



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

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MEETING DATE: May 14, 2024

SUBJECT: Consideration of Resolution 2024-63, Establishing Fiscal Year 2024/2025 Rates for Residential and Commercial Garbage, Recyclable and Organic Waste Collection, Transportation, Recycling and Disposal Services, and Making a Finding of Exemption Under the California Environmental Quality Act

RECOMMENDATION:

Adopt Resolution 2024-63.

BACKGROUND:

On April 27, 2021, the City Council approved a solid waste franchise agreement (“Franchise Agreement”) with Waste Management of the Inland Empire (“Waste Management”) for Residential and Commercial Garbage, Recyclable Materials and Organics Waste Collection, Transportation, Recycling and Disposal Services (“Solid Waste Services”), effective July 1, 2021. The Franchise Agreement establishes many Solid Waste Services provided to the community and helps ensure that the City complies with State solid waste regulations. The term of the Franchise Agreement is valid through June 30, 2041.

As part of adopting the new Franchise Agreement, the City Council established the initial rates (“Rates”) for the City’s monthly service charge (“Service Charge”) for Solid Waste Services following a noticed public hearing conducted in accordance with Proposition (“Prop”) 218 on June 22, 2021. The Rate components that made up the monthly Service Charge for Solid Waste Services included the following: 1) the SB 1383 Residential Component (for residential customers only), 2) Service Component; 3) Disposal Component; 4) Organics Waste Processing Component (“Organics Component”); and 5) Recycling Processing Component (“Recycling Component”).

Since the adoption of the Franchise Agreement, rates have been adjusted annually pursuant to the Franchise Agreement and approved Prop 218 noticing. Most recently, a Prop 218 process was conducted and adopted by City Council at a Public Hearing on April 11, 2023 and is valid through July 1, 2027. As identified by this Prop 218 process and as outlined in the Franchise Agreement, the Service Component, Disposal Component, Organics Component, and Recycling Component can be adjusted annually to account for inflation and changes in disposal and processing fees as follows:

The Service Component shall be adjusted based on the percentage increase of the Consumer Price Index (CPI-U) published by the U.S. Department of Labor, Bureau of Labor Statistics, for All Urban Consumers in the Riverside-San Bernardino-Ontario area, using the change in the 12-month annual average of CPI-U index values between the January to December period of the prior year (the previous year), and the January to December period of the year before the prior year (the prior previous year).

The annual adjustment will be at least one percent (1.00%) (the “Floor”) and cannot exceed four percent (4.00%) (the “Cap”). If the annual CPI adjustment exceeds the Cap or is less than the Floor, then the amount above the Cap or below the Floor shall be carried over into any succeeding year until such time as it may be applied without violating the Cap or Floor limits.

The Disposal, Organics, and Recycling Components shall be adjusted for changes in tipping fees or processing fees, as applicable, charged at the disposal, recycling processing, or organic processing facilities used by Waste Management as follows:

- If Waste Management or its affiliates own and/or operate the facility, and the tipping/processing fee is not set or adjusted by a public agency, then applicable Component (Disposal, Organics, or Recycling) shall be adjusted using the same methodology described above for adjusting the Service Component and be subject to the same Floor and Cap provisions, or
- In all other circumstances (e.g., Waste Management uses a facility owned by a third party or public agency), the applicable Component (Disposal, Organics, or Recycling) shall be adjusted using the actual change in the per ton tip fee or per ton processing fee charged at the disposal, organic waste processing facility, or recyclable processing facility, as applicable, between the previous year and the prior previous year. If Waste Management uses multiple facilities that have different per ton tip/processing fees, the City shall determine the change in the per ton tip/processing fee charged between the previous year and the prior previous year for each applicable facility and multiply this amount by the percentage of the total tonnage delivered to the facility. The City shall then add these sums together to determine the total change in the per ton tip/processing fees for each Component (Disposal, Organics, or Recycling).

JUSTIFICATION:

As permitted by the Franchise Agreement, Waste Management requested an annual rate adjustment for Fiscal Year 2024/2025 (July 1, 2024 - June 30, 2025), as shown in the attached letter.

Based on the methodology of the Franchise Agreement and the last Prop 218 approval, staff evaluated each Rate Component to determine applicable adjustments. As described above, the Service Component is adjusted by the increase in CPI with the 1% “Floor” and 4% “Cap”. For this period, the CPI is 4.65%. As a result, a 4% increase was applied to the Service Component of the Rates and 0.65% shall be carried forward into any succeeding year until such time it may be applied without violating the Cap or Floor limits.

The Recycling Component will also be adjusted by the CPI since Waste Management owns and operates the facility used for processing this material. The Recycling Component shall be adjusted using the same methodology described above for adjusting the Service Component and is subject to the same Floor and Cap provisions.

In all, the carried forward CPI percentage balance that remains and can be applied to these components at a later date is summarized below:

Rate Period	CPI Requested	CPI Applied	CPI
Carry Forward			
July 1, 2022 - June 30, 2023	No carry over requested by WM		
July 1, 2023 - June 30, 2024	8.7%	4%	4.7%
July 1, 2024 - June 30, 2025	4.65%	4%	0.65%

The total carry over percentage balance remaining from the initiation of the Franchise Agreement to be applied at a later date within the approved parameters is 5.35%.

For the Disposal Component, it was determined that Waste Management uses a facility owned by a third-party/public agency and that the component will be adjusted using the actual change in the per ton processing fee charged at the disposal facility between the previous year and the prior previous year. The percentage change for this component is 7.94%.

For the Organics Component, it was determined that Waste Management uses a facility owned by a third-party/public agency and that the component will be adjusted using the actual change in the per ton processing fee charged at the disposal facility between the previous year and the prior previous year. The percentage change for this component is -0.95%.

The City Council may use the rate adjustment methodology approved pursuant to Resolution 2023-63 to establish the Rates for a five-year period through July 1, 2027 without undertaking a new Prop 218 process.

CEQA:

City staff has evaluated the adoption of the Rates pursuant this Resolution purposes of compliance with the California Environmental Quality Act (CEQA) and the State CEQA Guidelines and has determined that the adoption of the Rates is an activity covered by the common sense exemption in that it can be seen with certainty that there is no possibility that adoption of the Rates may have a significant effect on the environment because the adoption of the Rates only address the cost of existing services provided to the public and not the commencement of a new service or program. Accordingly, staff recommends that the City Council find that the adoption of this Resolution exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

FISCAL IMPACT:

The current residential Rate for the collection of refuse is \$29.45 per month per household and the rate will increase to \$30.60. The commercial Rate will be adjusted in accordance with the rate adjustment methodology, as shown in the attached residential and commercial rate schedule, attached hereto. The new rate schedule will be effective July 1, 2024 for Fiscal Year 2024/2025.

ALTERNATIVES:

Reject WM's request to increase the Rates for Solid Waste Services. If rejected, pursuant to the Franchise Agreement, WM shall have the right to dispute the denial action by pursuing measures outlined in the Franchise Agreement.

ATTACHMENTS:

1. [Resolution 2024-63, Solid Waste Rates Increase.docx](#)
2. [Attachment 2_Proposed Rate Schedule Effective 7.1.24.docx](#)
3. [Attach 3_WMLetterRev.pdf](#)
4. [Attachment 4__2024_0430 Rate Survey.pdf](#)