate are: 1) service component; 2) trash disposal component; 3) green waste disposal component; and 4) franchise fee component. The factors impacting the cost of each of these components are detailed below:

- Service Component Factors: Consumer Price Index (CPI)
- Trash Disposal Component Factors: County of Riverside landfill rate, residential trash waste tonnage, total number of residential accounts
- Green Waste Disposal Component Factors: Third-party green waste processing fee, residential green waste tonnage, total number of residential accounts
- Franchise Fees: Constant 12.13% of total solid waste rate

The changes (increase or decrease) in the factors impacting the solid waste rate are detailed below:

Table 1: Residential and Commercial Rate Component Factors

Residential/Commercial Rate Component	Factor	Percentage Increase/(Decrease)
Service Component	CPI	2.708%
Trash Disposal Component	Landfill rate	3.051%
	Tonnage – residential trash (lbs./household per week)	(6.312%)
	Tonnage – commercial trash (lbs./customer per week)	(2.377%)
Green Waste Disposal Component (only for residential rate)	Green waste processing fee	7.179%
	Tonnage – residential green waste (lbs./household per week)	2.794%

Residential Rate:

The proposed single-family residential solid waste rate for standard service in FY 2019/20 represents an increase from \$23.81 to \$24.33, which is 2.184% above the current rate.

In addition to the CPI increase outlined in the Franchise Agreement, Waste Management has proposed an additional fee for *Recycling Material Offset (RMO) Costs*, which would represent an additional \$0.31 per residential account, per month. The commodity values for recyclable materials have been negatively affected by various international policies, which has caused increased labor costs and decreased revenue for recyclables. The purpose of the additional fee for RMO Costs is to recover some of the costs associated with increased labor and to account for decreased revenue from selling recyclable materials. The proposed fee for *Recycling Material Offset Costs* would represent an additional \$0.31 to the FY 2019/20 adjusted monthly rate of \$24.33. For a single-family residential customer with standard service, this would result in a monthly residential rate of \$24.64. The details of this rate increase are outlined in Table 2.

Table 2: New Fee Proposed by Waste Management for Recycling Material Offset (RMO) Costs

Residential Monthly Rates					
FY 2018/19 Current Rate	Standard Proposed Annual Increase (CPI)	FY 2019/20 Proposed Rate	Proposed RMO Fee	Proposed Rate with RMO	Total Percentage Increase
\$23.81	\$0.52	\$24.33	\$0.31	\$24.64	3.486%

Commercial Rate:

Similar to residential rates, Waste Management has proposed an increase associated with the CPI outlined in the Franchise Agreement for commercial rates. For the most common commercial solid waste service, which is a 3-yard bin serviced once per week, the proposed increase is from \$165.24 to \$169.43. This is 2.536% above the current commercial rate.

State mandated regulations were implemented in California to improve efficiency and compliance for statewide recycling and waste diversion goals. Assembly Bill 939 (AB 939) established waste diversion mandates for jurisdictions, while Assembly Bill 341 (AB 341) established state mandates for Mandatory Commercial Recycling. These mandates resulted in increased usage of commercial recycling bins, which improved recycling efforts. However, if a commercial recycling bin becomes contaminated with trash, it will likely end up being processed as trash, which would then be added to the City’s waste tonnage and increases the cost to Waste Management.

The State monitors the City’s waste tonnage and overall program requirements, which if not met could result in fines to the City. Therefore, an important element of our recycling program is to reduce contamination of commercial recycling bins as much as possible. In an effort to reduce commercial recycling contamination, an increase in the Commercial Recycle Contamination fee is proposed by Waste Management. The current FY 2018/19 Commercial Recycle Contamination fee rate of \$58.66 is substantially less than the cost of adding service for an additional commercial waste bin, which may encourage continued contamination of commercial recycling bins and result in less tonnage diversion. To help deter repeated occurrences of commercial recycling contamination, an increase from \$58.66 to \$100.00 is proposed by Waste Management.

Summary:

Details regarding the current rate, proposed rate, and increase amount/percentage, as applied to the residential rate and most common commercial rate are noted below:

Table 3: Solid Waste Rate Adjustment Examples (excluding fee for Recycling Material Offset (RMO) Costs)

Customer Category	FY 2018/2019 Current Rate ⁽²⁾	FY 2019/2020 Proposed Rate ⁽²⁾	Increase Amount ⁽²⁾	Percentage Increase
Single Family Residential	\$23.81	\$24.33	\$0.52	2.184%
Commercial 3 Yard ⁽³⁾ 1X Weekly Service	\$165.24	\$169.43	\$4.19	2.536%

⁽²⁾ Monthly rates for solid waste service. Customers are billed quarterly by Waste Management, Inc.

⁽³⁾ 3 yard 1x weekly service is the most common commercial service utilized.

Table 4: Solid Waste Rate Adjustment Examples (including fee for Recycling Material Offset (RMO) Costs)

Customer Category ⁽¹⁾	FY 2018/2019 Current Rate ⁽²⁾	FY 2019/2020 Proposed Rate ⁽²⁾	Increase Amount ⁽²⁾	Percentage Increase
Single Family Residential	\$23.81	\$24.64 ⁽⁴⁾	\$0.83 ⁽⁴⁾	3.486% ⁽⁴⁾
Commercial 3 Yard ⁽³⁾ 1X Weekly Service	\$165.24	\$169.43	\$4.19	2.536%

⁽¹⁾ Attachment 1 includes the FY 2019/2020 proposed solid waste rate adjustment for all customer categories.

⁽²⁾ Monthly rates for solid waste service. Customers are billed quarterly by Waste Management, Inc.

⁽³⁾ 3 yard 1x weekly service is the most common commercial service utilized.

⁽⁴⁾ Includes an RMO fee of an additional \$0.31, per residential account, per month.

ALTERNATIVES

1. Recommend moving forward for Council's consideration the FY 2019/20 proposed solid waste rate adjustment including the Waste Management proposed fee for Recycling Material Offset (RMO) Costs in the amount of an additional \$0.31 per month, per residential account, as shown in Table 4.
2. Recommend moving forward for Council's consideration the FY 2019/20 proposed solid waste rate adjustment excluding the Waste Management proposed fee for Recycling Material Offset (RMO) Costs, as shown in Table 3.
3. Recommend moving forward for the Council's consideration the FY 2019/20 proposed solid waste rate adjustment excluding the Waste Management proposed fee for Recycling Material Offset (RMO) Costs, as shown in Table 3, and a Commercial Recycling Contamination fee of \$60.25 instead of \$100.00.

FISCAL IMPACT

The City receives a 12.13% franchise fee on revenue collected by Waste Management, Inc. Adjustments to solid waste rates have a proportionate effect on revenues received by the City.

Solid waste services are exempt from voting requirements under Proposition 218, Section 6(c) because the obligation to pay for solid waste service is not exclusive to property ownership. Furthermore, solid waste fees are not an encumbrance on a property, although delinquent fees can become the subject of a judgment lien.

ATTACHMENTS

1. FY 2019/20 Waste Management Proposed Solid Waste Rate Adjustment

**Attachment 1
City of Moreno Valley
Solid Waste and Recycling Rates
Effective July 1, 2019**

Commercial & Multi-Family Service (1)				
Size	Service Frequency	FY 2018/19		FY 2019/20
		Current Rate	Rate Adjustment	Proposed Rate
1.5	1	\$ 111.01	\$ 2.87	\$ 113.88
1.5	2	\$ 200.02	\$ 5.13	\$ 205.15
1.5	3	\$ 283.65	\$ 7.25	\$ 290.90
1.5	4	\$ 364.65	\$ 9.31	\$ 373.96
1.5	5	\$ 450.92	\$ 11.50	\$ 462.42
1.5	6	\$ 534.54	\$ 13.61	\$ 548.15
2	1	\$ 129.10	\$ 3.30	\$ 132.40
2	2	\$ 232.76	\$ 5.92	\$ 238.68
2	3	\$ 330.00	\$ 8.36	\$ 338.36
2	4	\$ 424.32	\$ 10.72	\$ 435.04
2	5	\$ 524.75	\$ 13.25	\$ 538.00
2	6	\$ 621.96	\$ 15.69	\$ 637.65
3	1	\$ 165.24	\$ 4.19	\$ 169.43
3	2	\$ 297.93	\$ 7.50	\$ 305.43
3	3	\$ 422.66	\$ 10.58	\$ 433.24
3	4	\$ 543.72	\$ 13.58	\$ 557.30
3	5	\$ 672.12	\$ 16.77	\$ 688.89
3	6	\$ 796.83	\$ 19.86	\$ 816.69
4	1	\$ 210.65	\$ 5.32	\$ 215.97
4	2	\$ 379.97	\$ 9.52	\$ 389.49
4	3	\$ 539.05	\$ 13.45	\$ 552.50
4	4	\$ 693.56	\$ 17.24	\$ 710.80
4	5	\$ 857.23	\$ 21.30	\$ 878.53
4	6	\$ 1,016.36	\$ 25.22	\$ 1,041.58
6	1	\$ 266.68	\$ 6.65	\$ 273.33
6	2	\$ 483.44	\$ 11.94	\$ 495.38
6	3	\$ 688.07	\$ 16.90	\$ 704.97
6	4	\$ 887.14	\$ 21.72	\$ 908.86
6	5	\$ 1,097.37	\$ 26.84	\$ 1,124.21
6	6	\$ 1,301.94	\$ 31.81	\$ 1,333.75

Commercial Compactor Service				
Size	Service Frequency	FY 2018/19		FY 2019/20
		Current Rate	Rate Adjustment	Proposed Rate
1.5	1	\$ 142.13	\$ 3.42	\$ 145.55
1.5	2	\$ 262.28	\$ 6.23	\$ 268.51
1.5	3	\$ 377.05	\$ 8.91	\$ 385.96
1.5	4	\$ 489.21	\$ 11.52	\$ 500.73
1.5	5	\$ 606.64	\$ 14.26	\$ 620.90
1.5	6	\$ 721.35	\$ 16.93	\$ 738.28
2	1	\$ 170.60	\$ 4.04	\$ 174.64
2	2	\$ 315.80	\$ 7.40	\$ 323.20
2	3	\$ 454.54	\$ 10.58	\$ 465.12
2	4	\$ 590.43	\$ 13.68	\$ 604.11
2	5	\$ 732.30	\$ 16.94	\$ 749.24
2	6	\$ 871.09	\$ 20.12	\$ 891.21
3	1	\$ 227.51	\$ 5.29	\$ 232.80
3	2	\$ 422.47	\$ 9.71	\$ 432.18
3	3	\$ 609.47	\$ 13.90	\$ 623.37
3	4	\$ 792.85	\$ 18.01	\$ 810.86
3	5	\$ 983.53	\$ 22.30	\$ 1,005.83
3	6	\$ 1,170.52	\$ 26.50	\$ 1,197.02
4	1	\$ 293.73	\$ 6.80	\$ 300.53
4	2	\$ 546.08	\$ 12.48	\$ 558.56
4	3	\$ 788.18	\$ 17.88	\$ 806.06
4	4	\$ 1,025.71	\$ 23.16	\$ 1,048.87
4	5	\$ 1,272.42	\$ 28.68	\$ 1,301.10
4	6	\$ 1,514.60	\$ 34.09	\$ 1,548.69

Commercial Organics				
Size	Service Frequency	FY 2018/19		FY 2019/20
		Current Rate	Rate Adjustment	Proposed Rate
2	1	\$ 238.33	\$ 6.45	\$ 244.78
2	2	\$ 476.05	\$ 12.89	\$ 488.94
2	3	\$ 713.77	\$ 19.33	\$ 733.10
2	4	\$ 951.44	\$ 25.76	\$ 977.20
2	5	\$ 1,189.14	\$ 32.20	\$ 1,221.34
2	6	\$ 1,426.82	\$ 38.64	\$ 1,465.46
64 Gallon Cart	1	\$ 44.40	\$ 1.20	\$ 45.60
64 Gallon Cart	2	\$ 88.80	\$ 2.40	\$ 91.20
64 Gallon Cart	3	\$ 133.20	\$ 3.61	\$ 136.81
64 Gallon Cart	4	\$ 177.60	\$ 4.81	\$ 182.41
64 Gallon Cart	5	\$ 222.00	\$ 6.01	\$ 228.01
64 Gallon Cart	6	\$ 266.40	\$ 7.21	\$ 273.61

Commercial Misc Services				
	FY 2018/19		FY 2019/20	
	Current Rate	Rate Adjustment	Proposed Rate	
Temp bin service (up to 7 days)	\$ 145.79	\$ 3.95	\$ 149.74	
Temp bin service (30 days)	\$ 321.84	\$ 8.71	\$ 330.55	
Extra empty - first bin	\$ 58.66	\$ 1.59	\$ 60.25	
Extra empty - addl bins	\$ 25.15	\$ 0.68	\$ 25.83	
<u>Pull-out service per bin</u>				
0-15 feet	N/C		N/C	
16-35 feet	\$ 16.90	\$ 0.46	\$ 17.36	
36-50 feet	\$ 25.36	\$ 0.69	\$ 26.05	
Over 51 feet	\$ 33.83	\$ 0.92	\$ 34.75	
Locking container	\$ 42.28	\$ 1.14	\$ 43.42	
Restart fee	\$ 50.73	\$ 1.37	\$ 52.10	
Special bin/container lid	\$ 16.69	\$ 0.45	\$ 17.14	
Overage fees	\$ 58.69	\$ 1.59	\$ 60.28	
Bin exchange - over 1 per year	\$ 50.17	\$ 1.36	\$ 51.53	
Bin exchange - service level change	\$ 50.17	\$ 1.36	\$ 51.53	
Bulky item collection	\$ 18.81	\$ 0.51	\$ 19.32	
Set up fee	\$ 29.40	\$ 0.80	\$ 30.20	
Redelivery fee	\$ 58.80	\$ 1.59	\$ 60.39	
Commercial Recycle Contamination	\$ 58.66	\$ 41.34	\$ 100.00	(2)
Replacement Lock	\$ 27.10	\$ 0.73	\$ 27.83	
Replacement Key	\$ 5.42	\$ 0.15	\$ 5.57	
Haul or Call Fee	\$ 27.10	\$ 0.73	\$ 27.83	
Extra empty - Compactor	\$ 86.70	\$ 2.35	\$ 89.05	
AB341 Non compliance fee	\$ 16.26	\$ 0.44	\$ 16.70	

Roll off				
	FY 2018/19		FY 2019/20	
	Current Rate	Rate Adjustment	Proposed Rate	
Hauling fee	\$ 239.90	\$ 6.50	\$ 246.40	(3)
Compactor hauling fee	\$ 346.77	\$ 9.39	\$ 356.16	(3)
Monthly minimum pull fee	\$ 239.90	\$ 6.50	\$ 246.40	
Monthly minimum pull fee (compactor)	\$ 346.77	\$ 9.39	\$ 356.16	
Temporary flat fee (incl 4 tons)	\$ 419.94	\$ 10.86	\$ 430.80	(4)
Organics	\$ 590.66	\$ 15.99	\$ 606.65	(3)
C&D	\$ 465.08	\$ 12.59	\$ 477.67	(3)
Delivery	\$ 83.60	\$ 2.26	\$ 85.86	
Extra trip	\$ 83.60	\$ 2.26	\$ 85.86	
Relocation	\$ 83.60	\$ 2.26	\$ 85.86	
Set up fee	\$ 29.39	\$ 0.80	\$ 30.19	
Recycle Report Fee	\$ 27.08	\$ 0.73	\$ 27.81	

Recycling Bins					
Size	Service Frequency	FY 2018/19		FY 2019/20	
		Current Rate	Rate Adjustment	Proposed Rate	
All Sizes	1	\$ 71.23	\$ 1.93	\$ 73.16	(5)
All Sizes	2	\$ 142.44	\$ 3.86	\$ 146.30	(5)
All Sizes	3	\$ 213.68	\$ 5.79	\$ 219.47	(5)
All Sizes	4	\$ 284.89	\$ 7.71	\$ 292.60	(5)
All Sizes	5	\$ 356.13	\$ 9.64	\$ 365.77	(5)
All Sizes	6	\$ 427.35	\$ 11.57	\$ 438.92	(5)
Extra empty		\$ 32.51	\$ 0.88	\$ 33.39	

Residential Service				
	FY 2018/19		FY 2019/20	
	Current Rate	Rate Adjustment	Proposed Rate	
Single family rate	\$ 23.81	\$ 0.52	\$ 24.33	
Senior citizen discount rate	\$ 21.43	\$ 0.47	\$ 21.90	
Addl 35 gal solid waste container	\$ 4.16	\$ 0.11	\$ 4.27	
Addl 64 gal solid waste container	\$ 5.43	\$ 0.15	\$ 5.58	
Addl 64 gal green waste container	N/C		N/C	(6)
Addl 96 gal solid waste container	\$ 7.22	\$ 0.20	\$ 7.42	
Addl 96 gal green waste container	\$ 6.66	\$ 0.18	\$ 6.84	
Addl 96 gal recycle container	\$ 2.71	\$ 0.07	\$ 2.78	
Per bag charge	\$ 2.90	\$ 0.08	\$ 2.98	
Container changes over 1 per year	\$ 11.66	\$ 0.32	\$ 11.98	
Addl bulky item pick-up	\$ 18.81	\$ 0.51	\$ 19.32	(7)(8)
Curbside E-waste (over 3 free)	\$ 18.81	\$ 0.51	\$ 19.32	
Temporary bin service	\$ 145.81	\$ 3.95	\$ 149.76	
Temporary bin service	\$ 321.84	\$ 8.71	\$ 330.55	
Set up fee	\$ 14.11	\$ 0.38	\$ 14.49	

Footnotes

- (1) 1 Recycle Bin included with each Solid Waste Bin serviced 1 time per week service
- (2) Per P/U
- (3) + landfill
- (4) + landfill >4
- (5) Over 1 bin
- (6) Max one
- (7) minimum
- (8) In excess of one item per week