

**CITY OF ALBANY
CITY COUNCIL
STAFF REPORT**

Agenda date: April 16, 2012
Reviewed by: BP

SUBJECT: Waste Management of Alameda County Annual Rate Adjustment Request

FROM: Nicole Almaguer, City Clerk

STAFF RECOMMENDATION

That the Council authorize an Annual Rate Adjustment of 4.59%, pursuant to the terms of the Collection Services Franchise Agreement with Waste Management of Alameda County.

BACKGROUND

On October 17, 2011, Council approved the current 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 went into effect November 2011.

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 replaces the former rate adjustment procedure in which the rate was 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.

Article 10, sections 10.03 and 10.03.1 of the Franchise Agreement, discuss the annual rate adjustment, and state, "Beginning on May 1, 2012 and annually thereafter, Collection Service Rates may be adjusted using the Refuse Rate Index methodology as set forth in this Article..."

Article 10, section 10.03.1 outlines the rate adjustment methodology utilizing the Refuse Rate Index (RRI), and is summarized as follows:

- The RRI shall be the lower of 7.5% or the sum of the weighted percentage change in the annual average of each RRI index number between the base
- Changes in governmental or regulatory fees or assessments shall be a pass-through to rate payers
- In any year that the RRI, including any prior year adjustment, is more than 7.5%, the amount above, up to 10% shall be carried over to the next adjustment period and added to the calculated RRI for that period.

In addition, 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. There has been no increase processed for Measure D fees for the current rate cycle.

DISCUSSION

Staff has been working with WMAC to ensure implementation of new programs and service offerings as identified within the City’s Franchise Agreement with WMAC. The following table provides an update regarding implementation of the new services that were identified in the October 17, 2011 Staff Report to Council regarding the Franchise Agreement.

New Service/Program	Status
Solar Trash/Recycling Units along Solano Avenue	All 15 containers have been installed along San Pablo/Solano and Memorial Park. Feedback regarding the containers has been positive. The containers include advertising space on each side. Staff is developing a proposal to allow for local businesses to utilize this advertisement space, with revenues to be used for economic development initiatives.
Residential curbside collection of household batteries, fluorescent bulbs and cellular phones	Collection of household batteries is in place – residents place batteries in Ziploc bags on top of their recycling carts on the day of collection. A postcard announcing curbside collection of household CFLs (attached) will be received by residents during the month of April. The item has also been announced on the City’s website and Facebook pages.
Community compost give-away events (2 per year)	Waste Management will be providing bagged compost for the City’s Arts & Green Festival in May. A second event is currently in planning by staff and will be held later in the Summer.
Public education programs including an outreach campaign to inform the community about new services	The new services guide (attached) was mailed to residential customers in November 2011. The new services guide for commercial customers was mailed in December 2011 (attached). Waste Management will also have booths at the upcoming Arts & Green Festival and

	the Solano Stroll.
Focused outreach program to increase diversion within the Multi-Family sector	Waste Management is taking the lead on implementing AB341/Mandatory Commercial Recycling Ordinance. This includes outreach to the Multi-Family sector regarding recycling and organics services.
Annual on-call bulky pickup (1 per year), with optional second on-call bulky pickup, and increased outreach regarding this service	This item was included within the new services guide. A supplemental reminder was included on the CFL postcard, and an additional reminder postcard regarding the annual bulky pickup will be sent out in the Spring.
Funding to the City for staff support to help cover the cost of program implementation	Funding in the amount of \$54,000 was provided by WMAC to the City in November 2011. A portion of the funding will be utilized to support a component of a Sustainability & Transportation Coordinator position (balance funded by a Federal Safe Routes to School Transportation grant). The position is anticipated to be filled in April 2012.
Funding to cover the expense of consultant fees throughout the negotiation process	Funding was provided by WMAC to the City in November 2011 to cover costs associated with consultant services throughout the negotiation process.
Acceptance of all plastics within the recycling container (except plastic utensils and hangers)	Plastics are being accepted within the recycling container, and information was included in the new service guide to spotlight this program enhancement.

ANALYSIS

The proposed rate increase for 2012 is a total of 4.59%, and is based on the identified components of the RRI formula including: Local Teamsters (wages, health & welfare, pension), average hourly earnings, diesel fuel, vehicle replacement, vehicle maintenance, CPI, and disposal rates. A weighted percentage change is calculated for each of these categories based on the RRI formula, which combined, represent the total rate increase. The RRI formula and calculation for the proposed 2012 rate increase are included as attachments to this staff report.

For standard 32-gallon cart single-family residential service, the monthly rates will increase from \$36.37 to \$38.04 (an increase of \$1.67). All changes in rates are included with the attached request from WMAC.

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.”

FINANCIAL IMPACTS

The City will see an increase in franchise fees given the proposed rate increase amount of 4.59% by WMAC. It is estimated that the rate increase will equate to an additional \$4,590 in franchise fees received from WMAC.

Attachments

1. WMAC Request for Rate Adjustment, dated February 14, 2012.
2. Article 10 of Franchise Agreement
3. Exhibit 2 of Franchise Agreement – Refuse Rate Index
4. Residential New Services Guide
5. Commercial/Multi-Family New Services Guide
6. CFL Curbside Collection postcard