

RESOLUTION NO. 2023-49

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, 2023 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, on November 2, 2021, the City Council adopted Resolution No. 2021-114, approving an amendment to the Franchise Agreement with Green Waste Recovery (GRW) to incorporate changes required by Senate Bill 1383 (SB 1383) to divert organic waste from landfills. The amended Agreement retained provisions 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, and;

WHEREAS, a cost-based rate adjustment was performed for rate period 5 in 2019. Adjustments to the GreenWaste compensation resulted in rate-payer surpluses of \$540,298 in rate period 5, \$258,203 in rate period 6, and \$175,891 in rate period 7, and;

WHEREAS, at the meeting on June 7, 2022, the City Council adopted Resolution No. 2022-74, approving rate increases that were offset by applying \$89,227 of the surplus generated in rate period 7 which reduced the increase from 5.82% to 3.10%. The remaining half of the surplus generated in rate period 7 was retained to offset rate increases in rate period 9, and;

WHEREAS, \$89,227 of the rate period 7 surplus was applied to reduce the rate period 8 rate increase from 5.82% to 3.10%, and;

WHEREAS, at the meeting on October 18, 2022, the City Council adopted Resolution No. 2022-75, approving a credit of surplus solid waste collection fees back to rate payers that paid for service in rate period 5 and rate period 6, and;

WHEREAS, GWR made on-bill credits to eligible customers in the months of January, February, and March, of 2023. The credits resulted in a distribution of \$658,795 of the \$798,501 surplus generated in rate periods 5 and 6. The remaining surplus of \$139,706 will be available to apply in future rate periods to limit the amount of rate increase to Marina customers; and;

WHEREAS, City staff and third party consultant, HF&H, have reviewed GWR's calculation of the rate adjustments for FY 2022/2023 and finds the calculations to be accurate and consistent with the methodology and requirements of the franchise agreement, and;

WHEREAS, staff is recommending that the remaining \$89,227 surplus from rate period 7 be applied to rate period 9 which reduces the rate increase from 5.01% to 2.38%.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina hereby resolves to approve the rates in **Exhibit B** that incorporate a 2.38% increase to all single family residential maximum rates authorized to be charged by GWR under the Franchise Agreement, effective July 1, 2023.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 16<sup>th</sup> day of May 2023, by the following vote:

AYES: COUNCIL MEMBERS: Visscher, McCarthy, Biala, Medina Dirksen, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

ATTEST:

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Bruce C. Delgado, Mayor

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Anita Sharp, Deputy City Clerk



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 John W. Farnkopf, PE  
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 Richard J. Simonson  
 Marva M. Sheehan, CPA  
 Robert C. Hilton

May 11, 2023

Mr. Brian McMinn  
 Public Works Director  
 City of Marina

*Sent via E-mail*

**Subject: Review of GreenWaste Recovery's 2023-24 Rate Request – Draft Report**

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, 2023, submitted to the City of Marina (City) on April 1, 2023. This report presents our findings and recommendations.

## EXECUTIVE SUMMARY

HF&H's review of GWR's Rate Period 9 (RP9) rate request to the City and subsequent negotiations with GWR resulted in the following outcomes:

1. A 3.10% (the result of a \$ shortfall) to rates as calculated for RP9. City Staff has recommended using the remaining RP7 surplus to smooth rates from a 5.01% increase to a 2.38%. Refer to **Figure 1** for the impact to sample residential rates.

**Figure 1 – Example Rate Impact of Adjustment**

| Marina Rate Adjustment                 |                        |          |
|----------------------------------------|------------------------|----------|
|                                        | Current Rates<br>(RP8) | RP9      |
| <b>Adjustment</b>                      |                        | 2.38%    |
| <b>Residential 32-<br/>gallon rate</b> | \$ 17.05               | \$ 17.46 |
| <b>Residential 64-<br/>gallon rate</b> | \$ 21.38               | \$ 21.89 |

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## BACKGROUND

In 2012, the City, participating with other members of the 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 annually adjusted throughout the term of the Agreement, using various inflationary indices, actual tonnage, and changes in the tipping fees at the District, unless either the City or GWR request a Cost Based Rate Adjustment (CBRA).
- The City and GWR may mutually agree upon alternative approaches to structuring rates without amendment to the Agreement (Section 8.2.D).
- During the CBRA review in RP5, a number of issues surrounding the process for setting rates and the resulting rate relationships amongst sectors and materials was identified. As such the City and GWR have negotiated an amendment to the prescribed methodology for the CBRA and index adjustments so as to not alter rate relationships between service sectors and material types.
- Through negotiations of the amendment and as a result of the desire to maintain current rate relationships between sectors and service levels, the City and GWR have prescribed a uniform rate adjustment to be applied to all sectors.

## RATE CALCULATION REVIEW

### HF&H Scope of Work

HF&H performed this review of the rate request in accordance with Exhibit E1 (for the index based rate adjustment). These procedures included:

1. Review of the rate request for completeness and compliance with the procedures contained in Exhibit E1 of the Agreement.
2. Review 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. Verification of contract compliance with regard to:
  - A. The indices used in the adjustment.
  - B. The tip fees reported for the disposal/processing components of the rates.
  - C. 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.

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- D. 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 schedule approved by the City through the Agreement.
- E. The addition of anticipated costs related to identified program changes resulting from SB 1383.

## **Review of Rate Request**

### **Rate Period 9 Application**

HF&H reviewed the rate application for RP9. The results of the calculation of RP9 per methodology of Exhibit E1 of the amendment can be seen in **Figure 1** below. There is a correction for RP8's total calculated costs that which did not include the "other adjustments" in the Franchise Fee Calculation. This adjustment increases RP9's total calculated costs by \$5,280, which has been added as a one-time adjustment.

**Figure 1 – City of Marina Application of Index Based Adjustments to RP9 (following page)**

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|                                                        | Rate Period<br>Eight | Adjustment<br>Factor | Rate Period<br>Nine |
|--------------------------------------------------------|----------------------|----------------------|---------------------|
| <b>Annual Cost of Operations</b>                       |                      |                      |                     |
| Labor-Related Costs                                    | \$ 580,270           | 1.058                | \$ 613,926          |
| Vehicle-Related Costs                                  | \$ 127,358           | 1.056                | \$ 134,490          |
| Fuel Costs                                             | \$ 105,158           | 1                    | \$ 105,158          |
| Other Costs                                            | \$ 352,447           | 1.056                | \$ 372,184          |
| Direct Depreciation                                    | \$ 221,602           | N.A.                 | \$ 221,602          |
| Total Allocated Costs - Labor, Vehicle, Fuel & Other   | \$ 692,490           | 1.056                | \$ 731,269          |
| Total Allocated Costs - Depreciation & Start-Up        | \$ 48,832            | N.A.                 | \$ 48,832           |
| <b>Total Annual Cost of Operations</b>                 | \$ 2,128,156         |                      | \$ 2,227,461        |
| <b>Profit</b>                                          | \$ 254,997           | OR=89.3              | \$ 266,896          |
| <b>Pass-Through Costs</b>                              |                      |                      |                     |
| Disposal Costs                                         | \$ 692,258           | Tons*Tip Fee         | \$ 681,479          |
| Curbside Supplemental                                  | \$ (6,198)           | 1.00                 | \$ (6,198)          |
| Recycling Processing Costs                             | \$ 114,363           | Tons*Tip Fee         | \$ 104,475          |
| Residue Processing Costs                               | \$ 37,234            | Tons*Tip Fee         | \$ 38,656           |
| Yard Trimmings Processing Costs                        | \$ 56,111            | Tons*Tip Fee         | \$ 63,642           |
| Food Waste Processing Costs                            | \$ 16,512            | Tons*Tip Fee         | \$ 15,102           |
| C&D Processing Costs                                   | \$ 742               | Tons*Tip Fee         | \$ -                |
| Interest Expense                                       | \$ 65,512            | N.A.                 | \$ 65,512           |
| Total Allocated Costs - Lease                          | \$ 50,221            | N.A.                 | \$ 50,221           |
| <b>Total Pass-Through Costs</b>                        | \$ 1,026,756         | N.A.                 | \$ 1,012,888        |
| <b>Total Costs before Agency Fees</b>                  | \$ 3,409,909         | N.A.                 | \$ 3,507,245        |
| <b>Agency Fees/Payments</b>                            |                      |                      |                     |
| Franchise Fee                                          | \$ 398,644           | 10.00%               | \$ 407,574          |
| Administrative Fee                                     |                      | 0.00%                | \$ -                |
| AB 939/341 Fee                                         |                      | 0.00%                | \$ -                |
| HHW Fee                                                |                      | 0.00%                | \$ -                |
| Vehicle Impact Fee                                     | \$ 199,322           | 5.00%                | \$ 203,787          |
| Litter Abatement Fee                                   |                      | 0.00%                | \$ -                |
| Rate Application Review Costs                          | \$ 37,880            | Actual               | \$ 48,261           |
| <b>Other Adjustments (as needed from time to time)</b> |                      |                      |                     |
| Use of Reserves                                        | \$ (89,227)          | N.A.                 | \$ (89,227)         |
| Surplus Credit Review                                  | \$ 29,910            | N.A.                 |                     |
| Adjustment From PY Calculation                         |                      |                      | \$ 5,280            |
| Adjustment from MRWMD Tip Fee Estimates                |                      |                      | \$ (7,181)          |
| <b>Total Calculated Costs</b>                          | \$ 3,986,438         |                      | \$ 4,075,739        |
| <b>Prior Year Revenue</b>                              |                      |                      | \$ 3,981,158        |
| <b>Surplus/(Shortfall)</b>                             |                      |                      | \$ (94,581)         |
| <b>Increase/Decrease</b>                               |                      |                      | 2.38%               |

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### **Review of GWR Costs**

There are four major components to GWR's rate application: 1) calculation and application of the inflationary indexes as prescribed in the Agreement; 2) the disposal and/or processing component; 3) the Agency Fees; and, 4) other one-time adjustments.

There are three indexes used in the index adjustment; CPI, fuel index, and labor index. The annual percent change in each of the indices is used to calculate the coming years projected cost for the line items to which these indexes are applied.

HF&H has reviewed and GWR has confirmed the accuracy of each of these indexes, and notes that the fuel index remains unchanged, as reported by management staff at the District.

### **Review of Disposal/Processing Component**

Calendar Year 2022 collected tons were used for the RP9 review in accordance with the amendment. The disposal and processing components also consider the tipping fees charged by the District in order to project anticipated disposal and processing costs at the District. The following table describes the changes in the City's disposal and processing costs for each material type based on the tip fees at the District which have been incorporated into our RP9 review.

**Figure 2 - Impact of District Tip Fee Changes**

| Material       | 2022<br>Tons | Current Per Ton<br>Tip Fee | Rate Period 9<br>Costs |
|----------------|--------------|----------------------------|------------------------|
|                | A            | B                          | A x B                  |
| Solid Waste    | 9,209        | \$ 74.00                   | \$ 681,479             |
| Recycling      | 2,612        | \$ 40.00                   | \$ 104,475             |
| Yard Trimmings | 1,354        | \$ 47.00                   | \$ 63,642              |
| Food Waste     | 236          | \$ 64.00                   | \$ 15,102              |
| C&D*           | -            | \$ 74.00                   | \$ -                   |

*\*The C&D per ton tip fee reflects an average weighted cost for multiple types of C&D materials.*

### **Review of Fee Component**

HF&H ensured that the fee component of each rate matches the contractual percentage of 10% for franchise fees, and 5% for vehicle impact fees, remitted to the City by GWR.

Additionally, rate application review costs and other identified District costs totaling \$48,261 were added as a one-time adjustment to cover the rate review, franchise management, and other identified District costs such as staff time and public education and outreach.

### **Review of Other One-Time Adjustments**

There was a change between actual tip fees and the anticipated amount set forth in RP8 rates with regard to the Recycling per ton tip fee. The reconciliation of this amount resulted in a credit of \$7,181 to be included as a one time adjustment.

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## Rate Changes

### Rate Smoothing

Upon completion of the review of the index-based rate adjustment, HF&H identified the surplus from prior years could be used to offset or smooth rates. As such HF&H discussed with City staff how best to use the funds in RP9. Ultimately it was recommended to use the remaining half of the RP7 surplus amounting to \$89,227 to smooth rates in RP9. With this direction, \$89,227 of reserves was used to reduce the RP9 rate increase of 5.01% to 2.38%.

\* \* \* \* \*

We would like to express our appreciation to GWR staff for their assistance and cooperation in this process. Should you have any questions, please call me at (925) 977-6959 or [rchilton@hfh-consultants.com](mailto:rchilton@hfh-consultants.com).

Very truly yours,  
HF&H CONSULTANTS, LLC

Rob Hilton  
President



**EXHIBIT B**

City of Marina Rates Effective July 2023

| <b>Residential Solid Waste Collection Rates</b>  |                    |                  |                 |
|--------------------------------------------------|--------------------|------------------|-----------------|
| <b>Service Level</b>                             | <b>Solid Waste</b> | <b>Recycling</b> | <b>Organics</b> |
| Curbside 32 Gallon                               | \$17.46            | Included         | Included        |
| Curbside 64 Gallon                               | \$21.89            | Included         | Included        |
| Curbside 96 Gallon                               | \$24.86            | Included         | Included        |
| Low Income                                       | \$14.97            | Included         | Included        |
| Notes:                                           |                    |                  |                 |
| See Exhibit B1 for specific service availability |                    |                  |                 |

| <b>Commercial/Multi-Family Solid Waste Collection Rates</b> |                  |                |                |                |                |                |
|-------------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
|                                                             | <b>Frequency</b> |                |                |                |                |                |
| <b>Service Level</b>                                        | <b>1x/week</b>   | <b>2x/week</b> | <b>3x/week</b> | <b>4x/week</b> | <b>5x/week</b> | <b>6x/week</b> |
| 32-Gallon Cart                                              | \$18.83          | \$38.40        | \$57.61        | \$76.80        | \$96.02        | \$115.21       |
| 64-Gallon Cart                                              | \$36.11          | \$73.65        | \$110.47       | \$147.29       | \$184.12       | \$220.94       |
| 96-Gallon Cart                                              | \$46.54          | \$94.93        | \$142.38       | \$189.85       | \$237.32       | \$284.78       |
| 1-Cubic Yard Bin                                            | \$100.92         | \$205.88       | \$308.83       | \$411.76       | \$514.70       | \$617.63       |
| 2-Cubic Yard Bin                                            | \$200.79         | \$409.62       | \$614.42       | \$826.77       | \$1,024.03     | \$1,228.84     |
| 3-Cubic Yard Bin                                            | \$301.61         | \$615.28       | \$922.92       | \$1,230.56     | \$1,538.20     | \$1,845.84     |
| 4-Cubic Yard Bin                                            | \$402.04         | \$820.16       | \$1,230.25     | \$1,640.34     | \$2,050.42     | \$2,460.50     |
| 6-Cubic Yard Bin                                            | \$474.95         | \$968.90       | \$1,453.37     | \$1,937.82     | \$2,422.27     | \$2,906.71     |
| 8-Cubic Yard Bin                                            | \$633.30         | \$1,291.93     | \$1,937.89     | \$2,583.86     | \$3,229.83     | \$3,875.79     |
| 2-Cubic Yard Compactor                                      | \$244.84         | \$497.70       | \$746.55       | n/a            | n/a            | n/a            |
| 3-Cubic Yard Compactor                                      | \$367.67         | \$747.41       | \$1,121.12     | n/a            | n/a            | n/a            |
| 4-Cubic Yard Compactor                                      | \$490.13         | \$996.35       | \$1,494.51     | n/a            | n/a            | n/a            |

| <b>Commercial/Multi-Family Recycling Collection Rates</b> |                  |                |                |                |                |                |
|-----------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
|                                                           | <b>Frequency</b> |                |                |                |                |                |
| <b>Service Level</b>                                      | <b>1x/week</b>   | <b>2x/week</b> | <b>3x/week</b> | <b>4x/week</b> | <b>5x/week</b> | <b>6x/week</b> |
| 64-Gallon Cart                                            | \$5.42           | \$6.98         | \$14.24        | \$21.37        | \$28.47        | \$33.14        |
| 96-Gallon Cart                                            | \$6.98           | \$14.24        | \$21.37        | \$28.47        | \$35.60        | \$42.71        |
| 1-Cubic Yard Bin                                          | \$15.13          | \$30.88        | \$46.33        | \$61.76        | \$77.20        | \$92.64        |
| 2-Cubic Yard Bin                                          | \$30.12          | \$61.45        | \$92.17        | \$124.01       | \$153.60       | \$184.33       |
| 3-Cubic Yard Bin                                          | \$45.24          | \$92.29        | \$138.44       | \$184.58       | \$230.73       | \$276.88       |
| 4-Cubic Yard Bin                                          | \$60.30          | \$123.02       | \$184.54       | \$246.06       | \$307.56       | \$369.07       |
| 6-Cubic Yard Bin                                          | \$71.24          | \$145.33       | \$218.00       | \$290.68       | \$363.34       | \$436.01       |
| 8-Cubic Yard Bin                                          | \$94.99          | \$193.79       | \$290.69       | \$387.58       | \$484.48       | \$581.37       |
| 2-Cubic Yard Compactor                                    | \$24.38          | \$49.96        | \$74.95        | n/a            | n/a            | n/a            |
| 3-Cubic Yard Compactor                                    | \$36.63          | \$75.06        | \$112.61       | n/a            | n/a            | n/a            |
| 4-Cubic Yard Compactor                                    | \$48.82          | \$100.06       | \$150.09       | n/a            | n/a            | n/a            |

| <b>Commercial/Multi-Family Food Waste Collection Rates</b> |                  |                |                |                |                |                |
|------------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
|                                                            | <b>Frequency</b> |                |                |                |                |                |
| <b>Service Level</b>                                       | <b>1x/week</b>   | <b>2x/week</b> | <b>3x/week</b> | <b>4x/week</b> | <b>5x/week</b> | <b>6x/week</b> |
| 64-Gallon Cart                                             | \$27.08          | \$55.23        | \$82.85        | \$110.47       | \$138.08       | \$165.70       |
| 96-Gallon Cart                                             | \$34.90          | \$71.20        | \$106.79       | \$142.38       | \$177.99       | \$213.59       |
| 1-Cubic Yard Bin                                           | \$75.69          | \$154.41       | \$231.61       | \$308.83       | \$386.02       | \$463.22       |
| 2-Cubic Yard Bin                                           | \$150.58         | \$307.22       | \$460.81       | \$620.06       | \$768.02       | \$921.64       |

Attachment B  
City of Marina Rates Effective July 2023

| 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                                          | \$27.08   | \$55.23  | \$82.85    | \$110.47   | \$138.08   | \$165.70   |
| 96-Gallon Cart                                          | \$34.90   | \$71.20  | \$106.79   | \$142.38   | \$177.99   | \$213.59   |
| 1-Cubic Yard Bin                                        | \$75.69   | \$154.41 | \$231.61   | \$308.83   | \$386.02   | \$463.22   |
| 2-Cubic Yard Bin                                        | \$150.58  | \$307.22 | \$460.81   | \$620.06   | \$768.02   | \$921.64   |
| 3-Cubic Yard Bin                                        | \$226.21  | \$461.46 | \$692.19   | \$922.92   | \$1,153.65 | \$1,384.38 |
| 4-Cubic Yard Bin                                        | \$301.53  | \$615.12 | \$922.69   | \$1,230.25 | \$1,537.82 | \$1,845.37 |
| 6-Cubic Yard Bin                                        | \$356.22  | \$726.68 | \$1,090.03 | \$1,453.37 | \$1,816.71 | \$2,180.04 |
| 8-Cubic Yard Bin                                        | \$474.97  | \$968.95 | \$1,453.42 | \$1,937.90 | \$2,422.37 | \$2,906.85 |

| Roll-Off Collection Rates (Per Pull) |          |          |          |          |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | Material |          |          |          |          |
| Service Level                        | MSW      | REC      | FW       | YT       | C&D      |
| 10 YD                                | \$302.88 | \$226.87 | \$226.87 | \$226.87 | \$302.88 |
| 20 YD                                | \$436.40 | \$226.87 | \$226.87 | \$226.87 | \$436.40 |
| 30 YD                                | \$569.94 | \$226.87 | \$226.87 | \$226.87 | \$569.94 |
| 40 YD                                | \$703.46 | \$226.87 | \$226.87 | \$226.87 | \$703.46 |
| Per Ton                              | \$87.06  | \$47.06  | \$75.29  | \$55.29  | \$87.06  |

| Additional Service Rates         |         |                  |
|----------------------------------|---------|------------------|
| Service                          | Sector  | Charge Per Event |
| Cart Rental - All Sizes          | RES     | \$3.46           |
| Cart Replacement                 | RES     | \$69.13          |
| Re-Delivery or Re-Start          | RES     | \$28.81          |
| Cart Cleaning                    | RES     | \$28.81          |
| Non-Scheduled Collection         | RES     | \$21.89          |
| Difficult to Service Cart        | COM     | \$1.16           |
| Difficult to Service Bin         | COM     | \$3.46           |
| Locking Bin                      | COM     | \$57.61          |
| Cart Replacement                 | COM     | \$69.13          |
| Cart Cleaning                    | COM     | \$28.81          |
| Bin Swap- Cleaning or Repainting | COM     | \$86.42          |
| Bulky - Recyclable               | RES/COM | \$23.04          |
| Bulky - Non Recyclable           | RES/COM | \$28.81          |
| Bulky - Event                    | RES/MFD | \$34.56          |
| Covered Box                      | RO      | \$86.42          |
| Driver Time per Hour             | RO      | \$126.74         |
| Dry Run or Relocation            | RO      | \$86.42          |
| Extra Days                       | RO      | \$28.81          |

\*Note: All rates charged monthly unless stated otherwise

May 12, 2023

Item No. **13(c)**

Honorable Mayor and Members  
of the Marina City Council

City Council Meeting  
of May 16, 2023

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2023-  
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, 2023  
FOR COLLECTION OF FRANCHISED SOLID WASTE, RECYCLING,  
AND ORGANICS.**

**REQUEST:**

It is requested that the City Council consider:

1. Adopting Resolution No. 2023- 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, 2023, 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.

On November 2, 2021, the City Council adopted Resolution No. 2021-114, approving an amendment to the Franchise Agreement with Green Waste Recovery (GRW) to incorporate changes required by Senate Bill 1383 (SB 1383) to divert organic waste from landfills. The amended Agreement retained provisions 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. A cost-based rate adjustment was performed for rate period 5 in 2019. Adjustments to the GWR compensation resulted in rate-payer surpluses of \$540,298 in rate period 5, \$258,203 in rate period 6, and \$175,891 in rate period 7.

At the meeting on June 7, 2022, the City Council adopted Resolution No. 2022-74, approving rate increases that were offset by applying \$89,227 of the surplus generated in rate period 7 which reduced the increase from 5.82% to 3.10%. The remaining half of the surplus generated in rate period 7 was retained to offset rate increases in rate period 9 which is the staff recommendation for City Council approval.

At the meeting on June 7, 2022, the City Council adopted Resolution No. 2022-75, approving an agreement between the City of Marina and HF&H Consultants, LLC (HF&H) to perform an analysis of an equitable method of crediting surplus solid waste collection fees back to rate payers.

At the meeting on October 18, 2022, the City Council adopted Resolution No. 2022-75, approving a credit of surplus solid waste collection fees back to rate payers that paid for service in rate period 5 and rate period 6.

In accordance with the methodology developed by HF&H, GWR made on-bill credits to eligible customers in the months of January, February, and March, of 2023. The credits resulted in a distribution of \$658,795 of the \$798,501 surplus generated in rate periods 5 and 6. The remaining surplus of \$139,706 will be available to apply in future rate periods to limit the amount of rate increase to Marina customers.

### **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. 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 April 21<sup>st</sup>, 2023, the MRWMD Board of Directors considered a 5% increase on tipping fees. The public hearing on rate increases is likely to be held at the May 19<sup>th</sup>, 2023 MRWMD Board of Directors meeting. The proposed tipping fee increase has been factored into the proposed fee increase for GWR customers.

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 2022/2023 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 in 2016. The changes implemented in 2016 allow for a uniform percentage increase for services.

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.

**ANALYSIS:**

GWR provided the City with the annual rate adjustment calculation on March 31, 2023. “**Exhibit A**” is an executive summary from HF&H reporting the finding that the application for the annual rate adjustment by GWR is consistent with the approved methodology.

Applying half, or \$89,227 of the rate period 7 surplus reduced the rate period 8 rate increase from 5.82% to 3.10%. Staff is recommending that the remaining \$89,227 surplus from rate period 7 be applied to rate period 9 which reduces the rate increase from 5.01% to 2.38%. The corresponding rates are attached as “**Exhibit B.**”

Staff is recommending the sector-based adjustment be used for calculating rates for 2022/2023 in keeping with the methodology approved in 2016.

**FISCAL IMPACT:**

The FY2022/2023 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 to the City.

**CONCLUSION:**

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

Respectfully submitted,

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

**REVIEWED/CONCUR:**

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Layne Long  
City Manager  
City of Marina

Exhibit A – Summary of HF&H’s review of GWR’s 2023/24 rate request  
Exhibit B – Proposed 2023/24 GWR rates