

MEMORANDUM

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: Rick Cortes, Assistant City Manager

Subject: Residential Waste Hauling Services/Recycling – Request for fuel and CPI adjustment

Date: October 9, 2015

In accordance with the current Residential Waste Hauling Services Agreement (Agreement) approved on September 2, 2008, Progressive has submitted a request for a fuel rate adjustment. Please see the attached request. The fuel rate adjustment is based upon the following factors:

Pursuant to the Agreement, Progressive shall adjust all the rates for any six-month period in which the average price of diesel fuel during the preceding six months exceed \$3.02 per gallon; please note, per the Agreement, the \$3.02 is considered the base price while the base rate for recycling has been set at \$3.00. This adjustment takes place on a semiannual basis, and is calculated utilizing the U.S. Energy Administration/Department of Energy published price for diesel fuel; gulf coast region. The fuel costs adjustment shall be in accordance with Exhibit D of the agreement.

Fuel Cost Adjustment

Residential Waste Hauling– Based on the review of the March 30, 2015 to September 28, 2015 data, the fuel cost adjustment for this period will result in a \$0.037 decrease in the fuel rate. Based on the proposed decrease, the solid waste collections will decrease from the current rate of \$11.31 to the new fuel cost rate of \$10.94. Please note that the new fuel rate will be the base rate Progressive will utilize when applying the adjustment for the September 2015 to March 2016 period.

Recycling –Similar to waste hauling services; the semi-annual fuel costs adjustment is applicable by the percentage change in diesel fuel rates. Currently, the recycling fee is \$3.00; based on the review of the March 30, 2015 to September 28, 2015 data, the fuel cost adjustment for this period would result in a \$0.09 decrease in the rate. However, since the recycling base rate is set at \$3.00, the adjusted rate for recycling will not decrease based on the fuel adjustment.

Consumer Price Index (CPI-U)

On each anniversary date of the Agreement, Progressive has the right, at its sole discretion, and upon giving prior notice to the City, to increase or decrease the “initial rates” established in the Agreement, equal to the percentage that the Consumer Price Index rate for all urban users has increased or decreased during the previous twelve months. Progressive has selected to exercise this option. The CPI-U adjustment of .2% is based on the timeframe of October 2014 to September 2015. Please note that the CPI adjustment is calculated after the “Initial Rate” has been adjusted.

Based on the two aforementioned adjustments, the “Initial Rate” will decrease by \$.37, while the CPI-U cost adjustment result in a \$.02 increase per home. Pricing for recycling will also be calculated based on Fuel Cost Adjustment/CPI. Based on the information for this period, recycling cost is scheduled to increase by \$.01 for a total adjusted rate decrease of \$.34.

Overall Impact to Customers

Presently, the residential contracted costs for solid waste services is \$12.25 and costs for recycling is \$3.00 per month, excluding all applicable city fees. The new contracted fees for solid waste services will be \$11.90 and recycling \$3.01 for a total of \$14.91, excluding the 13% administrative fee. The overall customer charge including the administrative fee will be \$16.46 as compared to the current fee of \$16.85 for a total decrease of \$0.39. Please note that the 13% administrative fee is only applicable to residential waste hauling and not recycling.

Additionally, the fees for sludge services are also scheduled to decrease by 2.8%.