

CITY COUNCIL AGENDA STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Jon Kennedy, Interim City Manager

MEETING: November 15, 2022

SUBJECT: 2023 Refuse Collection Rate Increase

BACKGROUND

Under the revised and amended franchise agreement between the City of Portola and Intermountain Disposal Company, the company is entitled to an annual rate adjustment for changes in the cost of doing business, consistent with Section 5.3 of the agreement.

The adjustment for increases of the cost of doing business is based on U.S. Bureau of Labor Statistics and the U.S. Energy Information Administration data for consumer indices and fuel price changes over a one-year period (August 2021 to August 2022). Specifically, the two Federal agency statistics used to calculate the annual increase are:

- Bureau of Labor Statistics Consumer Price Index for All West Urban Consumers, Non-Seasonally Adjusted; and
- Energy Information Administration California No. 2 Diesel Retail Prices.

A year ago, the calculated CPI/Fuel increase was 7.72%. The rate increase was capped at 5.0% for 2022, per Section 5.3 of the franchise agreement (see below). The remaining 2.72% of the CPI/Fuel increase was rolled-over to the 2023 rate increase.

Section 5.3 (in part)

In the event the change in the rate increase, under the above formula, is greater than five percent (5%) in any given Rate Year, then the percentage increase in excess of the five percent (5%) shall be carried over to the next Rate Year, subject to the five percent maximum annual increase.

Company may petition City for a waiver of the Rate adjustment 5% cap if the calculated increase exceeds 5% annually for two consecutive years. No Rate increase pursuant to this Section 5.3 shall be effective until, and unless, Company provides the City sixty (60) day written notice of its intent to exercise its right to an annual Rate increase and after compliance with Proposition 218, provided there has been an insufficient protest to prohibit an increase in Rates.

Staff calculated the refuse collection rate increase for 2023 at 11.59%, using August 2021 to August 2022 federal data. The roll-over from the last rate increase is 2.72%. The combined increase would be 14.31%. The city's calculations and 2023 rate sheets are attached.

Intermountain Disposal is petitioning the Portola City Council for a waiver of the 5.0% rate cap. A document provided by IMD in support of the waiver request is attached.

Transfer Station Fee Increase

The Plumas County Board of Supervisors approved a fee increase of 8.91% at the Delleker Transfer Station, effective July 5, 2022. In the attachment provided by IMD, an additional increase of the 2023 refuse collection rates of 2.54% is requested.

The last increase of disposal fees at the Delleker Transfer Station was in 2019. In conjunction with IMD's request to raise refuse collection fees in Portola for that transfer station increase, City staff requested, and received, a complete copy of the company's latest compiled financial statement. Review of IMD's full financial statement by staff allowed us to provide a statement to the city council that the rate increase request in 2019 for the rise in transfer station fees appeared to be true and correct.

In the attached document provided by IMD, a portion of the company's latest financial statement is reproduced. City staff requested IMD provide a complete financial statement – as was done in 2019 – however the company declined to issue the statement. As such, city staff cannot state the proposed increase of 2.54% of refuse collection rates for the rise in transfer station fees is true and correct.

IMD is also requesting that an additional 1.25% be added to refuse collection fee increase for the period of July 5 to December 31, 2022 due to the rise in transfer station fees. However, staff disagrees with the calculation to add 1.25% to the refuse collection rate increase.

RECOMMENDATION

Staff recommends that the City Council review the attached information and receive testimony from Intermountain Disposal in support of their request to waive the 5% cap on 2023 refuse collection fees in Portola.

The City Council has the following options:

- Approve IMD's request for a waiver that would increase 2023 refuse collection fees 16.85% (11.59% of CPI/Diesel Fuel increases + 2.72% roll-over + 2.54% transfer station fee increase).
- Deny the waiver request and cap the 2023 rate increase at 5.0%.
- Approve a 2023 rate increase somewhere between 5.0% and 16.85%.

Upon direction from the City Council, staff and IMD will commence the Proposition 218 process to increase 2023 refuse collection fees.

**INTERMOUNTAIN DISPOSAL COMPANY
ANNUAL ADJUSTMENT OF RATES FOR THE 2023 CALENDAR YEAR (RATE YEAR 6)**

Annual Rate Adjustment Calculated per Section 5.3 of the Franchise Agreement, as Amended August 25, 2021

Rate Adjustment Calculations

Adjust for Changes in CPI and Fuel Costs August 2021 through August 2022

% Increase = 90% Annual Change West Region CPI (Aug/Aug) + 10% Annual Change California Fuel (Aug/Aug)

August 2021 West Urban CPI: 290.393 Data Reference: <https://data.bls.gov/cgi-bin/surveymost?cu>

August 2022 West Urban CPI: 314.013

August 2021 EIA Cal Diesel Fuel: \$4.291 Date Reference: [www.eia.gov/dnav/pet/pet_pri_gnd_dcus_sca_m .htm](http://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_sca_m.htm)

August 2022 EIA Cal Diesel Fuel: \$6.123

CPI/Fuel Percent Increase = 11.59%

Other Rate Adjustments

Roll-Over from 2022 Rate Increase **2.72%**

Delleker Transfer Station Increase **2.54%**

Total Rate Increase Request 16.85%

**INTERMOUNTAIN DISPOSAL 2023 RATE INCREASE
RATES EFFECTIVE JANUARY 1, 2023 UPON APPROVAL FROM PORTOLA CITY COUNCIL**

**COMMERCIAL AND RESIDENTIAL CAN RATES
2023 RATE INCREASE (RATE YEAR 6)**

Item	Current 2022 Monthly Rates	CPI/Diesel Fuel Increase (11.59%)	Roll-Over From 2022 Increase (2.72%)	Transfer Station Rate Increase (2.54%)	Total Requested 2023 Rates
<i>Wastecarts</i>					
32 Gallon Cart	\$13.13	\$1.52	\$0.36	\$0.33	\$15.35
64 Gallon Cart	\$17.85	\$2.07	\$0.49	\$0.45	\$20.86
96 Gallon Cart	\$22.60	\$2.62	\$0.61	\$0.57	\$26.41
<i>Replace Carts</i>					
32 Gallon Cart	\$66.43	\$7.70	\$1.81	\$0.00	\$75.94
64 Gallon Cart	\$75.30	\$8.73	\$2.05	\$0.00	\$86.07
96 Gallon Cart	\$93.01	\$10.78	\$2.53	\$0.00	\$106.32
<i>Recycling Service</i>					
64 Gallon Cart	\$4.63	\$0.54	\$0.13	\$0.00	\$5.30
<i>Green Waste Service</i>					
96 Gallon Cart	\$14.29	\$1.66	\$0.39	\$0.00	\$16.34
<i>Extra Services</i>					
New Service & Reinstatement Fee	\$7.39	\$0.86	\$0.20	\$0.00	\$8.45
Backyard Collection	\$7.40	\$0.86	\$0.20	\$0.00	\$8.45
Car Tire	\$4.69	\$0.54	\$0.13	\$0.00	\$5.36
Truck Tire	\$9.55	\$1.11	\$0.26	\$0.00	\$10.92
Appliances	\$22.49	\$2.61	\$0.61	\$0.00	\$25.71
Mattress/Box Spring	\$44.88	\$5.20	\$1.22	\$0.00	\$51.31
Waste Cart Delivery	\$13.31	\$1.54	\$0.36	\$0.00	\$15.22
One-Time Collection, Up to Four Cans	\$22.26	\$2.58	\$0.61	\$0.57	\$26.01
Returned Check Fee	\$46.34	\$5.37	\$1.26	\$0.00	\$52.97

INTERMOUNTAIN DISPOSAL 2023 RATE INCREASE
RATES EFFECTIVE JANUARY 1, 2023 UPON APPROVAL FROM PORTOLA CITY COUNCIL

COMMERCIAL BIN SERVICE RATES
2023 RATE INCREASE (RATE YEAR 6)

Item	Pick-ups Per Week	Current 2022 Monthly Rates	CPI/Diesel Fuel Increase (11.59%)	Roll-Over From 2022 Increase (2.72%)	Transfer Station Rate Increase (2.54%)	Total Requested 2023 Rates
Bin Size						
1 CY	1x	\$57.92	\$6.71	\$1.58	\$1.47	\$67.68
	2x	\$115.75	\$13.42	\$3.15	\$2.94	\$135.25
	3x	\$173.48	\$20.11	\$4.72	\$4.41	\$202.72
1.5 Cy	1x	\$87.18	\$10.10	\$2.37	\$2.21	\$101.87
	2x	\$174.25	\$20.20	\$4.74	\$4.43	\$203.61
	3x	\$261.32	\$30.29	\$7.11	\$6.64	\$305.35
2 CY	1x	\$128.69	\$14.91	\$3.50	\$3.27	\$150.37
	2x	\$257.27	\$29.82	\$7.00	\$6.53	\$300.62
	3x	\$385.83	\$44.72	\$10.49	\$9.80	\$450.84
3 CY	1x	\$217.33	\$25.19	\$5.91	\$5.52	\$253.95
	2x	\$434.52	\$50.36	\$11.82	\$11.04	\$507.74
4 CY	1x	\$231.32	\$26.81	\$6.29	\$5.88	\$270.30
	2x	\$462.54	\$53.61	\$12.58	\$11.75	\$540.48
5 CY	1x	\$289.11	\$33.51	\$7.86	\$7.34	\$337.83
	2x	\$578.09	\$67.00	\$15.72	\$14.68	\$675.50
6 CY	1x	\$359.88	\$41.71	\$9.79	\$9.14	\$420.52
	2x	\$719.64	\$83.41	\$19.57	\$18.28	\$840.90
8 CY	1x	\$506.30	\$58.68	\$13.77	\$12.86	\$591.61
	2x	\$1,012.46	\$117.34	\$27.54	\$25.72	\$1,183.06
Extra Services						
New Service & Reinstatement Fee		\$7.39	\$0.86	\$0.20	\$0.00	\$8.45
Extra Yardage		\$14.97	\$1.74	\$0.41	\$0.38	\$17.50
Extra Cans		\$5.71	\$0.66	\$0.16	\$0.15	\$6.67
Container Delivery		\$50.20	\$5.82	\$1.37	\$0.00	\$57.38
Container Relocation		\$25.08	\$2.91	\$0.68	\$0.00	\$28.67
Weekly Rental Charge						
1 CY		\$9.24	\$1.07	\$0.25	\$0.00	\$10.56
1.5 CY		\$13.89	\$1.61	\$0.38	\$0.00	\$15.88
2 CY		\$20.45	\$2.37	\$0.56	\$0.00	\$23.38
3 Cy		\$34.62	\$4.01	\$0.94	\$0.00	\$39.57
4 CY		\$36.71	\$4.25	\$1.00	\$0.00	\$41.96
5 Cy		\$46.07	\$5.34	\$1.25	\$0.00	\$52.67
Car Tire		\$4.69	\$0.54	\$0.13	\$0.00	\$5.36
Truck Tire		\$9.55	\$1.11	\$0.26	\$0.00	\$10.92
Return Charge		\$11.08	\$1.28	\$0.30	\$0.00	\$12.67
Off-Day Collection		\$22.15	\$2.57	\$0.60	\$0.00	\$25.32
Bear-Resistant Bin		\$18.96	\$2.20	\$0.52	\$0.00	\$21.67
Bin Unlock/Lock		\$36.04	\$4.18	\$0.98	\$0.00	\$41.20
Bin Repair Per Hour		\$66.93	\$7.76	\$1.82	\$0.00	\$76.51

INTERMOUNTAIN DISPOSAL 2023 RATE INCREASE
RATES EFFECTIVE JANUARY 1, 2023 UPON APPROVAL FROM PORTOLA CITY COUNCIL

ROLL-OFF BOX RATES
2023 RATE INCREASE(RATE YEAR 6)

	ROLL-OFF BOXES					Delivery Charge			
	Current 2022 Rates	CPI/Diesel Fuel Increase (11.59%)	Roll-Over From 2022 Increase (2.72%)	Transfer Station Rate Increase (2.54%)	Total Requested 2023 Rates	Current 2022 Rates	CPI/Diesel Fuel Increase (11.59%)	Roll-Over From 2022 Increase (2.72%)	Total Requested 2023 Rates
Box Size									
10 CY	\$280.15	\$32.47	\$7.62	\$7.12	\$327.36	\$48.98	\$5.68	\$1.33	\$55.99
12 CY	\$349.53	\$40.51	\$9.51	\$8.88	\$408.43	\$48.98	\$5.68	\$1.33	\$55.99
20 CY	\$485.62	\$56.28	\$13.21	\$12.33	\$567.44	\$48.98	\$5.68	\$1.33	\$55.99
25 CY	\$585.14	\$67.82	\$15.92	\$14.86	\$683.74	\$48.98	\$5.68	\$1.33	\$55.99
30 CY	\$713.14	\$82.65	\$19.40	\$18.11	\$833.30	\$48.98	\$5.68	\$1.33	\$55.99
40 CY	\$968.78	\$112.28	\$26.35	\$24.61	\$1,132.02	\$48.98	\$5.68	\$1.33	\$55.99
Demurrage Charge									
Daily	\$14.83	\$1.72	\$0.40	\$0.00	\$16.95				
Weekly	\$43.26	\$5.01	\$1.18	\$0.00	\$49.45				
Extra Services									
Off-Day Relocation, Per Hour	\$96.91	\$11.23	\$2.64	\$0.00	\$110.77				
Overweight Per ton (>8Tons)	\$86.04	\$9.97	\$2.34	\$2.19	\$100.54				
Standby Monday- Friday, Per Hour	\$93.82	\$10.87	\$2.55	\$0.00	\$107.24				
Standby Off Hours, Per Hour	\$145.36	\$16.85	\$3.95	\$0.00	\$166.16				



Accounting
Associates, LLP

Jeff Vathayanon, CPA
Paul Tibma, CPA
Jason Reecy, CPA/ABV

Certified Public Accountants

October 11, 2022

To the Board of Directors and Stockholders
Intermountain Disposal, Inc.
185 N Beckwith Street
Portola, California 96122

RE: City of Portola Refuse Rate Index (RRI) Adjustment

Dear Ricky and Candy,

Enclosed herein is our calculation of the refuse rate index (RRI) adjustment for the City of Portola Disposal effective January 1, 2023. The rate increase has been calculated based on Section 5 of the Franchise Agreement.

Sincerely,

A handwritten signature in black ink that reads "Hollie Rose".

Hollie Rose, CPA
VT Accounting Associates, LLP

**City of Portola Disposal
Refuse Rate Index (RRI) Adjustment**

Effective January 1, 2023

**CITY OF PORTOLA DISPOSAL
ANNUAL ADJUSTMENT OF RATES FOR THE 2023 CALENDAR YEAR**

Reference Section 5.3 of the Franchise Agreement, amended August 25, 2021

RRI Calculation

Adjust for changes in CPI and Fuel Costs (August through August 2022)

% Increase = 90% Annual Change West Region CPI (Aug/Aug) + 10% Annual Change in California Fuel (Aug/Aug)

August 2021 West Urban CPI:	290.393
August 2022 West Urban CPI:	314.013
% Change	8.13%
@ 90%	7.32%
August 2021 EIA CA Diesel Fuel:	4.291
August 2022 EIA CA Diesel Fuel:	6.123
% Change	42.69%
@ 10%	4.27%
CPI/Fuel RRI Adjustment:	11.59%
Rate increase carryover (Prior Year)	2.72% {a}
Pass-through costs (Tipping Fee: Annual 2023)	2.54% {b}
Pass-through costs (Tipping Fee: Mid-Year 2022)	<u>1.25%</u> {b}
Total RRI Adjustment	<u>18.10%</u>

{a} Per Section 5.3 of the Franchise Agreement, in the event the rate increase is greater than 5% in any given year, then the percentage increase in excess of 5% shall be carried over to the next rate year, subject to the 5% maximum annual increase. However, the Company may petition the City for a waiver of the rate adjustment 5% cap if the calculated increase exceed 5% annually for two consecutive years. As the current year RRI calculation marks the second consecutive year exceeding a 5% increase, the Company is petitioning the full rate increase effective 1/1/23.

{b} Per Section 5.5 of the Franchise Agreement, the Company shall be entitled to petition the Portola City Council for rate increases based on increases in the cost of doing business for costs other than those normally associated with the Consumer Price Index and California Diesel Retail Sales costs. Please see attached documentation for cost increases related to tipping fees beginning July 5, 2022.

CPI for All Urban Consumers (CPI-U)
Original Data Value

Series Id: CUUR0400SA0
Not Seasonally Adjusted
Series Title: All items in West urban, all urban consumers, not
Area: West
Item: All items
Base Period: 1982-84=100
Years: 2012 to 2022

<https://data.bls.gov/pdq/SurveyOutputServlet>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2012	228.980	229.995	232.039	232.561	233.053	232.701	231.893	233.001	234.083	234.966	233.206	232.029	232.376
2013	232.759	234.595	235.511	235.488	235.979	236.227	236.341	236.591	237.146	237.000	236.153	236.096	235.824
2014	236.707	237.614	239.092	239.808	241.350	241.616	241.850	241.660	241.920	241.650	240.220	239.095	240.215
2015	238.318	239.748	241.690	242.302	244.227	244.332	245.040	244.737	244.257	244.341	243.749	243.434	243.015
2016	244.600	244.821	245.404	246.589	247.855	248.228	248.375	248.498	249.234	249.897	249.448	249.516	247.705
2017	250.814	252.252	252.949	253.806	254.380	254.469	254.708	255.282	256.504	257.223	257.126	257.347	254.738
2018	258.638	259.986	260.994	262.037	263.240	263.732	263.971	264.395	265.105	266.195	265.658	265.209	263.263
2019	265.624	266.215	267.370	269.522	270.880	270.957	271.029	271.264	272.102	273.524	273.128	272.584	270.350
2020	273.340	274.412	273.995	272.913	273.062	274.155	275.597	276.443	276.422	276.876	276.875	276.593	275.057
2021	277.238	278.702	280.625	283.507	285.793	288.263	289.863	290.393	291.053	293.397	294.986	296.102	287.494
2022	298.705	301.158	305.082	307.145	309.645	313.496	313.951	314.013					

August to August 8.13%

California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007		2.886	2.885	2.985	2.964	3.019	3.123	3.049	3.024	3.267	3.608	3.475
2008	3.423	3.488	4.014	4.265	4.673	4.968	4.965	4.542	4.087	3.568	2.832	2.345
2009	2.297	2.26	2.139	2.336	2.354	2.697	2.734	2.85	2.837	2.856	2.962	2.913
2010	2.997	2.938	3.058	3.206	3.205	3.102	3.124	3.164	3.144	3.214	3.305	3.408
2011	3.56	3.804	4.187	4.4	4.362	4.213	4.106	4.009	4.057	4.059	4.245	4.095
2012	4.103	4.251	4.474	4.419	4.316	4.027	3.917	4.24	4.456	4.376	4.17	4.076
2013	4.083	4.325	4.245	4.134	4.04	4.023	4.068	4.138	4.209	4.134	4.048	4.073
2014	4.082	4.084	4.092	4.089	4.119	4.101	4.11	4.085	4.054	3.938	3.813	3.542
2015	3.212	3.11	3.182	3.098	3.254	3.192	3.115	2.935	2.85	2.814	2.768	2.644
2016	2.526	2.335	2.387	2.459	2.636	2.782	2.785	2.722	2.749	2.817	2.82	2.851
2017	2.932	2.957	2.935	2.938	2.922	2.895	2.876	2.959	3.168	3.172	3.587	3.559
2018	3.639	3.68	3.654	3.773	3.941	3.982	3.957	3.94	3.973	4.086	4.018	3.858
2019	3.753	3.734	3.789	3.953	4.128	4.035	3.949	3.906	3.923	3.985	4.003	3.902
2020	3.873	3.787	3.601	3.283	3.182	3.216	3.254	3.263	3.259	3.246	3.25	3.356
2021	3.439	3.607	3.931	3.98	4.024	4.095	4.195	4.291	4.324	4.481	4.745	4.776
2022	4.803	5.018	6.133	6.26	6.479	6.874	6.587	6.123	6.149			

https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emd_epd2dxl0_pte_sca_dpg&f=m

August to August 42.69%

PURPOSE: Calculate revenue adjustment at Delleker Transfer Station for City of Portola Commercial, Residential and Roll-Off, due to adjustment in dump fees.

BACKGROUND: On July 5, 2022 tip rates per ton for MSW was increased from \$86.77 to \$94.50 at Delleker Transfer Station.

Tip Rate:			
Previous	\$		86.77
New	\$		94.50
Change	\$		7.73
% Change			8.91%

City of Portola select Revenues and Expenses from December 31, 2021 Compiled Financial Statements

			<u>2021</u>
Revenue			
Commercial	\$		249,906
Residential			154,784
Roll-Off			58,387
Total Revenue	\$		463,077

Dump Fees	\$		132,054
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Increase in Dump Fees Expense:			
Dump Fees	\$		132,054
Tip Rate Change			8.91%
Dump Fee Increase	\$		11,764

Required Revenue Adjustment:			
Total Revenue	\$		463,077
Dump Fee Increase	\$		11,764
Revenue Adjustment			2.54%

Purpose of this calculation is to compensate the company for the change in tip fees from the period 7/5/22 to 1/1/23 when the rates are implemented.

			7/5/2022
			12/31/2022
			179
			365
			49%
			1.25%