

## City of Brisbane Staff Report

To: Infrastructure, Utilities and Franchise Subcommittee

From: Maria Saguisag-Sid  
Principal Analyst

Subject: Proposed Annual Rate Increase from Recology

Date: Meeting of April 10, 2018

**Purpose:** To ensure solid waste is disposed of in a proper and environmentally effective fashion.

**Recommendation:** Review and discuss proposed increases to be effective July 1, 2018 and direct staff how to proceed.

**Background:** The City of Brisbane currently holds franchise agreements for solid waste removal services with Recology in Zone 3. This agreements became effective November 2014. Services under these agreement include commercial solid waste removal services, assistance in implementing new mandates such as the AB341 mandatory commercial recycling law and AB 1826 mandatory commercial organics recycling, and other recycling and diversion services.

Per State Assembly Bill 939, the City is required to have a diversion rate of 50%, meaning that discarded material needs to be sorted so that reusable and/or recycling material can be diverted from the waste stream. Recology reports that their estimate of the diversion rate for Zone 3 customers was approximately 63% for calendar year 2017.

Each year, the franchise agreement provides for annual adjustments of rates for commercial and residential customers in Brisbane. The following is the formulas that pertain to this year's proposed adjustments:

- Section 6.2 of the Agreement provides for an adjustment based on a percentage amount equal to the Refuse Rate Index (RRI) calculated based on the following table:

Table 1. Refuse Rate Index

| <u>Cost Category</u>       | <u>Weighting</u> | <u>Source/Index</u> | <u>Annual % Change<br/>in Index</u> | <u>Weighted %<br/>Change</u> |
|----------------------------|------------------|---------------------|-------------------------------------|------------------------------|
| Fixed Labor                | 0.60             | As per CBAs         | 4.50%                               | 2.70%                        |
| Variable/Processing Costs  | 0.25             | CPI(U)              | 2.94%                               | .74%                         |
| Biodiesel Fuel             | 0.05             | Fuel Index          | -.33%                               | -.02%                        |
| RRI Adjustment Percentage: |                  |                     |                                     | 3.42%                        |

The agreement provide that rate increase requests be submitted by March 31st and the City act on the requests by June 30th of each year. Recology submitted their request in a timely manner. Based on the provisions noted above, the proposed increases under Section 6.2 is 3.42%.

Attached is the notice of intent from Recology, dated March 27, 2018. Staff has reviewed the proposed rates and they appear to be in line with what is permitted by the franchise agreements. The agreement provides that the City act on the rate increase notice of intent by June 30. Should the subcommittee concur, staff will bring the rate increase to the full Council for approval at a future council meeting in May or June.

**Fiscal Impact:**

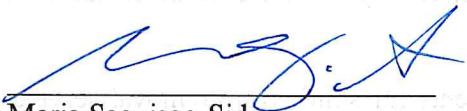
Staff has requested the rate book that reflect the proposed rate increase to confirm they match the proposed increase. At the time of the preparation of the report, the rate book was not received. Staff will provide the rate book to the subcommittee once it is available.

**Measure of Success:**

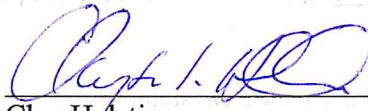
Is solid waste removal able to continue efficiently for the community?

**Attachments:**

- Notice of Intent letter from Recology, dated March 27, 2018



Maria Saguisag-Sid  
Principal Analyst



Clay Holstine  
City Manager



March 27, 2018

BY EMAIL & OVERNIGHT COURIER

Clay Holstine  
City Manager  
City of Brisbane  
50 Park Lane  
Brisbane, CA 94005

RE: Notice of Intention to Increase Rates & Related Matters

Dear Mr. Holstine:

The purpose of this letter is to notify the City of Brisbane of Recology's intention to increase rates effective July 1, 2018 pursuant to the refuse rate index methodology set forth in the Franchise Agreement between the City and Recology.

RRI Rate Adjustment

Section 6.2 of the Franchise Agreement provides that maximum rates shall be adjusted each July 1 using a refuse rate index consisting of the weighted average of certain index items as specified below. The annual percentage change in each index item and the calculation of the RRI Adjustment Percentage are also set forth below. Accordingly, maximum rates shall be increased by 3.42% effective July 1, 2018 under Section 6.2.

| <u>Cost Category</u>              | <u>Weighting</u> | <u>Source/Index</u> | <u>Annual % Change in Source/Index</u> | <u>Weighted % Change</u> |
|-----------------------------------|------------------|---------------------|----------------------------------------|--------------------------|
| Fixed Labor                       | 0.60             | As per CBAs         | 4.50%                                  | 2.70%                    |
| Variable/Processing Costs         | 0.25             | CPI(U)              | 2.94%                                  | .74%                     |
| Biodiesel Fuel                    | 0.05             | Fuel Index          | -33%                                   | -.02%                    |
| <b>RRI Adjustment Percentage:</b> |                  |                     |                                        | <b>3.42%</b>             |

Franchise Fee Payment

Under Section 4.1 of the Franchise Agreement Recology must make an annual franchise fee payment to the City on or before April 30 of each year. The franchise fee is 14% of Recology's gross revenues during the proceeding calendar year from the collection and disposal of solid waste within Zone 3. For calendar year 2017, these revenues amounted to \$86,076.54. The franchise fee is therefore \$12,050.72. We will remit payment before April 30.

Diversion Rate

Section 8.4 of the Franchise Agreement requires Recology to provide the City with an annual written report setting forth Recology's best estimate of the diversion rate for its Zone 3 customers.

We estimate based on volume and type of service, that the diversion rate for our Zone 3 customers was approximately 63% for the calendar year 2017.

Thank you for your consideration. We would be happy to meet with City staff to discuss these matters at your earliest convenience.

Sincerely,



John Porter  
Vice President and Group Manager  
San Francisco Region  
(415) 715-6241

cc: Randy Breault, Public Works Director, City Engineer  
Nick Roberts, Recology SF Region Controller