



CITY OF MENIFEE

SUBJECT: Waste Management Fiscal Year 2023/2024 Proposed Solid Waste Rate Adjustments and First Amendment to the Amended and Restated Franchise Agreement

MEETING DATE: June 21, 2023

TO: Mayor and City Council

PREPARED BY: Kori Jones, Senior Management Analyst

REVIEWED BY: Jonathan Nicks, Deputy City Manager

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Approve the USA Waste of California, Inc., dba Waste Management of the Inland Empire Fiscal Year 2023/2024 proposed solid waste rate adjustments; and
2. Adopt a resolution approving the First Amendment to the Amended and Restated Franchise Agreement with Waste Management for implementation of Senate Bill 1383 state-mandated programs; and
3. Authorize the City Manager to execute all necessary documents.

DISCUSSION

The City Council reviews and approves, as applicable, an annual rate adjustment proposal submitted by Waste Management (WM) for application to solid waste bills to be in effect as of July 1st of the respective fiscal year. The Amended and Restated Solid Waste Franchise Agreement (franchise agreement) was approved in 2020 and states that at the approval of the City, which approval shall not be unreasonably withheld, the Contractor Service Rates shall be adjusted annually to reflect changes in the Consumer Price Index (CPI). The Fiscal Year (FY) 2023/2024 proposal reflects an overall adjustment of 4.67%. This rate is comprised both of a service component (based on CPI and capped at 4%) as well as a disposal component as outlined in section 24 of the Franchise Agreement.

Additionally for City Council review and adoption, is a First Amendment to the existing Franchise Agreement. On June 1, 2022, City Council approved a temporary Memorandum of Understanding with WM and a phased rate adjustment for the implementation of residential food waste collection and other services related to Senate Bill (SB) 1383 organics diversion legislation. SB 1383

requires organic materials (food, paper, and landscape waste) to be diverted from landfills by transferring these products to a compost and/or anerobic digestion facility. Some commercial businesses are required to establish donation programs for unused edible food with local food pantries. Public education, procurement of recycled materials, and enforcement falls to local jurisdictions for implementation. The City can expect Cal Recycle to conduct program audits of these mandated recycling programs within the next two years. The proposed Amendment does not eliminate current services provided under the existing Agreement, but instead adds two new service programs and codifies responsibilities for SB 1383 compliance. The following list highlights several updates to the existing agreement:

- **Procurement of Recovered Organic Materials** – The City is required to procure 7,000 tons of recycled organic products each year in the areas of mulch, compost, fuel, heat, and/or electricity. This is a per capita goal assigned by the state and is updated by Cal Recycle every 5 years. Currently, the Parks Division is applying 280 tons of mulch in public parks and rights-of-way each year. WM has agreed to provide two community mulch giveaways annually at no additional increase to the approved rates.
- **Service Enhancements** – To assist residents in separating out food scraps from the regular trash, WM will maintain an inventory of food scrap pails for residents to purchase upon request. For HOA communities where space constraints are an issue, shared organic service will be granted where appropriate.
- **Calculation of Annual Rate Adjustments** – The service component is a factor of CPI and relates to WM staffing, equipment, and overhead. The disposal component relates to processing costs. The disposal/diversion component has previously only factored in recycling and refuse. To account for the processing of organics, the disposal component of the solid waste rates shall include factors for recycling, organics, and refuse processing. The weight applied to the service (80%) and disposal components (20%) shall also be adjusted to 60% and 40% respectively.
- **Reporting and Route Review** – WM will modify its quarterly and annual reporting structure provided to the City to include compliance monitoring via Smart Truck Technology and documented outreach to residents and businesses regarding contamination and proper sorting methods as is required by SB 1383.
- **Flow Control Option** – Residential organic waste materials are currently transported to the WM facility in Tulare, CA. WM fully expects to increase operational efficiencies for processing organic waste in the coming years. As such, language has been added to ensure that any cost efficiencies are passed along to rate payers as part of the annual rate adjustments.

The proposed solid waste rate adjustment for FY 2023/2024 and First Amendment to the Amended and Restated Franchise Agreement will allow WM to continue to provide quality comprehensive solid waste services to our growing community.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

There is no fiscal impact associated with the adoption of the amended agreement. However, in accordance with the current franchise agreement with WM, the City receives a 12% franchise fee on net revenue collected by WM in the City's General Fund Account No. 100-3630 (Franchise Fee-Solid Waste). Adjustments to solid waste rates have a proportionate effect on revenues received by the City.

ATTACHMENTS

1. FY 2023/2024 Waste Management Rate Proposal
2. Resolution
3. Exhibit A - First Amendment to the Amended and Restated Franchise Agreement
4. 2022 MOU for Preliminary Implementation of SB 1383
5. 2020 Amended and Restated Franchise Agreement