

Public Works Department

STAFF REPORT



SUBJECT: Solid Waste Franchise Agreement – Annual Rate Adjustment Request
MEETING: Public Works Committee – 15 OCT 2024
DEPARTMENT: Public Works
STAFF CONTACT: Nick Williams

RECOMMENDATION:

Staff recommends review of the proposed rate adjustment for the collection, hauling, and disposal of municipal solid waste and construction and demolition waste in accordance with 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 August of 2023 where the agreement term was extended to December 31, 2028.

PROPOSAL:

Attached is a copy of the rate adjustment request letter received from Waste Connections dated September 18, 2024. 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 January 1, 2025 in accordance with the agreement language.

FISCAL IMPACT SUMMARY:

The requested adjustment results in a 2.27% CPI increase and a 15.23% disposal increase to the existing rate for a total 17.50% increase. The residential and commercial polycart rates would increase \$2.44 and \$3.97 per month respectively. This rate adjustment would equate to a 3.78 percent average annual increase over the last ten years, including 2015.

Waste Connections has agreed to increase the disposal fee paid to the Stephenville Landfill from **\$70.68 to \$83.05** per ton. Waste Connections disposed of 2,029 tons per year over a three-year average. The corresponding revenue, with an increase of \$12.37/ton, yields \$25,099 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, 2025 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:

[2024_09-18 Exclusive Franchise Agreement – Waste Connections Transmittal Request](#)
[2024_10-15 Amendment No. 8 – 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 |
|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 | 292.285 | 293.358 | 295.315 | 295.889 | 296.789 | 297.279 | 298.975 | 299.657 | 299.394 | 298.930 | 298.754 | 296.422 |
| 2024 | 300.421 | 303.144 | 304.490 | 305.104 | 305.296 | 305.357 | 305.819 | 305.761 | | | | | |

CPI RATE STRUCTURE

August 2023 = 290.438

August 2024 = 300.421

$$\Delta = [(305.761 - 298.975) / 298.975] = \underline{2.27\%} \checkmark + \text{Disposal of } 15.23\% = \underline{17.50\%}$$

| Roll Out Containers | | | Δ17.50% | |
|----------------------------|---------|----------------------------|---------|--------|
| CURRENT RATES / MONTH | | PROPOSED RATES / MONTH | Δ\$↑ | |
| Residential Polycart | \$13.97 | Residential Polycart | \$16.41 | \$2.44 |
| Residential Extra Polycart | \$6.98 | Residential Extra Polycart | \$8.20 | \$1.22 |
| Commercial Polycart | \$22.68 | Commercial Polycart | \$26.65 | \$3.97 |
| Commercial Extra Polycart | \$11.59 | Commercial Extra Polycart | \$13.62 | \$2.03 |

| Open Top Roll Off Containers | | | Δ17.50% | |
|------------------------------|----------|------------------------|----------|---------|
| CURRENT RATES / MONTH | | PROPOSED RATES / MONTH | Δ\$↑ | |
| Haul Fee | \$245.31 | Haul Fee | \$288.24 | \$42.93 |
| Disposal Fee per ton | \$70.68 | Disposal Fee per ton | \$83.05 | \$12.37 |
| Delivery and Exchange | \$143.51 | Delivery and Exchange | \$168.65 | \$25.14 |
| Daily Container Rental | \$6.74 | Daily Container Rental | \$7.92 | \$1.18 |



WASTE CONNECTIONS
LONE STAR, INC.
Connect with the Future

September 18, 2024

Attn: City Administrator
City of Stephenville
298 W Washington St.
Stephenville, TX 76401

Dear City Administrator

Waste Connections appreciates the opportunity to serve the City of Stephenville this past year. We have made every effort to ensure that you receive great customer service with affordable rates.

As per our agreement, we must request from the City of Stephenville the annual Consumer Price Index (CPI) rate adjustment called for in our agreement. The percentage of the increase calculated by the mechanism within our agreement equals a 17.50% increase to your rates. Per our agreement, we are also requesting an insignificant increase; to help cover the disposal rate increases we have incurred this year. The total increase is 2.27%. The CPI and disposal rate increases would bring the total to 17.50%. I have enclosed the CPI information as well as a sheet with the revised rates for the services we provide. We ask that these new rates for services rendered become effective January 1, 2025.

Waste Connections is committed to maintaining the highest quality of service in the City of Stephenville. We would like to take this opportunity to thank the city staff, business community and residents for your continued patronage.

Respectfully,

Sean Dowden
District Manager
Waste Connections Lone Star, INC.

City of Stephenville Solid Waste Pricing Comparison

| | |
|------------------------|--------|
| Residential Adjustment | 17.50% |
| Commercial Adjustment | 17.50% |
| Roll Off Adjustment | 17.50% |

Current Pricing Schedule

| Commercial | 1 x Week | 2 x Week | 3 x Week | 4 x Week | 5 x Week | 6 x Week | Locks | Extra Pickups |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|---------------|
| Size / Pickup | | | | | | | | |
| 2 Cu Yd | \$ 78.58 | \$ 132.01 | \$ 185.46 | \$ 224.48 | \$ - | \$ - | \$ 11.63 | \$ 48.55 |
| 3 Cu Yd | \$ 107.29 | \$ 143.83 | \$ 216.33 | \$ 268.27 | \$ 307.17 | \$ - | \$ 11.63 | \$ 58.70 |
| 4 Cu Yd | \$ 117.70 | \$ 169.15 | \$ 237.04 | \$ 401.04 | \$ 504.44 | \$ 607.62 | \$ 11.63 | \$ 66.83 |
| 5 Cu Yd | \$ 130.49 | \$ 210.95 | \$ 288.14 | \$ 493.67 | \$ 618.31 | \$ 745.95 | \$ 11.63 | \$ 83.10 |
| 6 Cu Yd | \$ 187.64 | \$ 288.64 | \$ 438.75 | \$ 572.53 | \$ 720.67 | \$ 868.64 | \$ 11.63 | \$ 99.15 |

| Open Top Roll Off Container Rates | Residential/Polycart | Residential/Extra Polycart | Commercial/Polycart | Commercial/Extra Polycart |
|-----------------------------------|----------------------|----------------------------|---------------------|---------------------------|
| Haul Fee | \$ 245.31 | \$ 13.07 | \$ 6.98 | \$ 22.09 |
| Disposal Fee per Ton | \$ 70.69 | \$ 6.98 | \$ 143.51 | \$ 6.74 |
| Delivery and Exchange | \$ - | \$ - | \$ - | \$ - |
| Daily Container Rental | \$ - | \$ - | \$ - | \$ - |

Proposed Pricing Schedule (effective January 1, 2025)

| Commercial | 1 x Week | 2 x Week | 3 x Week | 4 x Week | 5 x Week | 6 x Week | Locks | Extra Pickups |
|---------------|-----------|-----------|-----------|-----------|-----------|-------------|----------|---------------|
| Size / Pickup | | | | | | | | |
| 2 Cu Yd | \$ 92.79 | \$ 156.11 | \$ 217.03 | \$ 224.48 | \$ 419.99 | \$ - | \$ 14.02 | \$ 68.22 |
| 3 Cu Yd | \$ 126.06 | \$ 195.00 | \$ 257.71 | \$ 338.71 | \$ 479.99 | \$ - | \$ 14.02 | \$ 83.97 |
| 4 Cu Yd | \$ 138.29 | \$ 198.75 | \$ 348.72 | \$ 471.21 | \$ 592.70 | \$ 714.17 | \$ 14.02 | \$ 78.82 |
| 5 Cu Yd | \$ 163.98 | \$ 247.66 | \$ 402.55 | \$ 579.81 | \$ 777.23 | \$ 919.47 | \$ 14.02 | \$ 97.04 |
| 6 Cu Yd | \$ 185.23 | \$ 336.14 | \$ 603.78 | \$ 672.71 | \$ 846.77 | \$ 1,018.28 | \$ 14.02 | \$ 116.90 |

| Open Top Roll Off Container Rates | Residential/Polycart | Residential/Extra Polycart | Commercial/Polycart | Commercial/Extra Polycart |
|-----------------------------------|----------------------|----------------------------|---------------------|---------------------------|
| Haul Fee | \$ 268.23 | \$ 82.05 | \$ 189.82 | \$ 7.92 |
| Disposal Fee per Ton | \$ 82.05 | \$ 82.05 | \$ 189.82 | \$ 7.92 |
| Delivery and Exchange | \$ - | \$ - | \$ - | \$ - |
| Daily Container Rental | \$ - | \$ - | \$ - | \$ - |

CPI calculation for Hauling Portion

| | |
|-------------|---------|
| August 2024 | 365,781 |
| August 2023 | 298,976 |
| Difference | 6,796 |

Difference = 2.27%

Disposal Rate Adjustment

| | | | | |
|---------------------------|------------|----------------|---|-----------|
| New rate | \$ 50.00 | Tons Per Month | = | \$ 90,750 |
| Old rate | \$ 41.32 | X | | \$ 57,848 |
| Difference | \$ 8.68 | X | | \$ 32,902 |
| Current Revenue per month | \$ 216,074 | | | \$ 15,234 |

CPI calculation for Hauling Portion

| | |
|--------------------------|--------|
| Disposal Rate Adjustment | |
| Total % Increase | 2.27% |
| Total \$ Increase | 15,234 |
| Total \$ Increase | 17,889 |
| Total \$ Increase | 37,826 |

% of Increase Amount:

| | | | |
|---------------------|------------|--------|-----------|
| Residential Revenue | \$ 82,325 | 17.50% | \$ 14,404 |
| Commercial Revenue | \$ 133,749 | 17.50% | \$ 23,402 |
| | \$ 216,074 | | \$ 37,806 |

Waste Connections Services and Rates

| Municipality | Begin Date | End Date | Services Provided | #Homes | Times per week svc | Anniversary Date | Current Residential Rate | Effective 2025 Rate |
|------------------|------------|------------|-------------------------------|--------|--------------------|------------------|--------------------------|---------------------|
| Stephenville | 1/1/1997 | 12/31/2028 | Res, Comm, Rolloff | 5,163 | 2 | 12/1 | \$13.97 | \$16.41 |
| Carbon | 12/1/2004 | 11/30/2025 | Res, Comm, Rolloff | 112 | 1 | 12/1 | \$16.73 | \$17.85 |
| Cresson | 12/1/2003 | 11/30/2026 | Res, Comm, Rolloff | 567 | 1 | 12/1 | \$16.84 | \$16.84 |
| De Cordova Bend | 1/1/2006 | 12/31/2026 | Res, Comm, Rolloff | 1,519 | 1 | 1/1 | \$15.18 | \$18.22 |
| Dublin | 2/1/2012 | 1/31/2027 | Res, Comm, Rolloff | 1,200 | 1 | 2/1/ | \$15.42 | \$15.42 |
| Eastland | 10/31/2002 | 11/30/2028 | Res, Comm, Rolloff | 1,263 | 1 | 12/1 | \$13.33 | \$14.48 |
| Granbury | 5/1/2003 | 4/30/2029 | Res, Res Recyc, Comm, Rolloff | 4,048 | 1 | 10/1 | \$17.33 | \$17.33 |
| Millsap | 5/1/2004 | 5/31/2027 | Res, Comm, Rolloff | 56 | 1 | 6/1 | \$18.31 | \$18.31 |
| Pecan Plantation | 1/1/2006 | 12/31/2025 | Res, Comm, Rolloff | 3,068 | 1 | 1/1 | \$13.91 | \$17.95 |
| Tolar | 11/1/2010 | 2/1/2025 | Res, Comm, Rolloff | 447 | 1 | 11/1 | \$14.46 | \$21.98 |

**Consumer Price Index for All Urban Consumers (CPI-U)
Original Data Value**

Series Id: CUUR0300SA0, CUUS0300SA0
 Not Seasonally Adjusted
 Series Title: All items in South urban, all urban consumers, not
 Area: South
 Item: All items
 Base Period: 1982-84=100
 Years: 2014 to 2024

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual | HALF1 | HALF2 |
|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 | 230.652 | 230.302 | 230.902 |
| 2015 | 228.855 | 227.944 | 229.337 | 229.557 | 230.885 | 232.026 | 231.719 | 231.260 | 230.913 | 230.860 | 230.422 | 229.581 | 230.147 | 229.501 | 230.793 |
| 2016 | 229.489 | 229.646 | 230.977 | 231.975 | 232.906 | 233.838 | 233.262 | 233.561 | 234.069 | 234.337 | 234.029 | 234.204 | 232.682 | 231.469 | 233.915 |
| 2017 | 235.482 | 236.052 | 236.164 | 236.728 | 236.774 | 237.348 | 236.842 | 237.962 | 239.849 | 239.067 | 238.881 | 238.312 | 237.456 | 236.424 | 238.487 |
| 2018 | 239.772 | 241.129 | 241.585 | 242.488 | 243.279 | 243.770 | 243.776 | 243.505 | 243.840 | 244.163 | 243.484 | 242.150 | 242.737 | 242.004 | 243.470 |
| 2019 | 242.547 | 243.856 | 245.564 | 246.847 | 246.667 | 246.515 | 247.280 | 246.953 | 246.891 | 247.423 | 247.385 | 247.280 | 246.285 | 245.331 | 247.199 |
| 2020 | 248.005 | 248.412 | 248.136 | 248.254 | 245.696 | 247.223 | 248.619 | 249.639 | 250.193 | 250.542 | 250.295 | 250.683 | 248.939 | 247.288 | 249.990 |
| 2021 | 252.067 | 253.396 | 255.319 | 257.207 | 259.343 | 261.668 | 263.013 | 263.728 | 264.593 | 267.160 | 268.360 | 269.263 | 261.259 | 256.468 | 266.020 |
| 2022 | 271.934 | 274.888 | 278.598 | 279.879 | 283.307 | 287.427 | 287.608 | 287.168 | 287.659 | 288.836 | 288.991 | 288.205 | 283.656 | 279.256 | 288.077 |
| 2023 | 290.438 | 282.285 | 293.358 | 295.315 | 295.883 | 296.788 | 297.279 | 299.975 | 299.657 | 299.384 | 298.930 | 298.754 | 296.422 | 294.012 | 298.832 |
| 2024 | 300.421 | 303.144 | 304.490 | 305.104 | 305.298 | 305.357 | 305.819 | 305.761 | | | | | | 303.969 | |

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 9 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/data/surveys/outputs/data_tools/urbanconsumer_index_id-CUUR0300SA0.C. 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

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 (S) 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 (R) 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).