

**CITY OF ALBANY  
CITY COUNCIL STAFF REPORT**

Agenda date: April 4, 2011  
Reviewed by: BP

**SUBJECT:** Waste Management of Alameda County Annual Rate Adjustment Request  
**FROM:** Nicole Almaguer, Environmental Specialist

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**STAFF RECOMMENDATION**

Authorize the Annual Rate Adjustment of 1.235% requested by Waste Management of Alameda County.

**BACKGROUND**

On October 20, 2003, Council approved the franchise agreement between the City and Waste Management of Alameda County, Inc. (WMAC) for collection and disposal of solid waste, recycling services, and green waste collection (Franchise Agreement). The Franchise Agreement provides for several enhanced services to the City including commingled recycling and food scraps collection. This enhanced program began in May 2004.

As part of the franchise agreement, provisions are listed for contractor's compensation and rates throughout the term of the contract. The annual adjustment of service rates was agreed to by Council as part of the Contract negotiations and is in lieu of the former rate review procedure.

Article 11, section 11.3 of the Franchise Agreement, discusses the annual adjustment of service fees, and states, "Contractor shall be entitled to one rate adjustment annually (and) the adjustment is to be approved by the City Council with good faith effort by March 1 of each year, and will be effective on each subsequent May 1." The Franchise Agreement details the adjustment methodology as follows: "each rate shall be adjusted annually to reflect the change in the consumer price index (CPI) for the previous 12 months, or by 5%, whichever is less", and calculated using 80% of the change in CPI.

As a commercial hauler, Waste Management is subject to Measure D fees, established by the Alameda County Board of Supervisors at the request of the Source Reduction and Recycling Board. The Alameda County Charter allows the Alameda County Board of Supervisors to annually increase Measure D rates by the CPI.

The Alameda County Board of Supervisors approved an increase in the Measure D fee from \$8.17/ton to \$8.23/ton (+\$0.06) per ton with the new fee taking effect on January 1, 2011. A portion of this rate is passed through to customers as a cost for collection and disposal fees.

### **DISCUSSION AND ANALYSIS**

The rate increase approved in 2010 was for a total annual rate adjustment of 2.164%, which is composed of the 2.091% increase based on the CPI, plus 0.074% based on the Measure D fee increase. The proposed rate increase for 2011 is a total of 1.235%, composed of the 1.220% CPI adjustment, plus 0.015% based on the Measure D fee increase.

For standard 35-gallon cart single-family residential service, the rates will increase from \$24.77 to \$25.08 (an increase of \$0.52). This rate is for all services provided, including recycling, green waste and food collection, annual debris pick-up, holiday tree recycling, and an E-waste collection. All changes in rates are included with the attached request from WMAC. (See Attachment #1)

As detailed in the Franchise Agreement, these rates are “to be effective on or before May 31 of a rate period. If the rate adjustment is not approved within this time frame, the City shall include a rate surcharge on the rates that shall be effective for the remainder of the rate period to cover revenues and interest lost by the contractor.”

The City’s Franchise Agreement with WMAC was originally set to expire April 30<sup>th</sup>, 2011. Per Council approval at the October 4, 2010 meeting, a one-year extension has been initiated, effectively extending the franchise agreement until April 30<sup>th</sup>, 2012. As part of this approval, Council authorized staff to begin discussions with WMAC regarding additional services and negotiation of a new franchise agreement.

Staff retained the services of R3 Consulting to provide technical assistance during the negotiation process and to analyze the proposals received by WMAC. Staff and consultants from R3 met with WMAC several times over the past 5 months to discuss opportunities for renegotiation. To date, discussions have not led to the opportunity for developing a new agreement without substantial rate increases. A final meeting is being held on March 29, 2011. Staff will return to City Council on May 2 to present the results of our negotiations and the potential options for the City.

### **FINANCIAL IMPACTS**

The City may see a minor increase in franchise fees given this percentage adjustment in CPI. The 1.235% increase in WMAC revenues will result in approximately \$3,840 in additional franchise fee revenue to the City.

#### **Attachments**

1. WMAC request for rate adjustment, dated February 9, 2011.
2. Article 11 of Franchise Agreement “Contractor’s Compensation and Rates”