

STAFF REPORT

SUBJECT: Solid Waste Franchise Agreement – Annual Rate Adjustment Request
MEETING: Public Works Committee – 21 FEB 2023
DEPARTMENT: Public Works
STAFF CONTACT: Nick Williams

RECOMMENDATION:

Staff recommends discussion of Waste Connections proposed rate adjustment for the collection, hauling, and disposal of municipal solid waste and construction and demolition waste in accordance with the provisions of the existing exclusive franchise agreement.

BACKGROUND:

The City of Stephenville entered into an exclusive franchise agreement with IESI, TX Corporation in January of 2005. The agreement is currently operated by Waste Connections Lonestar, Inc.

The exclusive franchise agreement was last updated and approved in September of 2018 extending the term to December 31, 2023. There were no rate increases from 2015-2020. The rates increased by 1.33% on January 1, 2021 and by 7.76% on April 1, 2022. The fuel surcharge table was modified September 6, 2022, but rates were unchanged.

PROPOSAL:

Attached is a copy of the rate adjustment request letter received from Waste Connections dated February 17, 2023. Attached is a copy of the proposed draft amendment. A copy of the existing agreement is also attached. The proposed rates, if approved by council, would become effective on April 1, 2023 in accordance with the agreement language.

FISCAL IMPACT SUMMARY:

The requested adjustment results in a 6.92% CPI increase and a 2.39% disposal increase to the existing rate for a total 9.31% increase. The residential and commercial polycart rates would increase \$1.19 and \$1.93 per month respectively. This rate adjustment would equate to a 2.04 percent average annual increase over the last nine years, including 2015.

Waste Connections has agreed to increase the disposal fee paid to the Stephenville Landfill from \$64.66 to \$70.68 per ton. Waste Connections deposited a three-year annual average of 2,765 tons per year. The corresponding revenue, with an increase of \$6.02/ton, yields \$16,645 in annual increased revenue from the Waste Connections account.

Waste Connections has additionally agreed to delay the increased disposal fee per ton for the Stephenville Wastewater Treatment Plant until October 1, 2023 in order to maintain the budget previously established for the treatment plant.

The franchise agreement allows for the adjustment of rates. An excerpt from the agreement is included below:

"SECTION 10. RATE ADJUSTMENT.

A. CPI-U Adjustment. On each anniversary date of this Agreement, the Service Provider shall have the right, in its sole discretion and upon giving prior notice to the City, to increase or decrease the rates set forth in Section 8 hereof (the "Initial Rates") in accordance with the CPI-U. As used herein, "CPI-U" shall mean the revised Consumer Price Index rate for all urban consumers (all items included) for the nearest available metropolitan area, based on the latest available figures from the Department of Labor's Bureau of Labor Statistics (the "Bureau"). The following website (or any successor website) will be the source for such information:

https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0300SA0,CUUS0300SA0. The CPI-U used will be the CPI-U published by the Bureau during the month ninety (90) days preceding the adjustment under this Section 10.A. The amount of the increase or decrease under this Section 10.A. shall be equal to the percentage that the CPI-U has increased or decreased over the previous twelve (12) month period.

B. Operating Cost Adjustment. In addition to the rate adjustments provided for in Section 10.A., at any time during the term of this Agreement, the Service Provider may petition the City for additional rate and price adjustments at reasonable times on the basis of material or unusual changes in its cost of operations not otherwise the basis of any other rate adjustments herein. At the time of any such petition, the Service Provider shall provide the City with documents and records in reasonable form and sufficient detail to reasonably establish the necessity of any requested rate adjustment. The City shall not unreasonably withhold condition or delay its consent to any requested rate increase. In the event the City fails or refuses to consent to any such requested rate increase and the Service Provider can demonstrate that such rate increase is necessary to offset the Service Provider's increased costs in connection with performing the services under this Agreement not otherwise offset by any previous rate adjustments hereunder, the Service Provider may, in its sole discretion, terminate this Agreement upon ninety (90) days written notice to the City."

C. Landfill Cost Adjustment. The parties acknowledge that the Municipal Solid Waste and Construction and Demolition Waste covered by this Agreement will be disposed of by the Service Provider at a Landfill(s) chosen by the Service Provider in its sole discretion (the "Initial Landfill(s)"). In the event that the Service Provider is unable to use the Initial Landfill(s) due to reasons out of its control, the Service Provider (i) shall have the right, in its sole discretion, to dispose of the Municipal Solid Waste and Construction and Demolition Waste covered by this Agreement at another Landfill of its choosing, and (ii) shall have the right, upon giving prior notice to the City, to increase the Initial Rates by an amount equal to the sum of (x) the amount, if any, that the disposal fees charged to the Service Provider at such other Landfill exceed those previously charged to the Service Provider at the Initial Landfill(s), and (y) the amount, if any, that the transportation costs incurred by the Service Provider in connection with transporting the Municipal Solid Waste and Construction and Demolition Waste to such other Landfill exceed those that would have been incurred by the Service Provider if such Municipal Solid Waste and Construction and Demolition Waste was transported to the Initial Landfill(s)."

ALTERNATIVES:

The following alternatives are provided for council consideration:

1. Do not approve the request as presented;
2. Recommend an alternative calculation methodology to be included in the contract.

ATTACHMENTS:

[2023 02-21 Exclusive Franchise Agreement – Waste Connections Transmittal Request](#)

[2023 02-21 Amendment No. 7 – DRAFT](#)

SUPPORTING DOCUMENTATION:**CPI for All Urban Consumers (CPI-U)**

https://data.bls.gov/pdq/SurveyOutputServlet?data_tool=dropmap&series_id=CUUR0300SA0,CUUS0300SA0

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013	223.933	225.874	226.628	226.202	226.289	227.148	227.548	227.837	227.876	227.420	226.811	227.082	226.721
2014	227.673	228.664	230.095	231.346	231.762	232.269	232.013	231.611	231.762	231.131	229.845	228.451	230.552
2015	226.855	227.944	229.337	229.957	230.886	232.026	231.719	231.260	230.913	230.860	230.422	229.581	230.147
2016	229.469	229.646	230.977	231.975	232.906	233.838	233.292	233.561	234.069	234.337	234.029	234.204	232.692
2017	235.492	236.052	236.154	236.728	236.774	237.346	236.942	237.892	239.649	239.067	238.861	238.512	237.456
2018	239.772	241.123	241.595	242.486	243.279	243.770	243.776	243.605	243.640	244.163	243.484	242.150	242.747
2019	242.547	243.856	245.554	246.847	246.667	246.515	247.250	246.953	246.891	247.423	247.385	247.289	246.265
2020	248.005	248.412	248.136	246.254	245.696	247.223	248.619	249.639	250.193	250.542	250.255	250.693	250.639
2021	252.067	253.386	255.319	257.207	259.343	261.668	263.013	263.728	264.593	267.160	268.360	269.263	261.259
2022	271.634	274.688	278.598	279.879	283.307	287.427	287.608	287.168	287.656	288.836	288.991	288.205	283.666
2023	290.438												

CPI RATE STRUCTURE

January 2022 = 271.634

January 2023 = 290.438

$$\Delta = [(290.438 - 271.634) / 271.634] = \underline{6.92\%} \checkmark + \text{Disposal of } 2.39\% = \underline{9.31\%}$$

Roll Out Containers				Δ9.31%
CURRENT RATES / MONTH		PROPOSED RATES / MONTH		Δ\$↑
Residential Polycart	\$12.78	Residential Polycart	\$13.96	\$1.19
Residential Extra Polycart	\$6.39	Residential Extra Polycart	\$6.98	\$0.59
Commercial Polycart	\$20.75	Commercial Polycart	\$22.68	\$1.93
Commercial Extra Polycart	\$10.60	Commercial Extra Polycart	\$11.59	\$0.99

Open Top Roll Off Containers				Δ9.31%
CURRENT RATES / MONTH		PROPOSED RATES / MONTH		Δ\$↑
Haul Fee	\$224.42	Haul Fee	\$245.31	\$20.89
Disposal Fee per ton	\$64.66	Disposal Fee per ton	\$70.68	\$6.01
Delivery and Exchange	\$131.29	Delivery and Exchange	\$143.51	\$12.22
Daily Container Rental	\$6.17	Daily Container Rental	\$6.74	\$0.57