

**CITY OF ALBANY  
CITY COUNCIL AGENDA  
STAFF REPORT**

Agenda Date: June 6, 2011  
Reviewed by: BP

**SUBJECT:** Waste Management of Alameda County Franchise Negotiations

**REPORT BY:** Nicole Almaguer, Environmental Specialist

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**STAFF RECOMMENDATION**

That the Council provide direction to staff on whether to continue franchise negotiations with Waste Management of Alameda County or initiate a competitive bid process for a new franchise agreement for collection and disposal of waste and recycled materials.

**BACKGROUND**

On October 4, 2010, Council authorized staff to request the available franchise extension, and begin negotiations to develop a new franchise agreement with Waste Management of Alameda County (WMAC). Staff accordingly requested the extension of the current franchise agreement with WMAC, effective May 1, 2011 to April 30, 2012. Additionally, staff identified additional collection services and programs of interest as identified at the October 4, 2010 City Council meeting, and requested a proposal from WMAC to determine opportunities for a new franchise agreement.

**DISCUSSION**

The proposal received by WMAC includes a base rate increase of 45%. The rate would cover the existing services provided by WMAC, and also include new alternative fuel vehicles, residential curbside collection of cell phones, compact fluorescent bulbs, and household batteries, public education, two compost give-away events, and free roll-off hauls for City cleanups. Additionally, the proposal includes optional services of funding for a sustainability coordinator staff position, solar trash compactors/recycling containers for the commercial area, and collection of compact fluorescent bulbs/household batteries for multi-family units. Each of the optional services would result in a rate increase above the base rate increase of 45%. The proposal is included as an attachment to this staff report.

Staff has met with WMAC on three occasions over the last several months to discuss the proposal, identify opportunities to reduce the amount of the rate increase, and ensure increased opportunities for waste diversion. Throughout the negotiation process WMAC has offered a number of additional collection services at no extra cost.

WMAC has indicated that the current franchise agreement is not cost effective, and that they have been operating at a deficit for several years. The proposed rate increase is intended to cover operating costs including those associated with labor rates and provide a profit of 15% based on gross revenues. WMAC has indicated that the 15% profit is necessary and non-negotiable.

The proposal also requests the standard CPI used for annual rate increases be replaced with a modified refuse rate index (RRI). A standard RRI (non-modified) is a method in which four specific indices, as well as CPI are used to create a blended index that more closely resembles the trend in solid waste industry companies' expenses. The indices are all published by the United States Department of Labor, Bureau of Labor Statistics, the same federal agency that publishes the CPI. Changes in these indices are calculated in the exact same fashion as the CPI. The RRI method applies different weighting to these indices, based on the relative proportion of the company's operating expenses, corresponding to a certain index.

Per WMAC, a modified RRI allows for a more accurate adjustment factor. WMAC has modified the standard RRI by using the labor increases associated with their particular union agreement in place of the labor rate index, and have indicated that this item is also non-negotiable. Current estimates by WMAC indicate that the RRI could fluctuate from approximately 3.38% and 3.55%, over the next five years with between 2.55% and 2.84% of the total increase being related to the use of the WMAC labor rates.

## **ANALYSIS**

Based on the recent discussions with WMAC, staff has reached a point where the proposal provided by WMAC is as complete as it can be prior to entering final negotiations. A decision now needs to be made as to whether the City would like to continue with the negotiations or pursue a competitive bid process for a new franchise agreement. The following identifies some of the considerations associated with continuing the negotiation process as compared to initiating a competitive bid process.

### Continuing negotiations

- No disruption in service or mass replacement of containers
- Existing staff familiarized with City
- Opportunity to realize additional staff support and immediate improvements to diversion programs
- Continued use of the Davis Street transfer facility which has completed site improvements to increase capabilities for material recovery and diversion
- Immediate increase in franchise revenue

### Initiating a competitive bid process

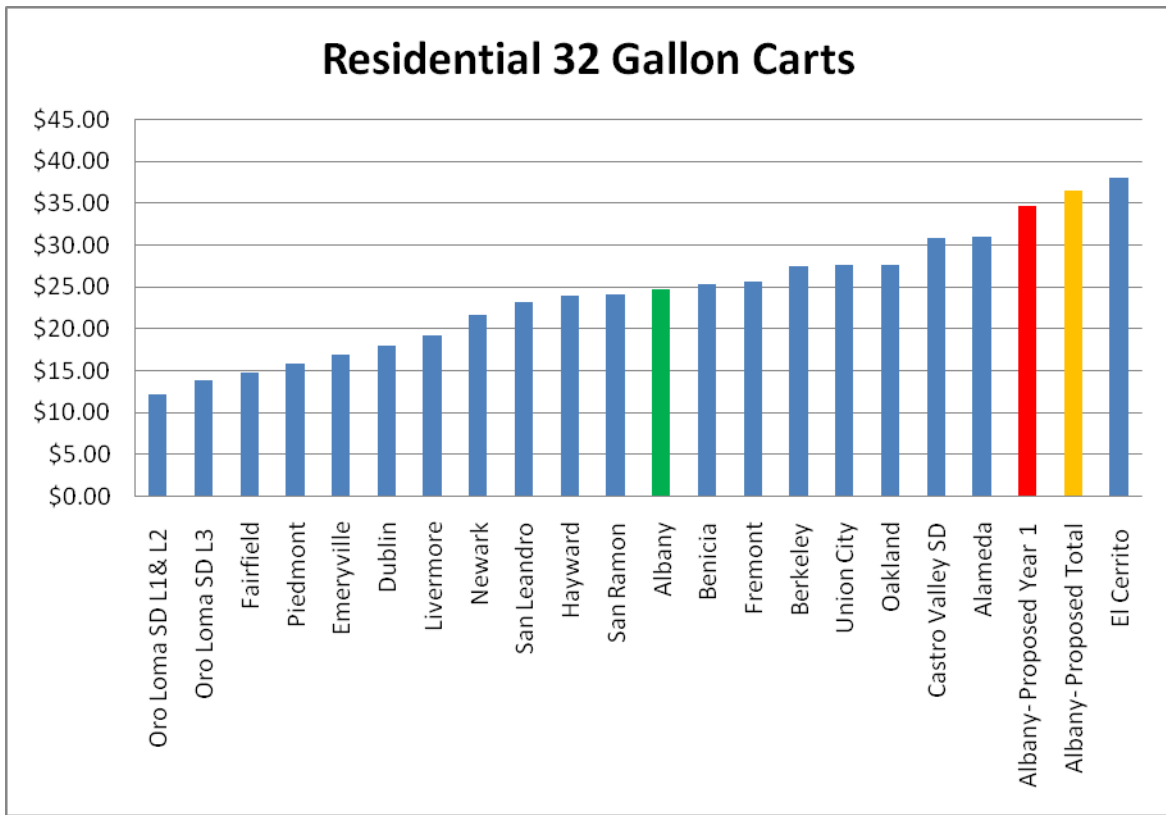
- Enables competition and provides opportunity for increased diversion programs
- Does not exclude WMAC from the competitive process
- Potential for a rate increase similar to that currently proposed by WMAC, but uncertain until process is initiated

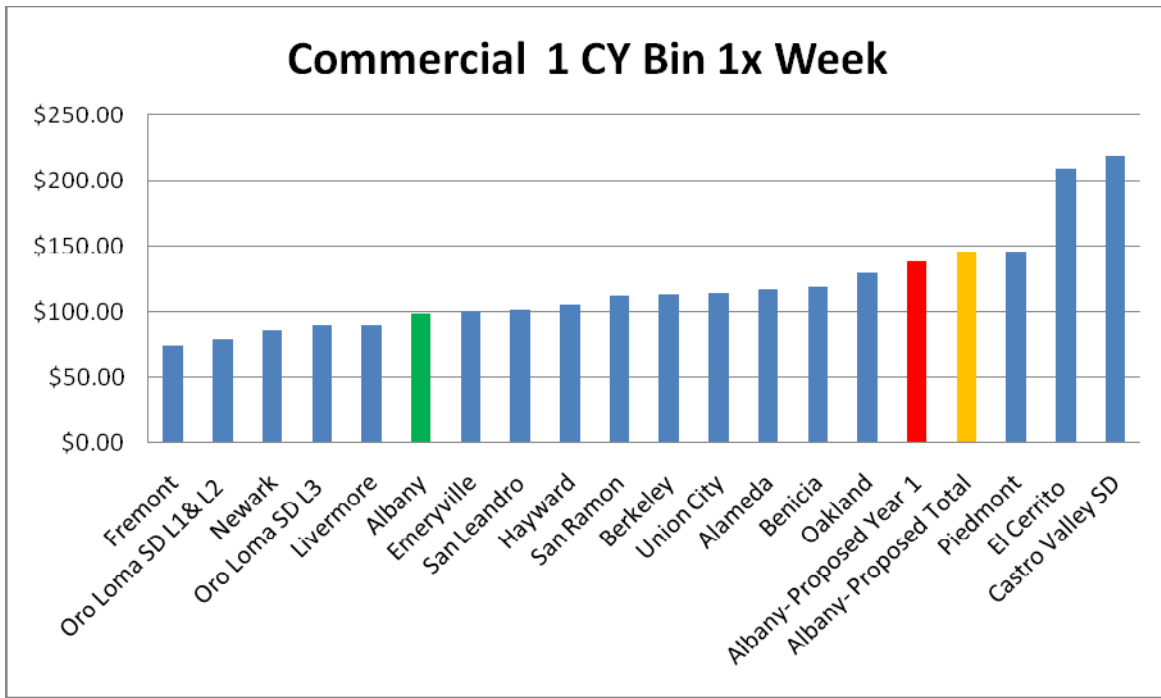
- Other service providers may be located out of county
- Process could take a minimum of 8 months, involving both a consultant and staff

Rates

One of the primary items to consider is the impact on existing rates. Currently, Albany’s rates for residential and commercial are average when compared regionally. WMAC’s proposed 45% increase would put Albany’s rates as one of the highest in the region as identified in the two tables below (Residential 32 Gallon Carts, Commercial 1CY Bin 1x/week).

It is uncertain what the potential rate increase would be if the City were to initiate a competitive bid process. Based on recent analysis, it seems that some jurisdictions have indeed seen a rate increase similar to that proposed by WMAC, while others have seen a neutral or decreased rate. A summary of this analysis is included as attachment to this report. It should be noted that each franchise agreement is quite specific to the composition of that particular jurisdiction and at times difficult to compare in too much detail.





Franchise Innovation

There are several factors to consider in terms of what the City would like to see included in the ideal franchise. To date the City has served as a leader in the “greening” movement. Specifically, incorporation of a diversion percentage or maximum disposal limit could help facilitate the goals identified within the City’s Climate Action Plan to establish a zero waste strategy. Additionally, increasing the amount of materials collected curbside and addition of new technical assistance programs are key to increased diversion. Currently, Stopwaste.org is leading a Franchise Task Force to identify the components needed to develop an exemplary franchise agreement. The outcome of this process is expected in October 2011, and may be able to be included within development of a new franchise agreement.

### **SUSTAINABILITY IMPACT**

Improving the City's capabilities to increase the amount of materials diverted from the landfill and striving towards a zero waste community is identified as a goal within the City's Climate Action Plan. Ensuring that the City's new franchise enables the community to increase the amount of materials that can be properly reused or recycled will help facilitate increased sustainability.

### **FINANCIAL IMPACT**

Should the City continue negotiations with WMAC, the rate increase would result in an increase in the amount of franchise revenue received, approximately \$190,000.

Inclusion of the optional services would result in an additional increase in rates as follows:

- Multi-family household battery collection: +0.45%
- Multi-family compact fluorescent bulb collection +0.45%
- Solar trash compactor/recycling container +0.70%
- Sustainability coordinator +6.50% (this could also be reduced to a part-time position to minimize the overall rate increase percentage).

Should the City initiate a competitive bid process, there will be a cost of approximately \$45,000 – 65,000 for technical consultant services to help facilitate the negotiation process. This cost is typically reimbursed to the City by the successful contractor and absorbed within the franchise rates. A significant amount of staff time, likely a minimum of 320 hours, would also be required for this process.

### **Attachments**

1. Correspondence from WMAC including Scope of Optional Services and Rate Structure
2. Correspondence from WMAC regarding Davis Street Transfer Station Facility
3. Comparison of recent franchise agreements