300 North Coast Highway,
Oceanside, California 92054

City of Oceanside

Staff Report

File #: 24-432 **Agenda Date:** 12/4/2024 **Agenda #:** 18.

DATE: December 4, 2024

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

TITLE: **RESOLUTION INCREASING THE SOLID WASTE USER RATE CEILINGS TO INCLUDE WASTE MANAGEMENT'S ANNUAL REQUEST FOR A MULTI-INDEX RATE ADJUSTMENT**

RECOMMENDATION

Staff recommends that the City Council adopt a resolution increasing the solid waste user rate ceilings to include Waste Management's request for Multi-Index Rate Adjustment.

BACKGROUND AND ANALYSIS

Waste Management of California, Inc. (WM) is the City's contractor for solid waste disposal services. The current Franchise Agreement (Contract), approved by the City Council on April 6, 2022, established initial rate ceilings for all user services, including both residential and commercial collection.

On November 15, 2023, the City Council approved new residential and commercial solid waste user rate ceilings to implement the programs and services required of the current Contract. This included additional programs such as compost and mulch giveaways; City-wide donation and landfill weeks; transition from City to contractor billing; and curbside household hazardous waste pickup for seniors and disabled ratepayers. Additionally, the provision of residential curbside organics collection inclusive of food waste and food-soiled paper was included.

Pursuant to section 8.2.C and Exhibit E of the Contract, WM may request an annual index-based adjustment to the rates it is allowed to charge, to reflect changes in various cost indices (Consumer Price Index (CPI-U), Employment Cost Index (ECI), a Fuel Index based upon the price of Natural Gas (for fueling collection vehicles), and Motor Vehicle Maintenance and Repair Index (MVI)), and changes to processing and disposal costs based on materials collected and changes in tipping fees. The index-based adjustment calculates the percent difference between the total cost for the upcoming rate period and the total cost for the current rate period to determine the rate adjustment factor; this is then applied to the current rates to determine rates for the upcoming rate period. The Contract limits the rate adjustment factor at 5.00% with increases beyond that applied to the following rate period and each subsequent rate period until the excess is fully applied, except for contact Rate Year Four (calendar year (CY) 2027) and Rate Year Eight (CY 2031), for which a cost-based

adjustment would be applied based upon review of the Contractor's actual cost of operations and operational statistics (staffing levels, routes, route hours, customers and their service levels, etc.) in comparison to the then current rate period. Should the rate adjustment factor result in a negative value, the City reserves the right to defer the rate reduction to the following rate period as a credit against future rate increases.

The multi-index rate adjustment calculated, as described in the Contract for CY 2025, is 8.34%. Since the rate adjustment cannot exceed 5.00%, WM is requesting the City approve a 5.00% increase to the residential and commercial solid waste disposal rates WM can charge, with 3.34% rolling over to the following rate period effective January 1, 2026. Any 2026 rate increases also cannot exceed 5%. A synopsis of the proposed rate increases to the most common residential and commercial solid waste services user rates is set forth in Table 1.

Table 1 CY 2025 Multi-index Rate Adjustment

Service Level (1 time per week)	Current Rate	Adjusted Rate	Difference
32-Gal Cart Bundle	$ 28.95	$ 30.40	$ 1.45
64-Gal Cart Bundle	32.78	34.42	1.64
96-Gal Cart Bundle	32.78	34.42	1.64
Standard Commercial Cart Bundle	64.38	67.60	3.22
Commercial Solid Waste Bin (3CY)	169.66	178.14	8.48
Commercial Recyclables Bin (3CY)	83.81	88.00	4.19
Commercial Food Scraps Bin (2CY)	96.35	101.17	4.82

FISCAL IMPACT

The impact of this action will have no direct fiscal impact on the City, as WM is billing customers directly. There will be no direct impact to any City Department budgets.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission approved staff's recommendation at its regularly scheduled meeting on November 12, 2024.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared By: Rocio Ramos, Management Analyst
Approved By: Lindsay Leahy, Water Utilities Director
Submitted By: Jonathan Borrego, City Manager

ATTACHMENTS:
1. Staff Report
2. Resolution
3. Adjusted Rates

4. Annual Rate Adjustment Request Letter