

RESOLUTION NO. 2017-55

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AMENDING THE RATE ADJUSTMENT CALCULATION OF THE FRANCHISE AGREEMENT WITH GREEN WASTE RECOVERY UTILIZING A SECTOR SPECIFIC UNIFORM PERCENTAGE ADJUSTMENT AND APPROVING MAXIMUM RATES TO BE CHARGED BY GREENWASTE RECOVERY EFFECTIVE JULY 1, 2017 FOR COLLECTION OF FRANCHISED SOLID WASTE, RECYCLING, AND ORGANICS.

WHEREAS, the City of Marina entered into a franchise agreement with GreenWaste Recovery (GWR) on August 19, 2014 for solid waste, recycling, and organics collection services for the period of August 1, 2015 through July 31, 2030, and;

WHEREAS, Section 8.2 of the Franchise Agreement describes the process for an automatic annual adjustment to maximum customer rates on July 1 of each year, based on agreed upon cost indices, changes in tipping fees as the Monterey Regional Waste Management District, and the actual tonnage for materials collected by GWR, and;

WHEREAS, the application of the formulas required by the Franchise Agreement results in different rate increases for each and every service level and category, and;

WHEREAS, consistent with the provisions of Section 8.2C of the franchise agreement, both the City and GWR have agreed on an alternative approach that adjusts rates by the same percentage for all customers within each sector of customers, thereby preserving the current relationship and structure of the rates within each sector to one another, and;

WHEREAS, City staff has reviewed GWR's calculation of the rate adjustments and finds the calculations to be accurate and consistent with the methodology and requirements of the franchise agreement, and;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina hereby resolves to approve the rates in **Exhibit A** that incorporate a 6% increase to all single family residential maximum rates; an 4.8% adjustment to all commercial solid waste, recycling, and organics maximum rates; and, an 2.1% adjustment to all roll-off maximum rates authorized to be charged by GWR under the Franchise Agreement, effective July 1, 2017.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 6th day of June, 2017, by the following vote:

AYES: COUNCIL MEMBERS: Amadeo, Morton, O'Connell, Brown, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

EXHIBIT A

Exhibit G-3 Rates Effective July 1, 2017

Note: All rates are monthly unless stated otherwise.

Residential Solid Waste Collection Rates			
Service Level	Solid Waste	Recycling	Organics
Curbside 32 Gallon	\$15.76	Included	Included
Curbside 64 Gallon	\$19.76	Included	Included
Curbside 96 Gallon	\$22.44	Included	Included
Curbside Low Income	\$13.51	Included	Included
Curbside Senior Rate	\$7.95	Included	Included
Notes:			
See Exhibit B1 for specific service availability			

Commercial/Multi-Family Solid Waste Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
32-Gallon Cart	\$17.18	\$35.04	\$52.57	\$70.08	\$87.61	\$105.12
64-Gallon Cart	\$32.94	\$67.20	\$100.80	\$134.39	\$168.00	\$201.60
96-Gallon Cart	\$42.46	\$86.62	\$129.92	\$173.23	\$216.54	\$259.85
1-Cubic Yard Bin	\$92.08	\$187.85	\$281.78	\$375.71	\$469.64	\$563.56
2-Cubic Yard Bin	\$183.21	\$373.75	\$560.62	\$754.38	\$934.37	\$1,121.25
3-Cubic Yard Bin	\$275.20	\$561.41	\$842.12	\$1,122.81	\$1,403.52	\$1,684.23
4-Cubic Yard Bin	\$366.84	\$748.36	\$1,122.54	\$1,496.72	\$1,870.90	\$2,245.07
6-Cubic Yard Bin	\$433.37	\$884.08	\$1,326.12	\$1,768.16	\$2,210.20	\$2,652.23
8-Cubic Yard Bin	\$577.85	\$1,178.82	\$1,768.22	\$2,357.64	\$2,947.05	\$3,536.46
2-Cubic Yard Compactor	\$223.40	\$454.13	\$681.19	n/a	n/a	n/a
3-Cubic Yard Compactor	\$335.48	\$681.98	\$1,022.96	n/a	n/a	n/a
4-Cubic Yard Compactor	\$447.22	\$909.12	\$1,363.67	n/a	n/a	n/a

Commercial/Multi-Family Recycling Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$4.94	\$10.08	\$15.12	\$20.16	\$25.20	\$30.24
96-Gallon Cart	\$6.37	\$13.00	\$19.49	\$25.98	\$32.48	\$38.97
1-Cubic Yard Bin	\$13.81	\$28.17	\$42.27	\$56.36	\$70.44	\$84.53
2-Cubic Yard Bin	\$27.48	\$56.07	\$84.10	\$113.15	\$140.15	\$168.19
3-Cubic Yard Bin	\$41.28	\$84.21	\$126.32	\$168.43	\$210.53	\$252.63
4-Cubic Yard Bin	\$55.02	\$112.25	\$168.38	\$224.51	\$280.63	\$336.76
6-Cubic Yard Bin	\$65.01	\$132.61	\$198.91	\$265.23	\$331.53	\$397.84
8-Cubic Yard Bin	\$86.67	\$176.82	\$265.24	\$353.65	\$442.06	\$530.47
2-Cubic Yard Compactor	\$22.24	\$45.59	\$68.38	n/a	n/a	n/a
3-Cubic Yard Compactor	\$33.42	\$68.49	\$102.75	n/a	n/a	n/a
4-Cubic Yard Compactor	\$44.55	\$91.30	\$136.95	n/a	n/a	n/a

Commercial/Multi-Family Food Waste Collection Rates						
Service Level	Frequency					
	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$24.71	\$50.39	\$75.60	\$100.80	\$126.00	\$151.19
96-Gallon Cart	\$31.85	\$64.96	\$97.44	\$129.92	\$162.41	\$194.88
1-Cubic Yard Bin	\$69.06	\$140.89	\$211.33	\$281.78	\$352.23	\$422.67
2-Cubic Yard Bin	\$137.40	\$280.32	\$420.47	\$565.78	\$700.78	\$840.94

Exhibit G-3 Rates Effective July 1, 2017

Commercial/Multi-Family Yard Trimmings Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$24.71	\$50.39	\$75.60	\$100.80	\$126.00	\$151.19
96-Gallon Cart	\$31.85	\$64.96	\$97.44	\$129.92	\$162.41	\$194.88
1-Cubic Yard Bin	\$69.06	\$140.89	\$211.33	\$281.78	\$352.23	\$422.67
2-Cubic Yard Bin	\$137.40	\$280.32	\$420.47	\$565.78	\$700.78	\$840.94
3-Cubic Yard Bin	\$206.40	\$421.06	\$631.59	\$842.11	\$1,052.64	\$1,263.17
4-Cubic Yard Bin	\$275.13	\$561.27	\$841.91	\$1,122.54	\$1,403.18	\$1,683.81
6-Cubic Yard Bin	\$325.03	\$663.06	\$994.59	\$1,326.12	\$1,657.65	\$1,989.17
8-Cubic Yard Bin	\$433.38	\$884.11	\$1,326.17	\$1,768.23	\$2,210.29	\$2,652.34

Roll-Off Collection Rates (Per Pull)				
	Material			
Service Level	MSW	REC	YT	C&D
10 YD	\$280.66	\$210.23	\$210.23	\$280.66
20 YD	\$404.39	\$210.23	\$210.23	\$404.39
30 YD	\$528.13	\$210.23	\$210.23	\$528.13
40 YD	\$651.87	\$210.23	\$210.23	\$651.87
Roll-Off Compactor (Any)	\$977.80	\$210.23	N/A	N/A
Per Ton	\$65.88	-\$47.06	\$38.25	\$65.88

Additional Service Rates		
Service	Sector	Charge Per Event*
Cart Rental - All Sizes	RES	\$3.17
Cart Replacement	RES	\$63.47
Re-Delivery or Re-Start	RES	\$26.45
Cart Cleaning	RES	\$26.45
Non-Scheduled Collection	RES	\$20.10
Difficult to Service Cart	COM	\$1.06
Difficult to Service Bin	COM	\$3.17
Locking Bin	COM	\$52.89
Cart Replacement	COM	\$63.47
Cart Cleaning	COM	\$26.45
Bin Swap- Cleaning or Repainting	COM	\$79.34
Bulky - Recyclable	RES/COM	\$21.16
Bulky - Non Recyclable	RES/COM	\$26.45
Bulky - Event	RES/MFD	\$31.73
Covered Box	RO	\$79.34
Driver Time per Hour	RO	\$116.36
Dry Run or Relocation	RO	\$79.34
Extra Days	RO	\$26.45

*Note: Application of fees shall be as described in Franchise Agreement



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May 23, 2017

Mr. Brian McMinn
Public Works Director
City of Marina

Sent via E-mail

Subject: Review of GreenWaste Recovery's 2017/18 Rate Request

Reference Number: S5024

Dear Mr. McMinn:

HF&H Consultants, LLC (HF&H) was retained by the Monterey Regional Waste Management District (District) to assist with a review of GreenWaste Recovery's (GWR) request for an adjustment to customer rates, effective July 1, 2017, submitted to the City of Marina (City) on March 31, 2017. This report presents our findings and recommendations.

EXECUTIVE SUMMARY

Our review of the rate request has determined that the rates have been calculated in accordance with procedures in Exhibit E1 of the Franchise Agreement between the City and GWR commencing May of 2015 (Agreement). This approach results in different percentage rate adjustments for each individual level of service. Section 8.2.D of the Franchise Agreement allows the City and GWR to adjust relationship of rates without an Amendment to the contract, subject to mutual agreement. For FY 16/17 the parties agreed on a sector-based weighted average approach to determine a single percentage adjustment for all rates charged to customers in a given sector (residential, commercial, roll-off). That approach has been continued to calculate proposed rates for FY 17/18.

On May 19th, 2017 the District's Board of Directors approved the proposed tip fee adjustments. As a result HF&H recommends approving the "Sector Based" percentage adjustments illustrated in the table below.

	Marina
Residential	6.0%
Commercial Solid Waste	4.8%
Commercial Recycling	
Commercial Food Waste	
Roll-Off	2.1%



Mr. Brian McMinn

May 23, 2017

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BACKGROUND

In 2012, the City, participating with other members of the Monterey Regional Waste Management District, issued a competitive request for proposals for collection services and entered into the new Agreement with GWR effective July 1, 2015. The Agreement provides for the following, related to the adjustment of rates:

- Rates are to be adjusted annually throughout the term of the agreement, using various inflationary indices, actual tonnage, and changes in the tipping fees at the Monterey Regional Waste Management District, unless either the City or GWR request a cost-based review (as defined in Exhibit E2 to the franchise agreement).
- The City and GWR may mutually agree upon alternative approaches to structuring rates without amendment to the agreement (Section 8.2.D)
- Last year parties agreed upon a "Sector Based Weighted Average" Methodology which has been carried into this year's analysis below.

RATE CALCULATION REVIEW

HF&H Scope of Work

HF&H performed this review of the rate request in accordance with Exhibit E1 of the Agreement. These procedures included:

1. A review of GWR's rate request for completeness and compliance with the procedures contained in Exhibit E1 of the Agreement.
2. A review of GWR's rate request for mathematical accuracy and logical consistency to determine that the rate request is mathematically correct, that the rows and columns of numbers add down and across as intended, and that the stated assumptions were, in fact, used. Also, to determine that the rate request is internally consistent and that any summary schedules agree to the supporting schedules and worksheets.
3. Verification of the inclusion of the franchise fee calculation in the adjustment.
4. Verifying contract compliance with regard to:
 - A) The indices used in the adjustment;
 - B) The weighting of those indices;
 - C) The tip fees reported for the disposal/processing components of the rates;
 - D) The use of quarterly-reported tonnage data and allocations among agencies. A detailed audit of tonnage and allocations of tonnage reported by GWR was not a part of this scope of work. HF&H discussed GWR's allocation methodology with them and the methodology appears reasonable and consistent with standard practices within the industry.

Mr. Brian McMinn
May 23, 2017
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- E) Any changes in governmental fees on the fee component of the rates; and, the accurate application of the resultant percentage changes in the various rate components to the rate schedules approved by each agency through the franchise agreements.

Review of Rate Request

Preliminary Application Review

HF&H reviewed GWR's rate application based on the rate setting methodology approved in the prior year. Some base components of the rates submitted were found to be inconstant with the rates approved in the prior year. In addition, some of the methodology used to calculate the coming year's rates were inconsistent with the methodology approved in the prior year, HF&H worked with GWR staff to correct these issues and a new rate application was submitted.

We have reviewed the corrected rate application and found that the company prepared the application consistently with the methodology approved in the prior year.

Review of Operating Component

There are three rate components to GWR's rate request: 1) calculation and application of the Operating Component Factor (OCF) as prescribed in the Agreement; 2) the respective disposal and/or processing component of each rate; and, 3) the Agency Franchise Fee.

There are three indices used to determine the OCF: the CPI, the fuel index, and the labor index. The annual percent change in each of the indices used to calculate the OCF are described in the table below.

The GWR rate application documents the calculation of the annual percentage change and the weighting factors used for each index and then calculates the final OCF of 2.7% for the City.

	Index %	Weighting %	Weighted Index
Labor Costs (ECI)	2.1%	26.9%	0.6%
Fuel Costs	0.0%	4.7%	0.0%
Other Costs (CPI)	3.1%	68.4%	2.1%
TOTAL		100%	2.7%

Note: Numbers may not calculate exactly due to rounding

Review of Disposal/Processing Component

The disposal and processing component(s) are based on the difference between the most recent 12 month period available at the time of submission (March 2016 through February 2017) and May 2015 through February 2016 annualized. For this review we compared these periods rather than using full 12 month over 12 month periods due to the fact that GWR tonnage data is not available for that full time period. For FY 18/19 rates, the data will be available to perform this calculation consistent with the Franchise Agreement.

The disposal and processing components also consider the tipping fees charged by the District. The District's Board of Directors have approved tip fee increases which have been accounted for in the

Mr. Brian McMinn

May 23, 2017

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calculation of new rates described here. The following table describes the changes in the City's tonnage for each material type.

	Annualized May 2015 - February 2016	March 2016- February 2017	% Change in Tonnage
Solid Waste	9,284.2	9,803.3	5.6%
Recycling	2,162.3	2,379.8	10.1%
Yard Trimmings	897.9	1,101.8	22.7%
Food Waste	32.4	154.2	375.5%
C&D	1,078.9	1,430.5	32.6%

Review of Fee Component

The final step of the rate adjustment process is to ensure that the fee component of each rate matches the contractual percentage of 15% for fees remitted to the City by GWR.

New Rates

GWR has identified the need for certain rates not initially approved. This is contemplated in Article 8 of the Agreement and results from customers requesting service levels that were not known at the time of the initial contract. HFH has reviewed the relationship of proposed rates to other rates charged and believes that the proposed rates are reasonable, given the level of service requested by customers. Attached hereto is a table of all new rates proposed by GWR. HFH recommends adopting these rates by resolution, provided that the City Council agrees that they are reasonable and necessary.

* * * * *

We would like to express our appreciation to GWR staff for their timeliness, assistance, and cooperating in this process. Should you have any questions, please call me at 925/977-6959 or rchilton@hfh-consultants.com.

Sincerely,

HF&H CONSULTANTS, LLC



Rob Hilton, CMC
Vice President

Attachment A: New Rates Exhibit G-3

ATTACHMENT A:
NEW RATES EXHIBIT G-3

Exhibit G-3 Rates Effective July 1, 2017

Note: All rates are monthly unless stated otherwise.

Residential Solid Waste Collection Rates			
Service Level	Solid Waste	Recycling	Organics
Curbside 32 Gallon	\$15.76	Included	Included
Curbside 64 Gallon	\$19.76	Included	Included
Curbside 96 Gallon	\$22.44	Included	Included
Curbside Low Income	\$13.51	Included	Included
Curbside Senior Rate	\$7.95	Included	Included
Notes:			
See Exhibit B1 for specific service availability			

Commercial/Multi-Family Solid Waste Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
32-Gallon Cart	\$17.18	\$35.04	\$52.57	\$70.08	\$87.61	\$105.12
64-Gallon Cart	\$32.94	\$67.20	\$100.80	\$134.39	\$168.00	\$201.60
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1-Cubic Yard Bin	\$92.08	\$187.85	\$281.78	\$375.71	\$469.64	\$563.56
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3-Cubic Yard Bin	\$275.20	\$561.41	\$842.12	\$1,122.81	\$1,403.52	\$1,684.23
4-Cubic Yard Bin	\$366.84	\$748.36	\$1,122.54	\$1,496.72	\$1,870.90	\$2,245.07
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8-Cubic Yard Bin	\$577.85	\$1,178.82	\$1,768.22	\$2,357.64	\$2,947.05	\$3,536.46
2-Cubic Yard Compactor	\$223.40	\$454.13	\$681.19	n/a	n/a	n/a
3-Cubic Yard Compactor	\$335.48	\$681.98	\$1,022.96	n/a	n/a	n/a
4-Cubic Yard Compactor	\$447.22	\$909.12	\$1,363.67	n/a	n/a	n/a

Commercial/Multi-Family Recycling Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$4.94	\$10.08	\$15.12	\$20.16	\$25.20	\$30.24
96-Gallon Cart	\$6.37	\$13.00	\$19.49	\$25.98	\$32.48	\$38.97
1-Cubic Yard Bin	\$13.81	\$28.17	\$42.27	\$56.36	\$70.44	\$84.53
2-Cubic Yard Bin	\$27.48	\$56.07	\$84.10	\$113.15	\$140.15	\$168.19
3-Cubic Yard Bin	\$41.28	\$84.21	\$126.32	\$168.43	\$210.53	\$252.63
4-Cubic Yard Bin	\$55.02	\$112.25	\$168.38	\$224.51	\$280.63	\$336.76
6-Cubic Yard Bin	\$65.01	\$132.61	\$198.91	\$265.23	\$331.53	\$397.84
8-Cubic Yard Bin	\$86.67	\$176.82	\$265.24	\$353.65	\$442.06	\$530.47
2-Cubic Yard Compactor	\$22.24	\$45.59	\$68.38	n/a	n/a	n/a
3-Cubic Yard Compactor	\$33.42	\$68.49	\$102.75	n/a	n/a	n/a
4-Cubic Yard Compactor	\$44.55	\$91.30	\$136.95	n/a	n/a	n/a

Commercial/Multi-Family Food Waste Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$24.71	\$50.39	\$75.60	\$100.80	\$126.00	\$151.19
96-Gallon Cart	\$31.85	\$64.96	\$97.44	\$129.92	\$162.41	\$194.88
1-Cubic Yard Bin	\$69.06	\$140.89	\$211.33	\$281.78	\$352.23	\$422.67
2-Cubic Yard Bin	\$137.40	\$280.32	\$420.47	\$565.78	\$700.78	\$840.94

Exhibit G-3 Rates Effective July 1, 2017

Commercial/Multi-Family Yard Trimmings Collection Rates						
	Frequency					
Service Level	1x/week	2x/week	3x/week	4x/week	5x/week	6x/week
64-Gallon Cart	\$24.71	\$50.39	\$75.60	\$100.80	\$126.00	\$151.19
96-Gallon Cart	\$31.85	\$64.96	\$97.44	\$129.92	\$162.41	\$194.88
1-Cubic Yard Bin	\$69.06	\$140.89	\$211.33	\$281.78	\$352.23	\$422.67
2-Cubic Yard Bin	\$137.40	\$280.32	\$420.47	\$565.78	\$700.78	\$840.94
3-Cubic Yard Bin	\$206.40	\$421.06	\$631.59	\$842.11	\$1,052.64	\$1,263.17
4-Cubic Yard Bin	\$275.13	\$561.27	\$841.91	\$1,122.54	\$1,403.18	\$1,683.81
6-Cubic Yard Bin	\$325.03	\$663.06	\$994.59	\$1,326.12	\$1,657.65	\$1,989.17
8-Cubic Yard Bin	\$433.38	\$884.11	\$1,326.17	\$1,768.23	\$2,210.29	\$2,652.34

Roll-Off Collection Rates (Per Pull)				
	Material			
Service Level	MSW	REC	YT	C&D
10 YD	\$280.66	\$210.23	\$210.23	\$280.66
20 YD	\$404.39	\$210.23	\$210.23	\$404.39
30 YD	\$528.13	\$210.23	\$210.23	\$528.13
40 YD	\$651.87	\$210.23	\$210.23	\$651.87
Roll-Off Compactor (Any)	\$977.80	\$210.23	N/A	N/A
Per Ton	\$65.88	-\$47.06	\$38.25	\$65.88

Additional Service Rates		
Service	Sector	Charge Per Event*
Cart Rental - All Sizes	RES	\$3.17
Cart Replacement	RES	\$63.47
Re-Delivery or Re-Start	RES	\$26.45
Cart Cleaning	RES	\$26.45
Non-Scheduled Collection	RES	\$20.10
Difficult to Service Cart	COM	\$1.06
Difficult to Service Bin	COM	\$3.17
Locking Bin	COM	\$52.89
Cart Replacement	COM	\$63.47
Cart Cleaning	COM	\$26.45
Bin Swap- Cleaning or Repainting	COM	\$79.34
Bulky - Recyclable	RES/COM	\$21.16
Bulky - Non Recyclable	RES/COM	\$26.45
Bulky - Event	RES/MFD	\$31.73
Covered Box	RO	\$79.34
Driver Time per Hour	RO	\$116.36
Dry Run or Relocation	RO	\$79.34
Extra Days	RO	\$26.45

*Note: Application of fees shall be as described in Franchise Agreement

June 1, 2017

Item No. **8g(4)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 6, 2017

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2017-,
AMENDING THE RATE ADJUSTMENT CALCULATION OF THE
FRANCHISE AGREEMENT WITH GREEN WASTE RECOVERY
UTILIZING A SECTOR SPECIFIC UNIFORM PERCENTAGE
ADJUSTMENT AND APPROVING MAXIMUM RATES TO BE
CHARGED BY GREENWASTE RECOVERY EFFECTIVE JULY 1, 2017
FOR COLLECTION OF FRANCHISED SOLID WASTE, RECYCLING,
AND ORGANICS.**

REQUEST:

It is requested that the City Council consider:

1. Adopting Resolution No. 2017- amending the rate adjustment calculation of the franchise agreement with Green Waste Recovery utilizing a sector specific uniform percentage adjustment and approving maximum rates to be charged by Green Waste Recovery effective July 1, 2017 for collection of franchised solid waste, recycling, and organics.

BACKGROUND:

On August 19, 2014, the City Council adopted Resolution No. 2014-98, and entered into a new exclusive 15 year Franchise Agreement with Green Waste Recovery (GRW) to provide solid waste, recycling, and organics collection services for the City of Marina. The Agreement provides for automatic annual rate adjustments for GWR's services calculated following either a multi-index rate adjustment methodology or a cost-based rate adjustment methodology.

Cost-based Rate Adjustment Methodology

The cost-based adjustment involves an extensive and detailed review of GWR's actual cost of operations, changes in inflation, the number of customers, and the service level provided and comparing this to actual gross receipts collected to determine GWR's compensation for the current rate period and to forecast the future rates. The cost to perform this review is estimated at \$50,000 - \$100,000 (which cost would be passed onto the rate payer) and was anticipated to be conducted after the first three to five years into the contract.

Multi-index Rate Adjustment Methodology

Each service level rate in the Franchise Agreement rate schedule is comprised of an operating component, disposal/processing component and a fee component. The annual rate adjustment consists of adjusting each of the rate components as follows:

Operating Component Factor:

- Labor Component: Labor costs from the prior year are adjusted by the annual percentage change in the Employment Cost Index (ECI)
- Fuel Component: Fuel costs from the prior year are adjusted by the actual volume of fuel purchased in the prior year and the annual percentage change in the Fuel Index
- Other Component: Non labor/fuel related costs from the prior year are adjusted by the annual percentage change of the Consumer Price Index (CPI)

Disposal/Processing Component: This component is automatically adjusted as a direct pass-through based on MRWMD fees and the City's prior year's tonnages by material type. GWR credits \$40.00/ton for recyclable materials, therefore the Recyclable Materials processing credit adjusts annually based on the prior year's tonnage, with no change to the per ton rate.

The disposal and processing component(s) are based on the difference between the City's actual tonnage by material type and what was proposed by GWR in their initial proposal to the City. The disposal and processing components also consider the tipping fee charged by the Monterey Regional Waste Management District (MRWMD). At their meeting on May 19th, 2017, the MRWMD Board of Directors approved an 8.2% increase on tipping fees charged for solid waste, yard waste, and food scraps. This tipping fee increase has been factored into the proposed fee increase for GWR customers.

The following table describes the recent year changes in the City's tonnage for each material type.

	Annualized May 2015- February 2016	March 2016- February 2017	% Change in Tonnage
Solid Waste	9,284.2	9,803.3	5.6%
Recycling	2,162.3	2,379.8	10.1%
Yard Trimmings	897.9	1,101.8	22.7%
Food Waste	32.4	154.2	375.5%
Construction & Demolition	1,078.9	1,430.5	32.6%

Fee Component: This component is a direct pass through of Franchise fees, calculated as a percent of the total rate by service level.

The rate adjustment for the 2017/2018 fiscal year was conducted using a variation of the multi-index methodology which was distributed across sectors by weighted averages in accordance with the methodology agreed upon last year.

The Franchise Agreement stipulates that the City of Marina shall make a good faith effort to approve the accuracy of the calculated rates by June 1 of each year, and such rates shall be effective on each subsequent July 1. This allows noticing all customers of rate increases. If rates are not effective by July 1 due to a delay caused solely by the City of Marina, GWR may retroactively bill customers for the amount of the rate increase. This year's rates were delayed pending the approval of the increase in tipping fees charged by MRWMD.

ANALYSIS:

GWR provided the City, by way of HF&H Consultants (who represents the City), with the annual rate adjustment calculation ("**EXHIBIT A**"). "**EXHIBIT B**" is an executive summary from HF&H reporting the finding that the application for the annual rate adjustment by GWR is consistent with the methodology approved in the prior year.

The following table illustrates the proposed adjustment percentage in relation to last year's adjustment:

	2016/2017 Sector Weighted Average	2017/2018 Sector Weighted Average*
Residential	1.5%	6.0%
Commercial Solid Waste	3.6%	4.8%
Commercial Recycling	3.6%	4.8%
Commercial Organics	3.6%	4.8%
Roll-off	2.8%	2.1%

*Includes the 8.2% tipping fee increase by MRWMD

The relatively large increase in the residential sector in relation to other sectors and residential in the previous year is due to the success of the residential yard trimming program that has resulted in a 25.2% increase in diversion of yard trimmings from the landfill. This trend along with the increased rain and wind driven vegetation cleanup from this last winter is driving the increase in residential waste fees which should level off in the coming years.

This year's rate request also rates for additional service charges that were not known at the time of the initial contract. These charges are related to customer service requests that are not a part of regularly scheduled waste collection. Examples of additional services include servicing and replacement of waste bins and carts. Additional service rates are included in ("**Exhibit A**")

Staff is recommending the sector based adjustment be used for calculating rates for 2017/2018 in keeping with the methodology approved for the previous fiscal year.

FISCAL IMPACT:

The FY2016/2017 proposed rate adjustment would have no effect on City expenses, as this is a cost to the rate payers. The Franchise Agreement has a 15% franchise fee of gross receipts. Any rate increase provides a corresponding increase in franchise fee revenue.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Brian McMinn, P.E., P.L.S.
Public Works Director/City Engineer
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina