

**CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: March 7, 2005
Prepared on: February 14, 2005
Reviewed by _____

SUBJECT: Waste Management of Alameda County Annual Rate Adjustment Request of 1.78%

FROM: Judy Lieberman, Assistant City Administrator
Nicole Narver, Environmental Resources Associate

RECOMMENDATION

That the City Council authorize the Annual Rate Adjustment of 1.78% 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. Previously, the city was a member of the "Solid Waste Advisory Committee" and prior to that, the Joint Rate Review Committee" with a number of other Alameda County cities served by WMAC. These committees jointly engaged in an annual rate review procedure, which was gradually abandoned by all cities in favor of annual CPI adjustments. The various joint committees were disbanded.

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.

Additionally, 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. On September 14, 2003, the Board of Supervisors, at the request of the Source Reduction and Recycling Board approved an increase in the Measure D fee from \$7.06/ton to \$7.19/ton, a 1.8% (\$0.13) per ton adjustment, with the new fee taking effect on January 1, 2005. A portion of this rate is passed through to customers as a cost for collection and disposal fees.

DISCUSSION

On February 1, 2005 WMAC submitted a request to the City for an annual rate adjustment of 1.78%. This reflects 80% of the CPI (1.72%) plus a Measure D Fee increase of 0.06%, resulting in a total rate increase of 1.78%.

For standard 32 gallon cart single-family residential service this will be an increase from \$19.72 to \$20.07 (an increase of \$0.35). This rate is for all services provided, including recycling, green waste and food collection, annual debris pick-up, Xmas Tree recycling, and an E-waste drop-off event. 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.”

Overall, the new program rollout and the current services provided by Waste Management have been very well received by the community and have been implemented very smoothly. Additionally, the City’s recycling and composting rates have increased significantly due to the new programs in place. Comparing data from May 2003 – December 2003 with data from May 2004 (initiation of the new programs) – December 2004, recycling and composting tonnages have increased by 1,834 tons, or 65%. This is a very significant improvement for the City’s recycling rates.

However, there are ongoing service issues with WMAC, including:

- Continued missed pickup of city containers, such as street litter cans
- Ongoing problems with residential cart replacement on the street versus the preferred parking strip area—some, but not all of this may be related to placement on the street by residents
- Communication response time by WMAC staff;
- Problems with collection reliability for both the bulky goods and holiday tree special collection events.

On the positive side:

- Staff has instituted regular monthly meetings with WMAC staff including the contract compliance officer and the route manager.
- Occasional prompt action on the part of WMAC. A specific example was a concern with early start times in the City. WMAC made some schedule changes so that drivers did not arrive before 7am.
- The "City Desk" person at WMAC is quite responsive when available.
- A second contract compliance staff person was hired. Once he is brought fully up to speed, this could help solve the issues with response time.
- A second route supervisor has been added who will be full time in Albany. (The existing route supervisor also covered other cities.)
- The WMAC General Manager has been involved in an attempt to solve the issues in a more timely and cooperative manner.

Should the issues detailed above not be satisfactorily resolved in a timely manner, the City may wish to resort to liquidated damages as detailed in the Franchise Agreement.

FINANCIAL IMPACT

The rate adjustment will be an increase of 1.78% or \$0.35 for those using a standard 32 gallon cart. The City may see a minor increase in franchise fees given this percentage adjustment in CPI. Estimated annual franchise fees to the City are \$232,572 (not including the street sweeping fee). The 1.72% increase in WMAC revenues will result in approximately \$4000 in additional franchise fee revenue to the City. Additionally, the City receives a Measure D payment from Alameda County, which would also reflect the CPI increase.

Attachments

Attachment#1 WMAC request for rate adjustment, dated February 1, 2005.

Attachment#2 Article 11 of Franchise Agreement "Contractor's Compensation and Rates