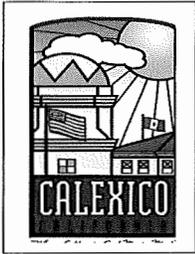


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AGENDA STAFF REPORT

DATE: April 18, 2018

TO: Mayor and Members of the City Council of the City of Calexico

PREPARED BY: David Dale, City Manager *DD*
Carlos Campos, City Attorney

SUBJECT: Setting a Public Hearing for a Proposed Solid Waste and Recycling Rate Adjustments and Authorization to Proceed with Proposition 218 Notice (45 days)

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Recommendation:

It is recommended that the City Council authorize the City Manager to set a public hearing for the City Council on June 20, 2018 to hear public comments on the annual solid waste and recycling rate Consumer Price Index (CPI) rate adjustment for the next five years, which will be set not less than 45 days after the notice of public hearing is mailed.

Background:

On December 2, 1997, the City of Calexico entered into an Agreement with the predecessor of Allied Waste Services, Inc. for waste collection and disposal services. The initial term of the Agreement was for a period of seven years. Since then, the term of the Agreement has been extended twice and the current term runs through December 31, 2019.

Discussion:

The terms of the Agreement between the City of Calexico and Allied Waste Services, Inc. provide for an annual CPI adjustment based upon the CPI for all Urban Consumers as published by the US Department of Labor, Bureau of Labor Statistics. For the current calendar year, a 2.7% CPI adjustment is proposed for all solid waste and recycling services. However, since this rate increase is governed by Proposition 218, the City must provide 45-days' notice before the proposed rate increase may be acted upon by the City Council.

Future Automatic Rate Increases: Because the City anticipates future increases in the cost of providing solid waste services that Allied will charge pursuant to the Franchise Agreement, the City is also proposing to annually pass through to solid waste service customers any automatic

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CPI adjustments for inflation (“Annual Automatic Adjustments”). These adjustments will impact the solid waste rates. If approved, beginning January 1, 2019, and each January 1 thereafter for a five-year period, through and including adjustments effective on or after January 1, 2022, the solid waste rates may be adjusted annually, without a further public hearing, by an amount not to exceed the annual percentage increase, if any, in the CPI, subject to a maximum increase of 5% annually.

In no event may an automatic increase exceed the City’s cost of providing solid waste services.

Allied Waste has also requested that the City Council consider the financial impact of Senate Bill 1 (SB1) implementation on its operations. Allied Waste proposes that the City Council exercise its discretionary authority to allow the operator to pass on a portion of the associated costs to City of Calexico customers.

SB1 increases several taxes and fees to raise new transportation revenues. The fuel tax increase began on November 1, 2017. According to estimates prepared by Allied Waster, annual SB1 implementation will have a financial impact of \$57,594 per year to Allied Waste’s operations. Requested rate increase in the areas of Roll-Off Hauls, Commercial Lifts and Residential Drive-bys would allow for the Allied Waster to re-capture \$15,196.52 per year of costs incurred.

At this time, City Staff is not recommending pass-through of the SB1 Implementation costs.

Fiscal Impact:

For calendar year 2018, a 2.7% CPI adjustment would increase the rates charged to residential commercial customers by 2.7% (costs are to be recovered retroactive to January 1, 2018):

The current monthly single family residential rate is **\$18.60** and would increase to **\$19.35**;

The current monthly commercial rate for a 3.0 cubic yard bin serviced one time per week is \$96.54 and would increase to \$100.45.

Attachment:

1. Notice of Public Hearing on Proposed Increase in Solid Waste Collection and Disposal Rates.
2. Letter from Republic Services dated December 17, 2017.

CITY OF CALEXICO
Notice of Public Hearing on Proposed Increase in
Solid Waste Collection and Disposal Rates

Wednesday, June 20, 2018 at 6:30 p.m.
City of Calexico Council Chambers
608 Heber Avenue, Calexico, CA 92231

Reason for Public Hearing: Pursuant to State law, the Calexico City Council will hold a public hearing on the above date and time to consider adoption of an ordinance increasing rates for residential and commercial solid waste collection and disposal services. This notice is being provided to you 45 days in advance of the public hearing as a property owner of record subject to the proposed rates to be charged.

Public Hearing Process: All Calexico property owners of record are invited to attend this public hearing. The Calexico City Council will hear and consider all materials and testimony as well as all written protests against the proposed rate increases. At the close of the public hearing, the City Council may adopt new rates if written protests against the proposed increases are not presented by a majority of identified parcels upon which the proposed rates are to be charged. If adopted, the rates shall become effective retroactive to January 1, 2018. As noted in more detail below, the rates may also be adjusted annually for any Annual Automatic Adjustments beginning January 1, 2019 and each January 1 thereafter, for a five-year period through and including adjustments effective January 1, 2022.

Basis for Rate Increases: The request for the proposed rate increase is based upon the City's existing solid waste franchise agreement with Allied Waste Transportation, Inc. ("Franchise Agreement"). The Franchise Agreement provides for increases in solid waste rates due to (a) the annual percentage increase in the Consumer Price Index, all Urban Consumers, for Imperial County, as determined by the United States Department of Labor Statistics, or its successor ("CPI") and (b) special discretionary increases due to unforeseen circumstances. In this case, Allied is requesting a 2.7% rate increase for CPI. The proposed rate increase is provided in detail in that certain rate schedule which was presented to the City by Allied on December 7, 2017 ("Rate Schedule"). The Rate Schedule is on file at the City Clerk's Office and may be reviewed there by any interested person. Revenues derived from the solid waste rates are used solely for the purpose of defraying costs incurred in providing efficient solid waste services and to ensure continued compliance with State law, including but not limited to, refuse pick-up, transportation, recycling and disposal, facilities and equipment maintenance, capital projects and financing, and billing and account management.

How will the proposed rate increases affect my refuse bill? By way of example, the current monthly single family residential rate is **\$18.60** and would increase to **\$19.35**. The current monthly commercial rate for a 3.0 cubic yard bin serviced one time per week is **\$96.54** and would increase to **\$100.45**. A full breakdown of proposed rates is on file with the City Clerk's Office as part of the Rate Schedule and may be reviewed there by any interested person.

Future Automatic Rate Increases: Because the City anticipates future increases in the cost of providing solid waste services that Allied will charge pursuant to the Franchise Agreement, the City is also proposing to annually pass through to solid waste service customers any automatic CPI adjustments for inflation ("Annual Automatic Adjustments"). These adjustments will impact the solid waste rates. If approved, beginning January 1, 2019, and each January 1 thereafter for a five-year period, through and including adjustments effective on or after January 1, 2022, the solid waste rates may be adjusted annually, without a further public hearing, by an amount not to exceed the annual percentage increase, if any, in the CPI, subject to a maximum increase of 5% annually.

In no event may an automatic increase exceed the City's cost of providing solid waste services. **To protest the proposed rate increases, you must submit a written protest:** Any record owner of a parcel upon which the solid waste rates are proposed may submit a written protest to the proposed rate increases and pass-through

adjustments. To oppose the proposed rate increases and/or adjustments, you must submit a written protest, even if you plan to attend the public hearing. Your written protest must be received (not postmarked) by the Calexico City Clerk prior to the close of the public hearing. **Oral, telephonic and e-mail protests will not be accepted.** You must sign the protest and include: 1) your name, 2) your street address, 3) your solid waste service account number, 4) whether you are a residential and/or commercial customer. Please identify on the front of the envelope that the enclosed letter is for the "2018 Solid Waste Rate Increase Public Hearing". You may mail or deliver your written protest in person to: City of Calexico, Office of the City Clerk, 608 Heber Avenue, Calexico, CA 92231. Only one written protest will be counted per identified parcel.

If you have any questions regarding this notice, please contact Lilliana Reyes, at (760) 768-2100.



December 7, 2017

Mr. David Dale
Interim City Manager
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Dear Mr. Dale;

We have prepared for your review the solid waste rate adjustment as provided in Section 8.E of our agreement.

The residential and commercial rates shall be adjusted annually to take effect in January of each year by the Consumers Price Index for the most recent twelve (12) months ending October 31.

As such, we have supplied a copy of the Department of Labor Statistics for the 12 month CPI change (October - October) and the resulting rate adjustment of 2.7% that will be effective January 1, 2017.

Additionally, Republic Services is requesting to pass-through on the additional cost associated with the excise tax and sales tax increases that went into effect November 1, 2017 as a result of California Senate Bill 1. We have attached supporting documentation for the anticipated cost increase and the corresponding price adjustments.

We want to thank you for the privilege of being your partner in providing solid waste and recycling services to the residents of Calexico. Republic Services is proud to serve the community and our continued partnership with the City of Calexico. Please do not hesitate to contact me with any questions regarding this letter or the services we provide. I may be reached at my office at (760) 337-2412 or my cell at 760-457-6149.

Sincerely,

Michael Howell
Division Manager

CONSUMER PRICE INDEXES PACIFIC CITIES AND U. S. CITY AVERAGE

October 2017

ALL ITEMS INDEXES

(1982-84=100 unless otherwise noted)

MONTHLY DATA	All Urban Consumers (CPI-U)						Urban Wage Earners and Clerical Workers (CPI-W)					
	Indexes			Percent Change			Indexes			Percent Change		
				Year ending		1 Month ending				Year ending		1 Month ending
Oct. 2016	Sep. 2017	Oct. 2017	Sep. 2017	Oct. 2017	Oct. 2017	Oct. 2016	Sep. 2017	Oct. 2017	Sep. 2017	Oct. 2017	Oct. 2017	
U. S. City Average.....	241.729	246.819	246.663	2.2	2.0	-0.1	235.732	240.939	240.573	2.3	2.1	-0.2
(1967=100).....	724.113	739.359	738.893	-	-	-	702.172	717.684	716.594	-	-	-
Los Angeles-Riverside-Orange Co.....	251.098	257.890	258.883	3.1	3.1	0.4	241.932	248.550	249.234	3.2	3.0	0.3
(1967=100).....	741.855	761.921	764.857	-	-	-	714.984	734.541	736.564	-	-	-
West.....	249.897	256.504	257.223	2.9	2.9	0.3	241.744	248.379	248.883	3.0	3.0	0.2
(Dec. 1977 = 100).....	403.945	414.625	415.786	-	-	-	388.953	399.628	400.439	-	-	-
West - A*.....	256.771	263.778	264.552	3.0	3.0	0.3	246.569	253.578	254.073	3.2	3.0	0.2
(Dec. 1977 = 100).....	418.702	430.127	431.389	-	-	-	399.147	410.493	411.295	-	-	-
West - B/C** (Dec. 1996=100).....	146.328	149.954	150.336	2.6	2.7	0.3	145.974	149.763	150.115	2.8	2.8	0.2

BI-MONTHLY DATA	All Urban Consumers (CPI-U)						Urban Wage Earners and Clerical Workers (CPI-W)					
	Indexes			Percent Change			Indexes			Percent Change		
				Year ending		2 Months ending				Year ending		2 Months ending
Oct. 2016	Aug. 2017	Oct. 2017	Aug. 2017	Oct. 2017	Oct. 2017	Oct. 2016	Aug. 2017	Oct. 2017	Aug. 2017	Oct. 2017	Oct. 2017	
San Francisco-Oakland-San Jose.....	270.306	275.893	277.570	3.0	2.7	0.6	264.026	269.827	271.272	2.9	2.7	0.5
(1967=100).....	830.996	846.172	853.328	-	-	-	803.982	821.645	826.046	-	-	-
Seattle-Tacoma-Bremerton.....	256.941	263.333	264.653	2.5	3.0	0.5	252.639	259.528	261.218	2.8	3.4	0.7
(1967=100).....	783.256	802.742	806.766	-	-	-	749.328	769.761	774.772	-	-	-

* A = 1,500,000 population and over

** B/C = less than 1,500,000 population

Dash (-) = Not Available.

Release date Nov. 15, 2017. The next monthly releases are scheduled for Dec. 13, 2017. The next bi-monthly releases are scheduled for Jan. 12, 2018.

Please note: Customers can receive hotline information by calling the BLS West Region Information Office: (415) 625-2270.

In January 2018, BLS will introduce a new geographic area sample for the Consumer Price Index (CPI). Additional information on the geographic revision is available at: www.bls.gov/cpi/georevision2018.htm.