



CITY COUNCIL AGENDA REPORT

MEETING DATE: November 16, 2020

TO: City Council Members

FROM: Mary Rose Rutikanga, City Administrator

SUBJECT: Cal Sierra Disposal, Inc. Rate Increase

RECOMMENDATION

Consideration to adopt Resolution No. 11-16-2020-A, a 3.3% Cal Sierra Disposal, Inc. rate increase effective November 1, 2020.

DISCUSSION

On October 19, 2020, the City Council voted 4-0 to approve the Amendment to the Amended and Restated Franchise Agreement between the City of Sonora and Cal Sierra Disposal, Inc. for solid waste collection, hauling, disposal and recyclable processing services in the City of Sonora.

Pursuant to Section 3(B) of the Agreement, Service Rate Adjustments may be made. Specifically, the Amendment of the agreement states as follows:

Section 3(B) of the Agreement is hereby replaced by the following:

“Annual CPI Increases. On August 31, 2021, and on the same date annually thereafter (the “Adjustment Date”), CONTRACTOR’s Rates in Exhibit A, as adjusted hereunder, shall be automatically adjusted by a percentage equal to the annual percent change in the average Consumer Price Index for All Urban Consumers: Water and sewer and trash collection services (“CPI”), as published by the Bureau of Labor Statistics, for the 12-month period ending the previous May 31 (compared to the average CPI for 12-month period ending the next previous May 31). At least sixty (60) days prior to the Adjustment Date, CONTRACTOR shall notify CITY of the CPI adjustment to take effect on the Adjustment Date and shall provide CITY with its computations therefor. Adjustments to the Rates shall be made in units of one cent (\$0.01). Fractions less than one cent (\$0.01) shall not be considered when making adjustments.”

Section 3(C) of the Agreement is hereby replaced by the following:

“Extraordinary Adjustments. In addition to the Annual CPI Adjustment provided by Section 3(B), the Rates shall, upon written request of CONTRACTOR, be further adjusted to fully capture increased expenses and lost revenue associated with performance of the services hereunder due to any one or more of the following causes: (i) a force majeure event described in Section 9; (ii) change in Applicable Law (see Section 12); (iii) increase in costs to dispose of or process materials collected hereunder; (iv) increase in surcharges, fees, assessments or taxes levied by federal, state or local regulatory authorities or other governmental entities related to the services hereunder; or (v) increase of at least fifteen percent (15%) in the cost of transportation, including fuel and third-party transportation costs, for reasons beyond CONTRACTOR’S control.

If CONTRACTOR requests a Rate adjustment pursuant to this Section 3(C), it shall prepare a Rate adjustment request setting forth its calculations of the increased costs/lost revenue and accompanying adjustment to the Rates necessary to offset such increased costs/lost revenue. The CITY may request documentation and data reasonably necessary to evaluate such request by CONTRACTOR, and may retain, at CONTRACTOR'S expense (though limited to \$10,000), an independent third party to audit and review such documentation and request. If such third party is retained, the CITY shall take reasonable steps, consistent with Applicable Law, to protect the confidential or proprietary nature of any data or information supplied by CONTRACTOR. The CITY shall not be required to approve CONTRACTOR Rate increase requests under this section unless and until CONTRACTOR has provided reasonable supporting documentation and the CITY has verified CONTRACTOR's calculations. When those two conditions are satisfied, the CITY shall promptly approve such Rate adjustments. City shall act in good faith when reviewing CONTRACTOR rate increase requests."

Cal Sierra Disposal notified city staff of a 3.3% rate increase based on the average CPI index on September 21, 2020 during contract negotiations for the Amendment to the Amended and Restated Franchise Agreement. The percentage rate increase equates to a ninety-one cent (\$0.91) increase to the monthly consumer cost of a 35-gallon cart.

Staff has thoroughly reviewed the attached rate adjustment sheets and have validated that the increases reflect the correct amount identified by the Bureau of Labor Statistics.

Staff recommends the Council adopt Resolution No. 11-16-2020-A, a 3.3% Cal Sierra Disposal, Inc. rate increase effective November 1, 2020

FISCAL IMPACT

A 3.3% rate increase equates to a ninety-one cent (\$0.91) increase to the monthly consumer cost of a 35-gallon cart.

ATTACHMENTS

- Rate Adjustment sheets: residential, commercial, roll off
- Resolution 11-16-2020-A