



## CITY OF BANNING STAFF REPORT

**TO:** CITY COUNCIL

**FROM:** Elizabeth Gibbs, City Manager

**PREPARED BY:** Holly Stuart, Public Works Program Manager  
Arturo Vela, Director of Public Works

**MEETING DATE:** May 12, 2026

**SUBJECT:** Make a Determination of Exemption Under the California Environmental Quality Act and Consideration of Resolution 2026-69, Establishing Fiscal Year 2026/2027 Rates for Residential and Commercial Garbage, Recyclable and Organic Waste Collection.

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### **RECOMMENDATION:**

Adopt Resolution 2026-69

### **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 established many Solid Waste Services provided to the community designed to 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 make up the monthly Service Charge for Solid Waste Services include 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:

Pursuant to Section 4.03 of the Franchise Agreement, annual rate adjustments are calculated using a defined methodology based on changes in the CPI and applicable disposal and processing costs. These adjustments are not automatic; rather, Waste Management is required to submit the annual calculation to the City for review and verification. Following verification, City Council approval is required for the adjusted rates to become effective consistent with Article XIID of the California Constitution (Prop 218)

and Section 2.05 of the Franchise Agreement.

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:

A. 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.

B. 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).

As an administrative update, Exhibit 9 (Approved Facilities) of the City's Solid Waste Franchise Agreement has been updated to reflect the current list of disposal, recycling and organics processing facilities authorized for use under the Franchise Agreement. These updates ensure that the facilities shown accurately match those currently permitted, operating and receiving material from the City including landfill, transfer, recycling, green waste and organic waste processing locations and are updated to address the following: 1) changes in available or permitted facilities; 2) adjustment in the hauler's operational routing; 3) compliance with State mandates such as SB 1383 requiring specific organics processing capacity; or 4) the need to add or remove facilities when an approved facility is no longer available, reaches capacity or under regulatory changes.

**JUSTIFICATION:**

Under Section 4.03 of the Franchise Agreement, Waste Management is entitled to request an annual rate adjustment calculated in accordance with the prescribed methodology. The City's responsibility is to review and verify the accuracy of the submitted calculations. Upon verification, the adjusted rates are presented to City Council for approval which constitutes an amendment to the Schedule of Services Rates under the Agreement. As permitted by the Franchise Agreement, Waste Management requested an annual rate adjustment for Fiscal Year 2026/2027 (July 1, 2026 - June 30, 2027), as shown in the attached letter.

Based on the methodology of the Franchise Agreement and the Prop 218 approval mentioned above, staff evaluated each Rate Component to determine applicable adjustments. The Service Component is indexed to the Consumer Price Index (CPI, subject to 1% floor and 4% annual cap). For the current

period, CPI increased by 3.28%. In addition, previously unutilized (e.g. carry forward) CPI totaling 3.96% was available for application. A portion of this balance has been applied to reach the maximum allowable adjustment of 4% for the period.

Following this adjustment, a remaining CPI balance of 3.24% will be carried forward and may be applied in future years so long as application falls within the approved parameters. Consistent with this approach, carryforward balances have been used from FY 2023-2024 through FY 2026-2027 to achieve the full allowable adjustment in applicable years, resulting in the current cumulative balance of 3.24% for future use.

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

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 1.44%.

For the Organics Component, it was determined that Waste Management used facilities 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 0.80%.

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.

While City Council approval is required for any rate adjustment to take effect, the Franchise Agreement obligates the City to implement the annual rate adjustment methodology as negotiated. If the City Council were to deny or modify the adjustment that has been calculated in accordance with Section 4.03, the City may be required to enter into a negotiation period with Waste Management with the remedy being a reduction in service programs or termination of the agreement with termination taking effect no earlier than 18 months.

**CEQA:**

Staff has evaluated the adoption of the rates for compliance with the California Environmental Quality Act (CEQA) and determined that the action is covered by the common sense exemption. It can be seen with certainty that there is no possibility the adoption of the rates will have a significant effect on the environment. This is because the rates only address the cost of existing public services and do not involve the creation of any new services or programs. Accordingly, staff recommends that the City Council find that the adoption of this Resolution is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

**FISCAL IMPACT:**

Approval of the proposed rates ensures compliance with the Franchise Agreement and avoids potential financial exposure associated with under-recovery of Waste Management's costs.

The current Residential Rate for the collection of refuse is \$31.62 per month per household and the rate will increase to \$32.64, a difference of \$1.02 or 3.23%. 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, 2026 for

Fiscal Year 2026/2027.

Denial of the proposed rate adjustment may result in future impacts to the City including potential contractual claims, extraordinary rate adjustment requests and increased administrative or legal costs. Delayed implementation may also lead to higher future rate increases.

**ATTACHMENTS:**

1. [Resolution\\_2026-69.docx](#)
2. [Banning FA EXHIBIT 9\\_4.17.26 updated.pdf](#)
3. [WM\\_26-27\\_RateAdjustmentLetter.pdf](#)
4. [Rate Survey.pdf](#)
5. [Proposed Rate Schedule Effective 7.1.26.pdf](#)