



STAFF REPORT

Meeting Type: City Council
Meeting Date: February 20, 2024
From: Jeff Aprati, Deputy City Manager
Subject: Delegation of Authority to Approve Solid Waste Franchise Rate Adjustments

DECISION TO BE MADE:

Whether to adopt Resolution 2024-05, delegating to the City Manager the authority to review and approve annual adjustments to solid waste franchise rates.

BACKGROUND / CONTEXT:

The City awards an exclusive franchise to provide collection and transportation of solid waste, recyclable materials, and yard debris within city boundaries. The franchise is currently held by Hoodview Disposal & Recycling; the current franchise agreement is attached to this staff report [and can be linked to directly here](#).

Per Section 7.3 of the franchise agreement, the franchisee is entitled to an annual adjustment of rates. The last increase went into effect in March 2023. Hoodview has submitted a letter to the City requesting an increase for 2024; their letter is attached to this staff report. They request an effective date of March 1, 2024.

Section 7.3 of the franchise agreement states that rates “shall be adjusted annually, with City Council approval.” Section 13.12 of the franchise agreement states that “The City Council may delegate, in writing, authority to the City Manager.”

KEY CONSIDERATIONS / ANALYSIS:

Efficient Use of Council Time

At the council meetings on [January 3, 2023](#) and [January 17, 2023](#), when the most recent rate increase was considered, Council Members expressed frustration that they are annually asked to grant approval for solid waste rate increases via council resolution, despite the fact that the terms of the franchise agreement leave the Council relatively little discretion.

The agreement states that the ‘operating component’ of rates is derived from the Consumer Price Index (CPI), and the ‘tipping fee’ component of rates is simply a pass through of the actual costs incurred by the franchisee for disposal of waste. The process for approving rate increases is thus essentially administrative in nature; it involves (1) ensuring that the data informing the requested increase is accurate, and (2) confirming that the terms of the franchise agreement are met. Administrative

processes are more efficiently handled by the City Manager, especially while the City Council has numerous important matters to attend to at the policy-making level.

Delegation of Authority

As stated above, the franchise agreement gives the Council the ability to delegate its authority to approve rate increases to the City Manager. Resolution 2024-05 would effectuate that delegation. The franchise agreement also provides for further delegation of authority to subordinate employees, but that is not recommended by staff and is not included in the resolution.

It is important to note that the Council has the ability to reclaim rate approval authority at any time by repealing or amending Resolution 2024-05. The resolution also states that the City Manager may still choose to bring certain rate increases before the City Council if the Manager determines such action to be appropriate.

As a matter of course, the City Manager will keep the City Council informed of all rate increase matters, and will instruct staff to ensure that the public is informed of any increases well in advance of their effective dates.

Requested Increase for 2024

Hoodview submitted a letter to the City requesting a rate increase for 2024; their letter is attached to this staff report. They request an effective date of March 1, 2024, though staff's opinion is that an effective date of April 1, 2024 would provide more appropriate notice for residents.

The 2024 requested rate increase is equal to approximately 4.2%; \$1.49 per month for the standard 35-gallon cart service. This is lower than the 5.6% (\$1.89) increase that [was approved](#) in January 2023.

Rate Calculations

Monthly rates are comprised of two separate components: operating and tipping fees.

- The formula to calculate the operating component of the fee is based on 80% of the annual change in CPI-U or 5%, whichever is less. The period used for this CPI measurement was the first half of 2022 versus the first half of 2023. The resulting change in CPI-U was equal to 4.08%, which is reflected in the requested **\$0.86 increase** for typical Sandy customers.
- The tipping fee component of the rate has two distinct elements: solid waste disposal and yard debris processing (this is simply a pass through of increases in tipping fees):
 - Solid waste disposal tipping fees saw a 4.08% increase this year, resulting in a requested **\$0.48 rate increase** for typical Sandy customers.
 - Yard debris processing tipping fees saw a 3.57% increase this year, resulting in a requested **\$0.15 rate increase** for typical Sandy customers.
- In sum, the three elements of the requested increase total **\$1.49 per month** for the standard 35-gallon cart service.

Due Diligence

Per the direction provided by the Council in 2023, staff performed due diligence to ensure that the tipping fees cited by the franchisee are indeed accurate, and that the CPI calculation has been performed correctly.

RECOMMENDATION:

Because the process for approving rate adjustments is administrative in nature, staff recommends approval of Resolution 2024-05, delegating authority to approve solid waste franchise rate adjustments to the City Manager.

SUGGESTED MOTION LANGUAGE:

"I move to approve Resolution 2024-05."

LIST OF ATTACHMENTS / EXHIBITS:

- Resolution 2024-05
- Solid Waste Franchise Agreement
- Rate Increase Request Letter
 - Proposed Residential Rates
 - Proposed Commercial Rates