



City of Sonoma

## Agenda Item Summary

Meeting: City Council - 29 Jul 2019

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**Department**

Administration

**Staff Contact**

Cathy Capriola, City Manager

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**Agenda Item Title**

Discussion, Direction and Possible Action on the Seventh Amendment to the Sonoma Garbage Collectors Contract for Solid Waste Collection Within the City and Approval of Resolution Approving Amendment and 2019 Refuse Rates

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**Summary**

The City has received solid waste collection services through an agreement with Sonoma Garbage Collectors Inc. since 1994. There have been Six Amendments to this Agreement since that time. The rate setting process in the agreement requires that Sonoma Garbage Collectors Inc. (SGC) present an application to the City for an adjustment in the rates charged to residents and businesses for collection services which is subject to the approval of the City Council on an annual basis.

Historically, the City's contract stated that it would use the Refuse Rate Index methodology established by Sonoma County in considering future rate increases and would establish general reporting standards consistent with the County Refuse Rate Index methodology and reporting standards. A refuse rate index is a method of comparing the collector's costs on a year-to-year basis to determine whether rates should be increased to account for increased costs. A refuse rate index (RRI) applies published inflationary indices to categories of costs attributable to the garbage collector's operations and also includes percentage increases in fees charged to collectors when they deposit refuse at disposal sites ("tipping fees"). The RRI is calculated by multiplying the percentage the specific cost category makes up of the business' total costs by the inflationary factor for the last 12-month period designated under the agreement. (See Exhibit 1 attached to the proposed amendment for a delineation of the formula.) Under this method, when inflationary factors increase, collectors are generally allowed to increase their rates. When inflationary factors are stagnant, there is generally little change in the collectors' rates from year to year. SGC has been basing its applications for adjustments to customers' rates on this method since it was established in 2007.

In 2018, the City approved an amendment with a Sonoma based Refuse Rate Index since Sonoma County changed their garbage collection provider and no longer utilizes a Refuse Rate Index. The City's contract now outlines a refuse rate index that consists of the following factors: 1) operating, general, and administrative costs—CPI for all urban consumers in the SF-Oakland--Hayward Bay Area region published by the Bureau of Labor Statistics; 2) fuel costs—diesel fuel #2 published by the Bureau of Labor Statistics; 3) any associated percentage increase in tipping fees. These percentages are then applied to the portion of total costs that each of these categories represents for SGC's operations under the Agreement ("factors"). The combination of these factors is used to determine whether rates should be increased by the total percentage of each of the three factors added together.

In preparing the rates for 2019, Sonoma Garbage Collectors informed the City of two new financial issues that could not be reflected in the Refuse Rate Index. These "extraordinary circumstances" include the loss of all recycling revenue due to China's stepping out of the international recycling business and SB 1383, a new state law that establishes methane emissions reduction targets with new requirements for both cities and contractors/haulers. Sonoma Garbage Collectors has

submitted a letter requesting amendment to the agreement to take into consideration these “extraordinary circumstances.”

Below is the Refuse Rate Index and more specific information on these “extraordinary” situations.

Recycling Revenue Loss – The recycling market collapse has had a dramatic impact on national recycling markets. Sonoma Garbage Collectors has been collecting and selling the recyclables collected from the City’s residents and businesses to the City of Napa’s Materials Diversion Facility for many years for about \$30/ton.

Beginning in 2019, due to the recycling market collapse, the rate has dropped to \$0/ton, representing a loss of about \$63,000 per year. Material is being accepted, but no payment is received. This has had a significant impact on SGC’s revenue used to cover the costs of the collection service. In order to address this extraordinary issue, SGC is requesting a 2.51% increase to recover the lost revenue.

Education Program Expansion - SB 1383 Education and Outreach

In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California’s economy. SB 1383 establishes targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025. The law grants CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets and establishes an additional target that not less than 20 percent of currently disposed edible food is recovered for human consumption by 2025. CalRecycle is currently drafting and reviewing these regulations.

In order to meet the requirements of SB1383, the Short-Lived Climate Pollutants bill that deals with methane emissions from organic waste, Sonoma Garbage Collectors is proposing to expand its education program. Additional resources would include Sonoma Garbage Collectors staffing at public events like the Farmers Market, providing digital materials for the City’s website and social media, and technical support for waste reduction and recycling efforts at businesses. Sonoma Garbage Collectors is requesting a 0.97% increase to cover this new expense.

Based on the issues above, the overall Refuse Rate Index proposed increase is 9.51% as shown below.

The following table illustrates the components of the requested rate changes, including these extrao issues.



<b>2019 CITY OF SONOMA REFUSE COLLECTION RATE REQUEST</b>	
<b>REFUSE RATE INDEX (RRI) (Summary)</b>	<b>Rate Impact</b>
Labor, Maintenance & Equipment (CPI-All Urban Consumers)	2.27%
Motor Fuel (Diesel Fuel PPI)	1.72%
Disposal Fees* (Republic Services) * includes recovery of disposal fees from April 1 to October 1, 2019	2.04%
<b>EXTRAORDINARY CIRCUMSTANCES</b>	
Recycling Market Collapse Impact Adjustment	2.51%
Education Program Expansion/SB1383	0.97%
<b>TOTAL 2019 REFUSE COLLECTION RATE INCREASE REQUEST</b>	<b>9.51%</b>

The next table shows current and the proposed new collection rates with the requested rate change

<b>CURRENT REFUSE COLLECTION RATES</b>		<b>PROPOSED RATES EFFECTIVE OCT. 1, 20</b>	
20 Gallon	\$8.92/month	20 Gallon	\$9.77/month
32 Gallon	\$14.83/month	32 Gallon	\$16.24/month
64 Gallon	\$32.22/month	64 Gallon	\$35.28/month
96 Gallon	\$49.43/month	96 Gallon	\$54.13/month
<b>CURRENT COMMERCIAL RATES</b>		<b>PROPOSED COMMERCIAL RATES</b>	
2 yd Bin 1 X Weekly	\$191.64/month	2 yd Bin 1 X Weekly	\$209.86/month
3 yd Bin 1 X Weekly	\$287.23/month	3 yd Bin 1 X Weekly	\$314.55/month
4 yd Bin 1 X Weekly	\$383.29/month	4 yd Bin 1 X Weekly	\$419.74/month
20 yd Debris Box	\$499.64	20 yd Debris Box	\$547.16
30 yd Debris Box	\$671.05	30 yd Debris Box	\$734.87

Under the current agreement, the City Council delegated the authority to the City Manager to approve a rate increase of less than 6%. If the Refuse Rate Index generates an increase of 6% or higher, then the contract stipulates that SGC will provide information to the public in the form of a Proposition 218 notice of a public hearing before the City Council to consider the proposed rate increase. Notice will be mailed to the owners of record of properties within the City or account holders of the proposed rate increase and the upcoming hearing. The owners will be notified that a written protest may be submitted prior to or during the hearing. If written protests are not submitted on behalf of a majority of the properties, then the City Council may proceed to consider the rate adjustment being proposed by SGC. (Staff recommended this process to ensure public transparency and accountability in a manner that is consistent with Proposition 218, even though staff is of the belief that Proposition 218 does not apply to garbage collection rates imposed by a private company providing garbage collection services under a franchise agreement with a city.)

**Amendment to the Agreement**

Based on the information above, staff recommends a seventh amendment to address “extraordinary circumstances” as they may arise throughout the life of the agreement and to change the threshold or tiers for approval.

First, the current contract did not anticipate large losses in revenue or new regulatory requirements. There is no mechanism within the contract to allow the contractor any additional rate revenue under these circumstances. Based on this, there is a need to update the contract. Staff recommends that a new section be added to describe “extraordinary circumstances” as noted in the amendment and summarized below.

“Extraordinary circumstances” shall mean any changes in federal, state, or local laws, policies, and/or procedures specifically impacting the Contractor’s industry, or other acts, events, circumstances, or conditions beyond the control of the Contractor, which would result in a significant loss of revenue or increase in costs for the Contractor during the Rate Year. The application of the extraordinary circumstances definition shall result in an adjustment to the rate being calculated in a percentage that is reasonably proportionate to the loss of revenue or increase in costs to be experienced by the Contractor during the Rate Year.”

Second, staff believes we would be better served with 3 tiers of approval with differentiated processes based on the amount of the rate percent increase.

Tier 1 – [Refuse Rate Index less than 6%]

A rate adjustment that would establish a rate increase of less than 6% above the immediately preceding Rate Year shall be subject to the administrative review of the City in accordance with the below Administrative Review section and need not be acted upon by the City Council. No public hearing shall be required.

Tier 2 – [Refuse Rate Index between 6% and less than 10%]

In this situation, City staff would bring forward the proposed increase to the City Council for review and direction at a City Council meeting. No formal public hearing process would be required. The Contractor would be required to send a notice of the approved rate adjustment with the first billing statement and provide general information as to the rationale to customers.

Tier 3 – [Refuse Rate Index greater than 10%]

An increase of 10% or greater would necessitate a public hearing in front of the City Council after a formal mailed notice following the Proposition 218 parameters.

Based on this change to the contract, the proposed Refuse Rate Index for 2019 is 9.51% and therefore would be approved by the City Council.

The attached resolution and amendment provide additional detail with key changes highlighted in yellow.

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**Recommended Council Action**

Approve Resolution approving a Seventh Contract Amendment with Sonoma Garbage Collectors and approving the 9.51% rate increase for 2019.

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**Alternative Actions**

1. Modify portions of the amendment.
2. Reject the amendment and maintain the current contract provisions.

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**Financial Impact**

No impact to the City.

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**Environmental Review**

**Status**

- |  |   |
|--|---|
| <input type="checkbox"/> Environmental Impact Report | <input type="checkbox"/> Approved/Certified |
| <input type="checkbox"/> Negative Declaration        | <input type="checkbox"/> No Action Required |
| <input type="checkbox"/> Exempt                      | <input type="checkbox"/> Action Requested   |
| <input checked="" type="checkbox"/> Not Applicable   |   |

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**Attachments**

- [2019 Resolution - 7th amendment](#)
- [Garbage Franchise Agreement - 7th Amendment](#)
- [Exhibit 1 - Garbage Franchise Agreement](#)
- [Letter from Ken Wells - Sonoma Garbage Collectors](#)
- [Attachment to Wells Letter - Rate Comparison](#)

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**Alignment with Council Goals:**

**Not Applicable**

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**Compliance with Climate Action 2020 Target Goals:**

N/A

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**CC:**

Ken Wells, Sonoma Garbage

**City of Sonoma**

**RESOLUTION # \_\_\_ - 2019**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SONOMA APPROVING THE SEVENTH CONTRACT AMENDMENT TO THE SONOMA GARBAGE COLLECTORS FRANCHISE AGREEMENT ESTABLISHING SOLID WASTE COLLECTION RATE REVIEW PROCEDURES AND APPROVING 2019 REFUSE RATES**

**WHEREAS**, since 1994 the city has received solid waste collection services through an agreement with Sonoma Garbage Collectors and there have been five Amendments to this Agreement since that time; and

**WHEREAS**, the rate setting process in the agreement requires that Sonoma Garbage Collectors Inc. (SGC) present an application to the City for an adjustment in the rates charged to residents and businesses for collection services which is subject to the approval of the City Council on an annual basis; and

**WHEREAS**, in 2018, the City approved a sixth amendment to the agreement to include a Sonoma specific refuse rate index and updated rate review procedures that requires a Proposition 218 hearing and notice process when rates increase by 6% or more; and

**WHEREAS**, the Sonoma Garbage Company has managed costs effectively but requires additional rate revenue due to the loss of recycling revenue and new outreach requirements of SB 1383 (a new methane emissions reduction legislation). Staff anticipates further extraordinary costs associated with the full implementation of SB 1383 after final state regulations are completed; and

**WHEREAS**, in preparing the rate adjustment for 2019, two extraordinary revenue/cost impacts were brought forward by Sonoma Garbage and are unable to be included in the rates based on the current contract which only outlines specific rate changes and does not include these type of extraordinary revenue losses and cost increases; and

**WHEREAS**, based on the overall cost increases and the changing requirements for recycling and methane emissions, staff recommends that a seventh amendment be approved with includes a definition of “extraordinary circumstances” and create differentiated processes for rate increases based on tiers of rate requests.

**NOW, THEREFORE, BE IT RESOLVED** that the seventh amendment to the Sonoma Garbage Collectors Franchise agreement is approved as outlined in Attachment A and the City Council authorizes the City Manager to execute the contract amendment and approves the 2019 rate increases of 9.51%.

**PASSED AND ADOPTED** by the City Council of the City of Sonoma on the 29th day of July, 2019 by the following vote:

AYES: **AGRIMONTI, COOK, HARVEY, HUNDLEY, HARRINGTON**  
 NOES:  
 ABSENT:  
 ABSTAIN:

\_\_\_\_\_

Amy Harrington, Mayor

ATTEST:

\_\_\_\_\_  
Rebekah Barr, MMC, City Clerk

## SEVENTH AMENDMENT TO CONTRACT

This Seventh amendment is executed at Sonoma, California on July\_2019, by and between the City of Sonoma, a municipal corporation, ("City") and Sonoma Garbage Collectors, a California corporation, ("Contractor").

### RECITALS

WHEREAS, City entered into a contract on October 19, 1994 with John D. Curotto, Margaret Curotto, and John D. Curotto, Jr. (Sonoma Garbage Collectors) for the exclusive right to collect and remove garbage and rubbish within the City. Said contract has been amended six times (collectively, the October 19, 1994, agreement and its six amendments shall be referred to as the "Contract"); and

WHEREAS, on January 16, 2002, the City executed the First Amendment to Contract extending the original term expiration (May 31, 2007), for a term of five (5) additional years through May 31, 2012; and

WHEREAS, on November 18, 2002, the City consented to an assignment of the Contract from John D. Curotto, Margaret Curotto, and John D. Curotto, Jr. (Sonoma Garbage Collectors) to Sonoma Garbage Collectors, a California corporation; and

WHEREAS, on January 16, 2007, the City executed the Second Amendment to Contract adding Section 26 to provide for additional services; and

WHEREAS, on August 22, 2007, the City executed the Third Amendment to Contract extending the term expiration (May 31, 2012), for a term of five (5) additional years through May 31, 2017; and

WHEREAS, on January 18, 2012, the City executed the Fourth Amendment to Contract amending Sections 13 and 26.E. and adding Sections 27, 28, 29, and 30, under which the Contractor reserved the right to dispose of garbage and rubbish at locations outside the County of Sonoma, among other things; and

WHEREAS, on November 7, 2016, the City executed the Fifth Amendment to Contract, extending the term expiration (May 31, 2017) for a term of ten (10) additional years through May 31, 2027; and

WHEREAS, on June 18, 2018, the City Council approved the Sixth Amendment to Contract modifying the rate adjustment procedures applicable to garbage rates charged by the Contractor; and

WHEREAS, the parties have reviewed the rate adjustment procedures contained within the existing agreement and desire to make changes that are intended to allow for



greater flexibility both in considering various sets of circumstances which may not be accounted for through the Refuse Rate Index formula established by the last amendment to the Contract but which circumstances may nonetheless significantly affect the revenues and expenses of the Contractor during the applicable rate year period and in establishing procedures more tailored to the differing levels of rate increases to be proposed by Contractor during the life of the Contract; and

WHEREAS, the parties agree that the application of the Refuse Rate Index, the addition of the extraordinary circumstances basis for a rate adjustment, and other provisions of the amendment will help ensure that the Contractor receive a fair rate of return while keeping rates proportionate with the costs being incurred by the Contractor, and still avoid unnecessary consumption of time and resources with respect to rate adjustments that may be subject to a readily verifiable formula; and

WHEREAS, the City Council finds that the establishment of rates imposed by a private refuse collection provider such as the Contractor is the responsibility of the Contractor subject only to rate regulation by the City Council; and

WHEREAS, although not required by law, the City Council wishes to ensure public transparency and accountability through the subjecting of rate adjustments constituting an increase of 10% or more above the prior rate year to a public hearing and majority protest procedure in accordance with Article XIID, Section 6 and related statutory procedures.

NOW THEREFORE BE IT RESOLVED that the City and the Contractor agree as follows:

Section 1. Section 9 shall be removed and replaced to read as follows:

Maximum rates shall be established by the Contractor subject to the regulatory authority and review of the City to ensure that rates both provide a fair rate of return to the Contractor and are reasonably proportionate to the costs of the services being provided by the Contractor under this Agreement, while not resulting in the City's incursion of substantial costs and consumption of time associated with application being made and formal approval being sought of the Contractor's rates on an annual basis.

Rates shall be adjusted in the following manner:

Any and all adjustments desired by the Contractor shall be submitted to the City by no later than May 1 of the Rate Year (as defined below) preceding the beginning of the Rate Year that the rate adjustment would take effect, together with documentation supporting the need for a rate adjustment. Rates established by the Refuse Rate Index calculation set forth by Exhibit "1" which is attached hereto and incorporated by reference herein and in addition any adjustments established through the proceedings described by this Section in order to address extraordinary circumstances (as defined below) are agreed upon by the parties to grant the Contractor a fair rate of return and to be reasonably proportionate to the costs experienced by

the Contractor in providing services under this Agreement. The Contractor's proposed rates shall be reviewed by the City in accordance with the following:

A. Rate Increase of 10% or more

In the event that the Contractor proposes a rate adjustment that would result in maximum rates increasing 10% or more over the rates in effect during the immediately preceding Rate Year, the application shall be subject to a public hearing in accordance with the Public Hearing section set forth below.

B. Rate Increase of 6% or more but less than 10%

In the event that the Contractor proposes a rate adjustment that would result in maximum rates increasing 6% or more but less than 10% over the rates in effect during the immediately preceding Rate Year, the rate adjustment would be submitted to the City Council in order for the City Council to have the opportunity to object to the proposed rate increase. City staff shall have conducted an administrative review to verify the accuracy of the submittal in accordance with the Administrative Review section set forth below of the Contractor's application prior to the meeting at which the City Council may object to the proposed rate increase. If the City Council does not object to the proposed rate increase, then the Collector may establish maximum rates that would result in the proposed rate increase. If the City Council objects to the proposed rates, then the rates shall not be increased as proposed and the Contractor shall be directed to establish maximum rates at levels that will not be objected to by the Council. Until such time as a rate adjustment is not objected to by the City Council, the existing rates shall remain in effect. A public hearing shall not be required for a proposed rate increase of less than 10%. Contractor shall send notice of a rate adjustment established under this paragraph to its customers prior to, or with, the first billing statement that includes the adjustment in the billed amount.

C. Rate Increase of less than 6%

A rate adjustment that would establish a rate increase of less than 6% above the immediately preceding Rate Year shall be subject to the administrative review of the City in accordance with the below Administrative Review section and need not be acted upon by the City Council. No public hearing shall be required.

D. Administrative Review

Administrative review shall consist of City staff reviewing the Contractor's proposed rates and supporting documentation to verify that the Refuse Rate Index calculation methodology set forth by Exhibit "1" and any extraordinary circumstances (as defined below) establish that the rates should be increased up to the percentage sought by the Contractor. In the event that the supporting documentation does not provide adequate information for the City to verify the accuracy of the Contractor's submittal, the Contractor shall timely provide any additional documentation requested by the City to perform the

review. The City shall notify the Contractor whether the Contractor's submitted rate adjustment is correct based upon the Refuse Rate Index calculation methodology and (if applicable) analysis of extraordinary circumstances (as defined below) within a reasonable timeframe. If the City finds that the Contractor's submitted rate adjustment is incorrect, then the City shall notify the Contractor of the correct rate adjustment. The Contractor may then proceed to establish rates consistent with the results of this administrative review which new rates may take effect no earlier than the beginning of the next Rate Year (i.e., July 1). Contractor shall send notice of the approved rate adjustment to its customers prior to, or with, the first billing statement that includes the administrative adjustment in the billed amount.

#### E. Public Hearing

A rate adjustment desired by the Contractor of an increase 10% or more above the rates for the immediately preceding Rate Year shall be subject to a public hearing at which time objections may be made and testimony be given regarding the proposed rate adjustment. Although not required under state law, the public hearing, noticing, and protest provisions of Article XIID, Section 6 of the California Constitution as it relates to refuse rates and other state laws applicable thereto, including Government Section 53755, as they may be amended from time to time, shall be applied. Provided that there is no protest submitted on behalf of a majority of the property owners, the City Council may exercise its regulatory authority by objecting or not objecting to the maximum rates being established by the Contractor. If the City Council objects to the maximum rates being established, then the rates shall not be increased and the Contractor shall be directed to propose rates that will not be objected to by the Council. Until such time as a rate adjustment is not objected to by the City Council, the existing rates shall remain in effect.

#### F. Retroactive rate increase

If a rate adjustment established under any of the procedures described above does not get placed into effect until after the first quarter of the Rate Year to which it applies even though the application for the rate adjustment was made in a timely manner or within the period of an extension of time granted by the City Manager on the basis of extenuating facts or circumstances, then the Contractor may recover the rate adjustment retroactively through adding the retroactive adjustments to the charges placed on the second, third, and fourth quarter bills in equal portions, to the extent possible.

#### G. Definitions

As used in this section, "Rate Year" shall refer to the period beginning July 1 and continuing through June 30 of the following year.

As used in this section, "extraordinary circumstances" shall mean any changes in federal, state, or local laws, policies, and/or procedures specifically impacting the Contractor's industry, or other acts, events, circumstances, or conditions beyond the control of the

Contractor, which would result in a significant loss of revenue or increase in costs for the Contractor during the Rate Year. The application of the extraordinary circumstances definition shall result in an adjustment to the rate being calculated in a percentage that is reasonably proportionate to the loss of revenue or increase in costs to be experienced by the Contractor during the Rate Year.

Section 2. All other terms and conditions of said October 19, 1994 Contract as amended, shall continue in full force and effect.

Section 3. The Recitals are incorporated into this Agreement.

CITY OF SONOMA

CONTRACTOR

\_\_\_\_\_  
Cathy Capriola, City Manager

\_\_\_\_\_  
John D. Curotto, Jr., President

ATTEST:

\_\_\_\_\_  
Rebekah Barr, City Clerk

APPROVED AS FORM:

\_\_\_\_\_  
City Attorney

Exhibit "1"

**Refuse Rate Index Calculation Methodology**

The Refuse Rate Index (RRI) shall be calculated in the following manner:

1. Each year, with operating expense data contained in Sonoma Garbage Collectors' prior year Financial Statement, expenses shall be divided into these cost categories:

- (1) Labor
- (2) Motor Fuel
- (3) Vehicle Replacement
- (4) Vehicle Maintenance
- (5) CPI All Items
- (6) Disposal

Each cost category is assigned a weighted percentage factor for that cost category's proportionate share of the total cost of the cost categories (see Example A).

Example A  
Financial Statement Cost Categories and Percentages

Cost Category	Annual Cost	% of Total
Labor	\$200,000	20%
Motor Fuel	\$50,000	5%
Vehicle Replacement	\$50,000	5%
Vehicle Maintenance	\$50,000	5%
CPI All Items	\$50,000	5%
Disposal	\$600,000	60%
Total	\$1,000,000	100%

2. The following sources are then used to calculate an adjustment for each cost category. The percentage change for all categories except Disposal Cost are calculated based on the percentage change of the associated indices for the twelve-month annual average (January 1 through December 31) for the preceding year. The Disposal Cost factor is based on the annual percentage increase of the tipping fee at Sonoma County solid waste disposal sites. If the tipping fee percentage paid by the collector is increased such that the effective date of the increase precedes the beginning of the rate year for which the RRI is being calculated, then the additional tipping fee percentage that has not been included in the applicable year's calculation (i.e., Retroactive Disposal Cost Recovery) shall be added to the Disposal Cost factor to calculate the RRI for the rates during the rate year that is being calculated.

Labor Costs

CPI-All Urban Consumers, All Items San Francisco-Oakland-Hayward, CA

<https://data.bls.gov/timeseries/CUURS49BSA0>

Series ID: CUURS49BSA0

Diesel Fuel

PPI-No. 2 diesel fuel

<https://data.bls.gov/timeseries/WPU057303>

Series ID: WPU057303

Vehicle Replacement

CPI-All Urban Consumers, All Items San Francisco-Oakland-Hayward, CA

<https://data.bls.gov/timeseries/CUURS49BSA0>

Series ID: CUURS49BSA0

Vehicle Maintenance

CPI-All Urban Consumers, All Items San Francisco-Oakland-Hayward, CA

<https://data.bls.gov/timeseries/CUURS49BSA0>

Series ID: CUURS49BSA0

CPI All Items

CPI-All Urban Consumers, All Items San Francisco-Oakland-Hayward, CA

<https://data.bls.gov/timeseries/CUURS49BSA0>

Series ID: CUURS49BSA0

Disposal Costs

source: County of Sonoma, Department of Transportation and Public Works

- The percentage weight for each cost category is multiplied by the annual change in each associated rate factor to calculate a weighted percentage for each cost category. The sum of these weighted cost category percentages shall be the maximum rate increase (see Example B).

Example B

Calculation of the Refuse Rate Index

Cost Category	Cost %	Rate Factor	Annual % Change	Weighted % Change
Labor	20%	CPI-All Urban Consumers	3%	0.6%
Motor Fuel	5%	PPI-No. 2 diesel fuel	2%	0.1%
Vehicle Replacement	5%	CPI-All Urban Consumers	3%	.15%
Vehicle Maintenance	5%	CPI-All Urban Consumers	3%	.15%
CPI All Items	5%	CPI-All Urban Consumers	3%	.15%
Disposal	60%	Sonoma County	3%	1.8%
Retroactive Disposal Cost Recovery*	n/a	Recovery of disposal cost increase over 12 months	n/a	0.45%
Total	100%			3.4%

\* Applicable only when the effective date of the tipping fee increase precedes the beginning of the rate year. This example assumes 3 months of disposal cost increases before collection rates are effective.

The maximum refuse collection rate increase for that year as shown in Example B would be 3.4%.

<b>CURRENT REFUSE COLLECTION RATES</b>		<b>PROPOSED RATES EFFECTIVE OCT. 1, 2019</b>	
20 Gallon	\$8.92/month	20 Gallon	\$9.77/month
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SONOMA GARBAGE COLLECTORS  
P.O. BOX 400  
EL VERANO, CA 95433

July 19, 2019

Cathy Capriola, City Manager  
City of Sonoma  
No. 1 The Plaza  
Sonoma, CA 95476

Re: 2019 Collection Rates and Request for Franchise Agreement Amendment

Dear Ms. Capriola;

As we have discussed, two significant external issues are currently impacting the refuse industry in California; (1) the collapse of recycling markets and (2) recent changes in California recycling laws. These two extraordinary issues are currently and will continue to impact Sonoma Garbage Collectors' costs to provide refuse services to the City of Sonoma.

The City's refuse collection Franchise Agreement with Sonoma Garbage Collectors (SGC), as amended in 2018, requires submission by SGC of the annual rate increase request with documentation based on the Refuse Rate Index (RRI) to the City each year for review and approval. During SGC's preparation of financial documents for the City for 2019 refuse collection rates, it was recognized that the rate setting process does not have any language to adjust rates in situations such as these.

In order to provide a clear process for these extraordinary circumstances, a Franchise Agreement Amendment is requested that would allow one-time rate adjustments for extraordinary conditions on a case-by-case basis.

**2019 Collection Rate Request**

The current Franchise Agreement provides a rate setting process based on the RRI, which provides for inflationary and disposal cost increases. Without consideration of these two extraordinary impacts, the RRI would provide a 6% refuse rate increase, and could be approved administratively by the City Manager.

Recycling Revenue Loss - The recycling market collapse has had a dramatic impact on national recycling markets. SGC has been collecting and selling the recyclables collected from the City's residents and businesses to the City of Napa's Materials Diversion Facility for many years for about \$30/ton. Beginning in 2019, due to the recycling market collapse, the rate has dropped to \$0/ton, representing a loss of about \$63,000 per year. Material is being accepted but no payment is received. This has had a significant impact on SGC's revenue used to cover the costs of the collection service. In order to address this extraordinary issue, SGC is requesting a 2.51% increase to recover the lost revenue.

Education Program Expansion - SB 1383 Education and Outreach

In order to help the City meet the requirements of SB1383, the Short-Lived Climate Pollutants bill that deals with methane emissions from organic waste, SGC is proposing to expand its education program. Additional resources would include SGC staffing at public events like the Farmers Market, providing digital materials for the City's website and social media, and technical support for waste reduction and recycling efforts at businesses. SGC is requesting a 0.97% increase to cover this new expense.



Page Two

The following table illustrates the components of the requested rate changes, including these extraordinary issues.

**2019 CITY OF SONOMA REFUSE COLLECTION RATE REQUEST**

<b>REFUSE RATE INDEX (RRI) (Summary)</b>	<b>Rate Impact</b>
Labor, Maintenance & Equipment (CPI-All Urban Consumers)	2.27%
Motor Fuel (Diesel Fuel PPI)	1.72%
Disposal Fees* (Republic Services) * includes recovery of disposal fees from April 1 to October 1, 2019	2.04%
<b>EXTRAORDINARY CIRCUMSTANCES</b>	
Recycling Market Collapse Impact Adjustment	2.51%
Education Program Expansion/SB1383	0.97%
<b>TOTAL 2019 REFUSE COLLECTION RATE INCREASE REQUEST</b>	<b>9.51%</b>

The next table shows current and the proposed new collection rates with the requested rate change:

<b>CURRENT REFUSE COLLECTION RATES</b>		<b>PROPOSED RATES EFFECTIVE OCT. 1, 2019</b>	
20 Gallon	\$8.92/month	20 Gallon	\$9.77/month
32 Gallon	\$14.83/month	32 Gallon	\$16.24/month
64 Gallon	\$32.22/month	64 Gallon	\$35.28/month
96 Gallon	\$49.43/month	96 Gallon	\$54.13/month
<b>CURRENT COMMERCIAL RATES</b>		<b>PROPOSED COMMERCIAL RATES</b>	
2 yd Bin 1 X Weekly	\$191.64/month	2 yd Bin 1 X Weekly	\$209.86/month
3 yd Bin 1 X Weekly	\$287.23/month	3 yd Bin 1 X Weekly	\$314.55/month
4 yd Bin 1 X Weekly	\$383.29/month	4 yd Bin 1 X Weekly	\$419.74/month
20 yd Debris Box	\$499.64	20 yd Debris Box	\$547.16
30 yd Debris Box	\$671.05	30 yd Debris Box	\$734.87

**Request for Franchise Agreement Amendment**

Based on the current Franchise Agreement approved by the City in 2018, an increase greater than 6% triggers a Prop. 218 Noticing and a Public Hearing for SGC customers in the City.

In addition to including language for Extraordinary Circumstances, and to reduce the City’s administrative burden, while still providing opportunities for public review and comment when rates are increased significantly, SGC proposes another amendment to the current Franchise Agreement to adjust the current 6% Public Notice and Hearing trigger to 10%. It is expected as SB 1383 regulations are implemented in future years there will be additional collection service requirements that will likely require rate adjustments above 6%.

*Page Three*

**Refuse Collection Rate Comparison and History**

The attached tables provide background information comparing the proposed 2019 SGC collection rates for 32-gallon residential weekly service with other communities in Sonoma County. As usual, even with the proposed increase, the City's refuse collection rates continue to be among the lowest in Sonoma County.

In addition, to provide more perspective on the requested rate adjustment, the historical collection rate increases and 32-gallon service cost for the last ten years are also provided, demonstrating a very moderate rate history, highlighting the extraordinary situation this year.

Thank you for consideration of this request and let us know if you need any additional information at this time.

Ken Wells  
for Sonoma Garbage Collectors

attachment - rate comparison

**SONOMA GARBAGE COLLECTORS**

**2019 SONOMA COUNTY RESIDENTIAL REFUSE COLLECTION RATE COMPARISON**

SERVICE AREA (Service Provider)	32 GAL. WEEKLY RESIDENTIAL SERVICE
CLOVERDALE (RECOLOGY)	\$22.46
COTATI (RECOLOGY) (next rate increase on 1/1/20)	\$14.83
HEALDSBURG (RECOLOGY) (next rate increase on 9/1/19)	\$15.95
PETALUMA (RECOLOGY)	\$18.82
ROHNERT PARK (RECOLOGY)	\$20.32
SANTA ROSA (RECOLOGY)	\$29.14
SEBASTOPOL (RECOLOGY)	\$20.89
Unincorp. Co. (E. PETALUMA & E. SONOMA CO.) (RECOLOGY)	\$40.66
Unincorp. Co. (SEBASTOPOL & S. SONOMA CO.) (RECOLOGY)	\$39.22
WINDSOR (SONOMA COUNTY RESOURCE RECOVERY)	\$24.72

**10 YEAR RATE HISTORY FOR CITY OF SONOMA**

YEAR	RATE INCREASE	32 GAL. WEEKLY RESIDENTIAL SERVICE
2008	5.52%	\$10.45
2009	4.11%	\$10.88
2010 (effective Dec. 1st 2010)	5.03%	\$11.43
2012	4.59%	\$11.95
2013 (effective Jan. 1st 2013)	4.59%	\$12.50
2013 (effective Oct. 1st 2013)	2.38%	\$12.80
2015	4.68%	\$13.39
2016	1.51%	\$13.59
2017	4.56%	\$14.21
2018	4.37%	\$14.83
<b>PROPOSED 2019 (effective Oct. 1st 2019)</b>	<b>9.51%</b>	<b>\$16.24</b>