

Fee Ordinance Update

(Solid Waste & Airport)

May 4, 2021



REFUSE AGREEMENT HISTORY – KEY POINTS

- Relationship with original company (IESI/Progressive Waste Solutions) dates back to 1996. (Through subsequent mergers and acquisitions, parent company is now Waste Connections.)
- Current contract agreement executed in 2008 with termination in September 2017, amended in 2013 extending expiration date to September 30, 2024.
- Since 2008, eight (8) contract service fee increases approved based on CPI-U (*).
- McKinney has not increased its collection rate (\$15.36) to residents since Oct. 1, 2006.
- 2016 - Waste Connections merged with Progressive Waste Solutions and Waste Connections took over management of the agreement.
- 2018 (Feb.) – City receives request from Waste Connections for rate increases. (Similar request made to Frisco, another full service customer of Waste Connections)
- 2018 (March) – Per Council direction, City retains services of Burns & McDonnell to analyze the request and provide a market perspective/recommendations.
- 2018/2019 – Staff and BKD (Audit Firm) conduct financial review/assessment.



(*) CPI-U: Consumer Price Index U.S. Department Labor., Dallas – Fort Worth area

ANALYSIS DISCUSSION POINTS

- Increases in labor costs, capital outlay expenses, downtown collection and changes to the recycling market are key components of Waste Connections fee increase request.
- Waste Connections has made field service performance improvements since the initial fee increase request.
- Staff and Burns & McDonnell believe that if the City were to issue a request for proposal (RFP), the price proposals would most likely be at or above the recommended negotiated increases to Waste Connections



STAFF RECOMMENDATIONS

- **Residential:** Increase in residential rate of \$1.60 (10%) per home.
- **Commercial:** Increase of 25% spread out over three (3) years (10%,10%,5%).

– Downtown

| <u>Current (1993 Ordinance)</u> | <u>Recommended</u> |
|---------------------------------|--------------------|
| ▪ “Low” - \$28.48 | \$63.30 |
| ▪ “Moderate” – \$62.85 | \$279.84 |
| ▪ “High” – \$109.00 | \$583.49 |

- Changes “CPI –U” to “CPI –Garbage” Index.
- Lump sum payment in amount of \$705,922 (retro payment back to January 1, 2021).
- Waste Connections continues to bear cost of recycling program.
- Waiver of annual 40K minimum recycling payment to the City.
- Increase Waste Connections performance bond amount from \$1,000,000 to \$2,000,000.



STAFF RECOMMENDATIONS - CONTINUED

- **Residential and Commercial** - Rate increase effective July 1, 2021.
- **Downtown** – Recommend implementing informational campaign & discussions with downtown businesses, main street association, etc. prior to “passing on” proposed rate increases.
 - Inconsistent billing practices in the downtown.
 - 25+ years since downtown collection fees have increased.

Proposed/Tentative Future Timeline

- May, 2021: Council adopts amended agreement.
- July, 2021: Residential and commercial rate increases implemented to consumers.
- May-July, 2021: Informational campaign/discussions with downtown businesses/main street.
- September/October, 2021: Follow up City Council discussions & recommendations specific to downtown.
- 1st Quarter 2022: Completion of refuse & recycling study.
- 3rd Quarter 2023: RFP issued for refuse & recycling services (agreement ends September 30, 2024).

(current



QUESTIONS AND DISCUSSION



AIRPORT SPECIAL EVENT FEES

- It is a common practice for FBOs to increase fees during special events
 - Masters Tournament, Superbowl, etc.
- We incur additional costs to provide services during special events, when demand increases significantly
 - Employee overtime
 - Supplemental equipment rentals
 - Fuel truck
 - Ground power units
 - Aircraft tug (including tow bars and tow heads)
 - Shuttle van
 - Additional crew cars
 - No fee impacts to airport tenants/based customers
 - Transient operators only
 - Only for the duration of a high demand event
 - Primarily equipment service fees and parking/hangar fees
 - No increase in fuel pricing
 - For the 2021 Byron Nelson Tournament
 - Expect Additional 15-30 aircraft per day
 - Additional \$20,000 spent in equipment rentals



QUESTIONS AND DISCUSSION

