



City of Santee City Council Meeting Memorandum

TO: Mayor and Council Members
Marlene Best, City Manager
Shawn Hagerty, City Attorney

FROM: Annette Ortiz, CMC, City Clerk

DATE: August 10, 2020

SUBJ: Updated August 12, 2020 Council Meeting Materials

- (9) Resolution Approving the Amended and Restated Exclusive Franchise Agreement for Solid Waste Management Services with Waste Management, Incorporated. (Community Services – Maertz)**

The attached Council Agenda Statement and Resolution replaces the ones issued with your original Agenda packet.

City of Santee
COUNCIL AGENDA STATEMENT

MEETING DATE August 12, 2020

AGENDA ITEM NO.

ITEM TITLE **RESOLUTION APPROVING THE AMENDED AND RESTATED EXCLUSIVE FRANCHISE AGREEMENT FOR SOLID WASTE MANAGEMENT SERVICES WITH USA WASTE OF CALIFORNIA, INC. DBA WASTE MANAGEMENT, INC.**

DIRECTOR/DEPARTMENT Bill Maertz, Community Services

SUMMARY In 2012, the City of Santee issued a Request for Proposals for Solid Waste Management Services. The proposal submitted by USA Waste of California, Inc. dba Waste Management, Inc. ("Waste Management, Inc.") was found to best meet the City's requirements. Among other benefits, the proposal kept customer rates at or below countywide averages, while providing for a signing fee of \$1,250,000, (exceeding the competing proposal by 45%). In consideration of the benefits offered, the City executed an eight-year franchise agreement with Waste Management, Inc. running through December 31, 2020 ("2012 Agreement").

On August 22, 2018, the City Council authorized City staff to discuss with Waste Management, Inc. the terms of an amendment extending the term of the 2012 Agreement. The proposed Amended and Restated Exclusive Franchise Agreement extends the 2012 Agreement for ten years through December 31, 2030, implements a state-mandated organic waste recycling program and includes a package of financial benefits of equal or greater value to those contained in the 2012 Agreement. The Amended and Restated Exclusive Franchise Agreement provides for a one-time signing fee of \$1,750,000 and maintains or in some cases enhances ongoing service fees, recycling initiative payments and sponsorship of community events, and includes new ongoing contributions towards San Diego River cleanup and Highway 52 Coalition efforts. The signing fee is proportionate with the signing fee provided for in the 2012 Agreement, adjusting for inflation and the ten-year length of the agreement term. The City's legal expenses associated with the preparation of the Amended and Restated Exclusive Franchise Agreement will be reimbursed by Waste Management, Inc. The agreement also includes the payment of a franchise fee to the City equal to 15% of gross revenues. This fee (including the signing fee) is a negotiated amount and represents a reasonable value for the rights granted to WM. It is lower than or consistent with similar franchise fees charged by other jurisdictions in San Diego County.

State-mandated organic waste recycling requirements (SB 1383, AB 1826 and AB 1594) seek to reduce methane emissions by separating food waste from the trash stream. No later than January 1, 2022, all jurisdictions must provide organics collection to all residents and businesses. In addition, green yard waste used as cover in landfills will no longer be treated as recycled material and will instead be hauled to recycling facilities. Implementation of these mandates will substantially increase the cost of service delivery for all jurisdictions. While rates paid by Santee residents will remain near countywide averages, the additional cost of these unfunded mandates will be reflected in rate increases. Exhibit "A" illustrates current and proposed costs for typical residential and commercial customers. Finally, the Amended and Restated Exclusive Franchise Agreement revises the formula for annual rate adjustments from 70% of the change in the consumer price index ("CPI") to 100% of the change in CPI up to 4%, and 70% of the change in CPI above 4%, with a minimum adjustment of 1%. In addition, the proposed Agreement includes provisions related to pending regulations to implement SB 1383. These regulations will be implemented in future years and may result in future rate increases pending future allocation of responsibility for compliance with the final regulations.

FINANCIAL STATEMENT

The Amended and Restated Exclusive Franchise Agreement for Solid Waste Management Services provides for a one-time contract signing fee of \$1,750,000 and continues various annual payments and specified community benefit commitments as detailed in Exhibit "B".

CITY ATTORNEY REVIEW N/A Completed

RECOMMENDATION

Adopt the Resolution approving the Amended and Restated Exclusive Franchise Agreement for Solid Waste Management Services with USA Waste of California, Inc. dba Waste Management, Inc. and authorizing the City Manager to execute the Agreement.

ATTACHMENTS Resolution Exhibits "A" & "B"

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE,
CALIFORNIA APPROVING THE AMENDED AND RESTATED EXCLUSIVE
FRANCHISE AGREEMENT FOR SOLID WASTE MANAGEMENT SERVICES
WITH USA WASTE OF CALIFORNIA, INC. DBA WASTE MANAGEMENT, INC.**

WHEREAS, USA Waste of California, Inc. dba Waste Management, Inc. (“Waste Management, Inc.”) has provided residential solid waste management services to the City of Santee (“City”) since January 1, 1995, and exclusive City refuse collection since January 1, 2001, with the assumption of all commercial accounts; and

WHEREAS, pursuant to an eight-year franchise agreement with the City executed in 2012 (“2012 Agreement”), Waste Management, Inc. has the sole and exclusive right and franchise to provide solid waste management services in the City until December 31, 2020; and

WHEREAS, on August 22, 2018, the City Council acknowledged receipt of a request from Waste Management, Inc. to enter negotiations regarding an extension of the 2012 Agreement and authorized staff to discuss terms of an amended agreement; and

WHEREAS, the Amended and Restated Exclusive Franchise Agreement extends the current agreement for ten years, through December 31, 2030, implements a state-mandated organic waste recycling program, maintains competitive pricing, and includes a package of financial and other benefits of equal or greater value to those contained in the 2012 Agreement.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Santee, California, hereby approves the Amended and Restated Exclusive Franchise Agreement for Solid Waste Management Services with USA Waste of California, Inc. dba Waste Management, Inc. and authorizes the City Manager to execute the Amended and Restated Exclusive Franchise Agreement.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this 12th day of August 2020, by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

APPROVED:

JOHN W. MINTO, MAYOR

ATTEST:

ANNETTE ORTIZ, CMC, CITY CLERK