



City of Galveston

Municipal Utilities STAFF REPORT

Date January 18, 2022

To: Brian Maxwell, City Manager
Hon. Mayor and City Council Members

From: Brandon Cook, Asst. City Manager

Request:

Consider for approval an inflationary tonnage rate increase as provided by the terms of the BFI Transfer Systems contract for the operation of the Refuse Transfer Station. The increase is proposed at 5.94% in accordance with the September 2021 Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W"). The estimated annual increase is \$74,091.42. Funding source is the Sanitation Division Refuse Disposal Account.

Background:

- A. On September 13, 2018, City Council approved a five-year contract with BFI Waste Systems/Republic Services to operate the City of Galveston Refuse Transfer Station.
- B. The contract became effective October 1, 2018.

Current Situation:

- A. Section 7.00 of the contract states that "The Service Fee charged by BFI for the second and subsequent years of the Term (and the Extension Term, if any) shall be increased on an annual compound basis to reflect changes in the cost of operations, as reflected by fluctuations in the Consumer Price index for Urban Wage Earners and Clerical Workers, All items (the "CPI-W"), as published by the U.S. Department of Labor, Bureau of Labor Statistics (the "Bureau") during the preceding 12 months. As of the last day of the first year of this Contract and every twelve months thereafter (the "Service Fee Modification Date"), the Service Fee shall be increased for the ensuing year's net annual percentage change of the CPI-W."
- B. The CPI-W increased from 254.004 to 269.086 from September 2020 to September 2021, which is a 5.938% increase year-over-year. Accordingly, BFI has requested a service fee adjustment increase of 5.94%, or \$2.34 per ton.
- C. The increase is calculated as follows:
 - \$39.37 (current tonnage cost) x 5.94% = \$2.34.
 - \$2.34 x 31,663 tons (average tonnage that Sanitation deposited f/y 2020) = \$74,091.42. Please note that 2021 total tonnage is not being used as those figures include the winter storm.





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- D. The increase in cost would apply to all users of the Transfer Station. The City's cost will increase from \$39.37 to \$41.71 per ton, and 3rd Party providers will see an increase of a similar percentage, from \$41.19 to \$43.64.

Fiscal Impact Report

FUNDING SOURCE:	AMOUNT:
Sanitation Refuse Disposal	\$74,091.42
TOTAL:	\$74,091.42

Alternatives

- A. Failure to authorize this contract will result in the City of Galveston being in violation of the operational contract with Republic Services.
- B. The City could authorize this increase to remain in compliance with the contract and instruct staff to seek other proposals for operation of the transfer station; however, it is unlikely that these costs would decrease given the inflationary pressures being seen in the markets.

Staff Recommendation

Approve the rate increase.

