



## **CITY OF MENIFEE**

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SUBJECT: Waste Management Fiscal Year 2022/2023 Proposed Solid Waste Rate Adjustments

MEETING DATE: June 1, 2022

TO: Mayor and City Council

PREPARED BY: Kori Jones, Management Analyst II

REVIEWED BY: Jonathan Nicks, Community Services Director

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Approve the USA Waste of California, Inc., dba Waste Management of the Inland Empire ("Waste Management") Fiscal Year (FY) 2022/2023 proposed solid waste rate adjustments; and
2. Approve a Memorandum of Understanding (MOU) with Waste Management (WM) for preliminary implementation of Senate Bill (SB) 1383 Residential Organic Waste Diversion Program

### **DISCUSSION**

The action before the City Council is to approve the proposed Waste Management FY 2022-23 solid waste rate adjustment for the City of Meniffee. The City Council reviews and approves, as applicable, an annual rate proposal submitted by Waste Management for application to solid waste bills to be in effect as of July 1<sup>st</sup> of the respective fiscal year. The Solid Waste Franchise Agreement indicates that subject to 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 FY 22/23 proposal reflects an overall CPI adjustment of 4.92%.

Additionally, California Senate Bill (SB) 1383 now requires all households and most businesses to separate organic materials from regular waste. Under the state mandate, local jurisdictions are required to ensure that waste generators are provided service to sort organics, in addition to conducting outreach, monitoring, and state reporting. The City's franchise agreement with Waste Management (the "Agreement") contemplated an amendment to implement the programs required by SB 1383.

SB 1383 initially required implementation by January 1, 2022, but as a result of various factors, including specifically the COVID 19 pandemic, the Legislature adopted SB 619 which allows a city to delay such implementation if it adopts a Notice of Intention to Comply (“NOIC”). The City adopted an NOIC in March 2022, and in doing so it, along with the Contractor, determined they could implement a program pursuant to SB 1383 for collection and processing of organic waste for customers at single family dwellings as of July 1, 2022. However, the City and Waste Management are not ready for full implementation of all the requirements of SB 1383 at this time due to Menifee and many other jurisdictions still seeking clarification from CalRecycle on components of the SB1383 regulations and the subsequent service modifications that Waste Management would need make to meet those requirements.

In order to move forward with partial implementation of SB 1383 through a program for single family dwellings, staff recommends entering into the attached MOU, which memorializes the City’s agreement with Waste Management that will be in place until a formal amendment to the Agreement for full implementation of SB 1383 is arrived at. As reflected in the MOU, Waste Management has proposed a \$2.24 per month adjustment to residential rates that reflects the haulers costs to transport large volumes of residential organics to an organic processing facility and hauler assistance with implementation of required SB 1383 programs. Waste Management has agreed to phase this increase to residential rates over two (2) years, and over three (3) years for those receiving a senior discount, so as to reduce the impact to Menifee customers.

The proposed solid waste rate adjustment will allow Waste Management to continue to provide quality comprehensive solid waste services to Menifee’s growing community. City staff will continue to work with Waste Management to implement all SB 1383 required programs and once an agreement for such purposes is arrived at, to draft an amendment to the Agreement to reflect the necessary changes in services.

#### **Proposed CPI Rate Adjustment and SB 1383 Phased Rate Increase**

The City of Menifee has an exclusive franchise agreement with Waste Management for the collection and handling of solid waste, dry recycling, and organics within the City (collectively, “solid waste”). The City requires that all premises within the City that accumulate or produce solid waste receive weekly solid waste services through the franchise waste hauler, unless they self-haul waste in a manner that complies with all applicable laws. Regular solid waste service is important to preserve the health, welfare, and sustainability of our community.

On March 18, 2020, City Council approved an Amended and Restated Solid Waste Franchise Agreement with Waste Management, which included authorization of annual CPI rate adjustments. Section 24 that Agreement details the two components of the solid waste rates. The service component comprises 80% of the solid waste rate, while the disposal component comprises the remaining 20% of the solid waste rate. The factors impacting the cost of each of these components are detailed below:

- Service Component Factors: Consumer Price Index (CPI), not to exceed 4%
- Disposal Component Factors: County of Riverside landfill rate or CPI, whichever is greater

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

**Table 1: Residential/Commercial Rate Component Factors**

Rate Component	Weight	Percentage	Weighted Percentage
Service Component - CPI	80%	4.00%	3.20%
Disposal Component - Landfill	20%	8.60%	1.72%

The proposed CPI rate adjustment for FY 2022/23 represents an increase of 4.92% above the current rate, based upon the application of all the factors/changes noted above.

### **CA Senate Bill (SB) 1383**

California Senate Bill 1383 mandates recycling of organic materials for all households and most businesses. Organic materials include landscaping, food waste, and food-soiled paper. Processing of organic material requires specialized systems to convert these items into compost and/or bio-liquid. While Menifee commercial organic waste is currently processed through use of local composters, these facilities are not permitted, and do not have the capacity, to process a large volume of organic waste generated from residential customers. Waste Management proposes to transport these organics to their South Valley compost facility located in Tulare County. Waste Management Organics Team will continue to actively seek partnerships locally to increase area capacity to process organics within Riverside County. The Agreement with Waste Management needs to be amended to reflect these changes, as well as other program changes required by SB 1383. The MOU reflects the preliminary agreement for implementation of SB 1383's requirements at residential premises. SB 1383 also mandates compliance monitoring and reporting of residential services, which Waste Management proposes to accomplish through use of smart-truck scan technology and electronic review. The MOU takes these requirements into account as well.

City Staff will continue to work with Waste Management to amend the City's existing Agreement to reflect all of the changes in services required by SB 1383. The hauler activities related to SB 1383 at residential premises set forth in the MOU translate to a \$2.24 proposed monthly increase to all residential rates. As agreements are established that could lower the rate to residents, Waste Management will modify operations to obtain cost efficiencies and adjust rates as appropriate. City staff will continue to work with Waste Management to modify the City's existing agreement to reflect these changes in services provided.

To assist Menifee commercial accounts in obtaining state compliant waste services, Waste Management will utilize a compliance "bundled" rate for businesses that is comprised of the minimum commercial services available for both recycling and organics collection. An illustration of rates has been included in the table below. The complete FY 22-23 proposed rate sheet has been attached to this report.

### Illustration of Proposed FY 22/23 Rate Adjustment

The FY 2022-23 CPI adjustment is reflected in a 4.92% increase in all rates. The increase associated with SB 1383 amounts to \$2.24 per month to residential and senior rates. In honor of the City's partnership and to minimize the impacts to households, Waste Management has agreed to phase in the SB 1383 rate increase over multiple years as follows:

- SB 1383 Residential Rate Increase – Phased in over two years at \$1.12 monthly increase in year 1 and an additional \$1.12 increase in year two.
- SB 1383 Senior Rate Increase – Phased in over three years at \$0.74/\$0.75 per month in years 1 and 2 and a \$0.74/\$0.75 increase in year three.

**Table 2: Solid Waste Rate Adjustment Examples** <sup>(1,2,3,4)</sup>

Customer Category (1)	2021/22 Current Rate	2022/23 CPI Adjustment	2022/23 SB 1383 (Year 1)	2022/23 Total Rate	2022/23 Total % Change
Residential - Trash, Recycling, Organics	\$29.28	\$30.72	\$1.12	\$31.84	8.74%
Senior - Trash, Recycling, Organics (2)	\$26.65	\$27.96	\$0.75	\$28.71	7.72%
Commercial/Multi-family 3 Yard; 1X Weekly Service – Trash (3)	\$152.66	\$160.17	-	\$160.17	4.92%
Commercial/Multi-family 2 Yard; 1X Weekly Service - Recycling	\$91.56	\$96.06	-	\$96.06	4.92%
Commercial/Multi-family 64-gal; 1X Weekly Service - Organics	\$40.89	\$42.90	-	\$42.90	4.92%
Commercial/Multi-family Compliance Service "Bundled Rate"; 1X Weekly Service - 3 Yard Trash, 96-gal Recycling, and 64-gal Organics (4)	-	\$213.29	-	\$213.29	-

- (1) Customers are billed quarterly by Waste Management.  
 (2) Senior rate denotes a 64-gal cart service available to residents 60 years old or better.  
 (3) 3-yard 1x weekly service is the most common commercial service utilized.  
 (4) Compliance rate includes a 96-gal blue recycling bin as well as a 64-gal green organics bin.

### City Senior Assistance and Business Assistance Programs

The City recognizes the impacts to our senior community with regard to incremental increases in monthly obligations. Community Services will administer a temporary Senior Waste Bill Relief Program. The program dedicates \$150,000 of solid waste revenues to be distributed in the form of a \$50 credit applied to customer accounts. Certain requirements are in place to ensure that available credits are applied to the most vulnerable households. Applications are accepted by email or in person at the Community Services Department.

Like most households, the Menifee business community is also rebounding from the pandemic and enforcement of state recycling legislation could impact a full recovery. As the City is required to monitor compliance and enforce state legislation, it also recognizes the need to support businesses in their efforts to come into compliance. The SB 1383 Business Assistance Program has been established to provide a reimbursement, up to \$1,000, for applicable expenses such as signage, waste containers, training, or trash enclosure expansion. Businesses can apply for this program on the City's website or by contacting the Community Services Department.

Funding for these programs total \$400,000 to be deducted from Waste Management franchise general fund revenue as approved as part of FY 2021-22 mid-year budget process and proposed for the FY 2022-23 budget.

### **STRATEGIC PLAN OBJECTIVE**

Responsive and Transparent Community Government

### **FISCAL IMPACT**

Funding to administer the SB 1383 Assistance Programs are included in the proposed FY 2022/2023 budget within the Community Services Department.

The City receives a 12% franchise fee on net revenue collected by Waste Management. 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. Waste Management FY 2022-23 Proposed Solid Waste Rates
2. 2022 Waste Management CPI Adjustment Calculation
3. 2022 CPI-U Index Chart
4. MOU For Preliminary Implementation of SB 1383 Programs