City of Brisbane Staff Report

To: Infrastructure, Utilities and Franchise Subcommittee

From: Maria Saguisag-Sid, Principal Analyst

Subject: Solid Waste Rate Increases from South San Francisco Scavenger Company, Inc. and

Recology

Date: Meeting of May 19, 2016

<u>Purpose:</u> To review Notices of Intent to adjust current rates in Brisbane for solid waste from South San Francisco Scavenger Company, Inc. and Recology.

Recommendation: Review and discuss proposed increases to be effective July 1, 2016 and direct staff how to proceed.

Background: The City of Brisbane currently holds franchise agreements for solid waste removal services with South San Francisco Scavenger Company, Inc. (SSF Scavenger) in Zones 1 and 2, and with Recology in Zone 3. These agreements became effective November 2014. Services under these agreement not only include weekly residential and commercial solid waste removal services, but also provides for other services such as the annual citywide yard waste clean-up, management of our annual diversion reports to CalRecycle, 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. Services provided by SSF Scavengers as well as partnerships with the County of San Mateo's RecycleWorks Program allowed the city to reach a diversion rate of 76% in 2012, 80% in 2013, and 82% in 2014. The 2015 report is currently being prepared and should be available in August.

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

SSF Scavenger: Section 6.2 of the Agreement provides for an adjustment of 80% of the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI) for the previous year. That is, if the CPI had increased during the previous year by 3%, the rates would increase by 2.4%.

Recology: 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

Cost Category	Weighting	Source/Index
Fixed Labor	0.60	As per Collective Bargaining Agreements
Variable/Processing Costs	0.25	CPI(U)
Biodiesel Fuel	0.05	Fuel Index (Total G-NGV1 Charge)
Total:	0.90	

For example, if the annual percentage change is 3.0% for CPI(U), 9.0% for the Fuel Index, and 4.0% under the CBAs, then the RRI Adjustment Percentage equals 3.60% (= $(.60 \times 4.0\%) + (.25 \times 3.0\%) + (.05 \times 9.0\%)$).

The agreements provide that rate increase requests be submitted by March 31st and the City act on the requests by June 30th of each year.

Discussion:

Each franchise holder has submitted their request in a timely manner. Base on their formulas as noted above, the proposed increases for rates are as follows:

• SSF Scavengers: 2.35%

Recology: 2.31%

Attached are the notices of intent for each franchise holder. 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 June.

Fiscal Impact:

Based on these rates, the increase for a standard 32-gallon residential can would be \$0.71 per month, or an additional \$8.52 for the year for solid waste removal service. The increase for a commercial/multifamily 2-yard bin would be \$6.87 per month, or \$82.44 per year for SSF Scavenger customers. The increase for a commercial 2-yard bin would be \$13.47 per month, or \$161.64 per year for Recology customers.

Measure of Success:

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

Attachments:

- Notice of Intent letter from South San Francisco Scavenger Company, Inc. dated March 28, 2016
- Rates and Charges for South San Francisco Scavenger, Inc.
- Notice of Intent letter from Recology, dated March 11, 2016

Maria Saguisag-Sid

Principal Analyst

Clay Holstine

City Manager

SOUTH SAN FRANCISCO

SCAVENGER

COMPANY, INC.

March 28, 2016

Ms. Maria Saguisag-Sid Senior Human Resources Analyst/Special Projects City of Brisbane 50 Park Lane Brisbane, CA 94005

Dear Ms. Saguisag-Sid,

In accordance with the terms of Section 6.2 of the Franchise Agreement, please accept this letter as the required Notice of Intent to adjust the current rates in Brisbane.

We are applying for a rate adjustment equal to 80% of the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers, as described in section 6.2. The calculation for this year yields an increase of 2.35%.

Copies of the calculation, the relevant CPI data, and a proposed rate schedule, are attached for your consideration. The new rates would take effect July 1, 2016, if approved.

Thank you for your consideration of this matter. If you have any questions, please contact me at (650) 589-4020 at your earliest convenience. We are, of course, available to meet with you to discuss any concerns or issues, at your convenience.

Sincerely,

Paul Formosa, CFO

South San Francisco Scavenger Co., Inc.

South San Francisco Scavenger Co.

City of Brisbane

Rate Computation March 31, 2016

80% of change	2.35%
Percentage change	2.94%
Numerical change	7.332
CPI Index February 2016	257.141
CPI Index February 2015	249.809

Index Used -

Consumer Price Index Urban Wage Earners and Clerical Workers San Francisco-Oakland-San Jose, CA

All Items

1982-84 = 100

Series ID - CWURA422SAO

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Data extracted on: March 28, 2016 (10:02:18 AM)

Consumer Price Index - Urban Wage Earners and Clerical Workers

Series Id:

CWURA422SA0

Not Seasonally Adjusted

Area:

San Francisco-Oakland-San Jose, CA

Item:

All items

Base Period: 1982-84=100

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2006		202.5		204.9		205.2		206.7	-	206.2		205.6	204.9	203.7	206.1
2007		208.803		211.189		211.422		211.620		213,133		214.204	211.370	209.986	212.754
2008		214.913		217.913		221.454		221.385		221.192		213.685	218.441	217.487	219.396
2009		216.797		218.587		220.996		221.279		221.708			219.645	218.182	221.109
2010		222.049		223.821		224.185		224.195		224,352		224.152	223.624	223.012	224.236
2011		226.638		231.600		230.605		231,445		232.371		231.109	230.337	229.074	231,600
2012		234.648		236.626		236.890		238,445		240.864		236.454	237.097	235.572	238.622
2013		240.262		241.764		243.052		242,903		243.711		242.602	242.125		243.109
2014	/	245.148	\	247.932		250.085		249.877		250.508		247.680	248.326	247.097	249.555
2015		249.809	1	252.875		254.736		256,060		256.107					255.780
2016		257.141	1									200,102	233.910	232,041	233,760

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		Current <u>Rates</u>	Proposed change	Proposed Maximum Rates
Single fa Rate is p Includes	TIAL PROPERTY SERVICE - mily, and up to four units. As pe per month, one pickup per week 64 gallon weekly curbside recyc weekly mixed organic materials	cling toter service	ervice	
20 32 64 96	Gallon Trash Toter Gallon Trash Toter Gallon Trash Toter Gallon Trash Toter	18.85 30.15 60.30 118.51	2.35%	19.29 30.86 61.72 121.29
Five or n Rate is p	UNIT RESIDENTIAL PROPERT nore units, as per section 2.14. er month, one pickup per week, and / or Source Separated O Source Separated Recyclable M	for Solid Waste		
41 - 45 46 - 50 51 - 64 1/2 - yard 1 - yard 2 - yard 3 - yard 4 - yard	Gallons Gallons Gallons Gallons Container (96 gallon Toter) Container Container Container Container Container Container Container Container	27.70 29.58 36.91 41.59 50.79 59.10 118.51 237.00 292.28 438.40 584.45 730.57 876.69		28.35 30.28 37.78 42.57 51.98 60.49 121.29 242.57 299.15 448.70 598.18 747.74

		Current <u>Rates</u>	Proposed change	Proposed Maximum Rates
Rate is	RCIAL CAN SERVICE- s per month, one pickup per week, for S and / or Source Separated Organ es Source Separated Recyclable Mater	nic Materials		
41 - 4	Gallons Gallons Gallons Gallons Gallons	27.70 29.58 36.91 41.59 50.79 59.10	2.35%	28.35 30.28 37.78 42.57 51.98 60.49
	CTED YARDAGE bic Yard, per pickup	59.23	2.35%	60.62
Reside	BOXES rary / One Time Use ntial, Multi Unit Residential, Commerci for each pickup	ial, Industrial C	ustomers	
5 yar 7 yar 14 ya 20 ya 30 ya	d Container, Dirt - Rock - Concrete rd Container, 3 ton limit rd Container, 5 ton Limit	251.63 549.38 549.38 747.87 1,078.70	2.35%	257.54 562.29 562.29 765.44 1,104.05
Rental	Charge (per day, over 3 days for 5 yar and over 7 days for others)	24.78		25.36
Permar 7 yar 14 ya 20 ya 30 ya	rd Container, 3 ton limit rd Container, 5 ton Limit	463.19 463.19 661.74 992.60		474.07 474.07 677.29 1,015.93
	eight Charge over limit	143.28		146.65

6. CONTAINER SERVICE

Commercial and Industrial Property Services.

	Current <u>Rates</u>	Proposed change	Proposed Maximum Rates
Rate is per month, one pickup per week, for So and / or Source Separated Organic Includes Source Separated Recyclable Materia	c Materials		
A) Regular Pickup (Rate per month, one picku 1/2 - yard Container (96 gallon Toter) 1 - yard Container 2 - yard Container 3 - yard Container 4 - yard Container 5 - yard Container 6 - yard Container	118.51 237.00 292.28 438.40 584.45 730.57 876.69	2.35%	121.29 242.57 299.15 448.70 598.18 747.74 897.29
B) On Call Pick-up Per yard			
Per pick-up, per yard Plus Container Rental per Month	33.76		34.55
Rental charges (per month) 1 - yard Container 2 - yard Container 3 - yard Container 4 - yard Container 5 - yard Container 6 - yard Container	52.74 57.03 61.32 65.88 74.59 79.16		53.98 58.37 62.76 67.43 76.34 81.02

^{7.} In the case of any additional service not described in the Agreement, Scavenger Company shall charge such amount as is agreed to by the customer.

Current

Proposed

Rates

Proposed change Maximum Rates

8. Trash Container Management Policy Fees Maximum fees allowed pursuant to approved Policy, as per Section 5.1.

Residential Customers

Container Size	2	Admin Fee
20 gallon	\$	30.00
32 gallon	\$	30.00
64 gallon	\$	30.00
96 gallon	\$	30.00

Multi Unit Residential, Commercial, Industrial Customers

Container Size	Admin fee Extra	Trip Fee	Total Fee
30 gallon	30.00	_	\$ 30.00
32 gallon	30.00	-	\$ 30.00
40 gallon	30.00	-	\$ 30.00
45 gallon	30.00	- ,	\$ 30.00
55 gallon	30.00	-	\$ 30.00
64 gallon	30.00	-	\$ 30.00
96 gallon	30.00	-	\$ 30.00
1 yard	30.00	55.98	\$ 85.98
1.5 yard	30.00	83.97	\$ 113.97
2 yard	30.00	69.03	\$ 99.03
3 yard	30.00	103.55	\$ 133.55
4 yard	30.00	138.04	\$ 168.04
5 yard	30.00	172.56	\$ 202.56
6 yard	30.00	207.07	\$ 237.07



March 11, 2016

Mr. Clay Holstine City Manager, City of Brisbane 50 Park Place Brisbane, CA 94005

Re: Annual franchise fee and notice of intent to modify rates based refuse rate index

Dear Mr. Holstine:

The purpose of this letter is to communicate our annual franchise fee payment and provide notice of Recology's intent to modify rates based on the refuse rate index. The franchise fee payment will be for the 13 months ending December 31, 2015 and totals \$14,879.38 or 14% of gross billings of \$106,281.30. The rate adjustment has been calculated in accordance with Section 6.2, *Modification Based on Refuse Rate Index*, of the Franchise Agreement between the City of Brisbane and Recology Brisbane for the Collection and Disposal of Recyclable Materials, Organic Materials, and Solid Waste in the City of Brisbane. If approved, the change will take effect on July 1, 2016.

The proposed rate adjustment is an increase of 2.31% to the current uniform commercial rate schedule. Table 1 details the calculations:

Cost Category	Weighting	Source/Index	Value from Source/Index	Weighted Value
Fixed Labor	0.60	As per CBAs	3.00%	1.80%
Variable/Processing	= = =			1.0070
Costs	0.25	CPI(U)	3.18%	0.80%
Biodiesel Fuel	0.05	Fuel Index	-5.71%	-0.29%
Total	0.00		~ * * * * * * * * * * * * * * * * * * *	

Total 0.90 Calculated COLA 2.31%

Additionally, we would like to inform you of events that are anticipated to result in an increase in our cost of providing services under Section 6.3, Extraordinary Items, but that will not be included until next year's annual notice of intent to modify rates.

On August 4, 2015, the State Water Resources Control Board (SWRCB) adopted Order WQ 2015-0121-DWQ, entitled "General Waste Discharge Requirements for Composting Operation" (General Order).

The General Order is a comprehensive regulation covering all aspects of composting operations relating to water quality. It includes detailed requirements regarding waste discharge amounts and characteristics; volume, types and quality of feedstocks, additives and amendments; infrastructure siting, design, construction and maintenance; site closure; monitoring and reporting; regulatory fees; and other aspects of facility operation.

All major compost facilities in the State of California will eventually be required to comply with the General Order, unless the facility's Regional Water Quality Control Board (RWQCB) determines that a site-specific order regarding waste discharge requirements (WDRs) is necessary, in which case site-specific WDRs will be developed. Site-specific WDRs are expected to be modeled on the General Order.

In the case of Recology's composting facility, Blossom Valley North (BVON), the Central Valley RWQCB is requiring that BVON have site-specific WDRs. Once approved, BVON will then have a period of time to come into compliance.

Recology is continuing to evaluate the infrastructure improvements and operational changes necessary for BVON to comply with the General Order (and by extension with the expected requirements of the site-specific WDRs).

Additionally, on January 15, 2016, Recology ceased landfilling at Waste Management of Alameda County's Altamont Pass landfill and began landfilling at Recology's Hay Road landfill. As a result, Recology is now incurring additional costs in the form of transportation and disposal charges.

Both the new landfill costs and organic compliance costs will translate into higher costs for disposal and composting the City's material, and consequently higher operating costs for Recology Brisbane. To compensate for these costs, Recology intends to apply for a rate adjustment under its franchise agreement with the City during next year's rate notice of intent to modify rates, and include appropriate documentation to support the cost increases, including additional details about the compliance measures, costs and schedule, and the method of allocation.

At this time next year, we look forward to working with the City of Brisbane in a cooperative and transparent manner so that you fully understand the cost impacts. We are happy to answer any questions, participate in council study sessions, and to assist with the City Council approval process as required. Please contact me if you have any questions.

Sincerely Own and t

Mark Arsenault

Vice President and Group Manager

San Francisco Region

cc: Randy Breault, Public Works Director, City Engineer John Porter, Recology San Francisco Region Group Controller Daniel Negron, General Manager of Recology Sunset Scavenger

Pacific Gas and Electric Company

Schedule G-NGV1 Natural Gas Service for Compression¹⁷ on Customers' Premises January 1, 2015, to Present (\$them²)

Effective Date	Advice Number	Customer Charge	Procurement Charge	Transportation Charge	Total G-NGV1 Charge ^{4/}	PPP Surcharge⁴
		(\$/day)		Control entertainment of the control	evenders graves de denderske med vessen. Mister utgenne steren en generalen der	
01/01/15	3546-G	\$0.44121	\$0.45863	\$0.14281	\$0.60144	\$0.02602
02/01/15	3557-G	\$0.44121	\$0.43426	\$0.14281	\$0.57707	\$0.02602
03/01/15	3565-G	\$0.44121	\$0.35116	\$0.14281	\$0.49397	\$0.02602
04/01/15	3578-G	\$0.44121	\$0.30624	\$0,14344	\$0.44968	\$0.02602
05/01/15	3587-G	\$0.44121	\$0.25805	\$0.14344	\$0.40149	\$0.02602
06/01/15	3599-G	\$0,44121	\$0,35623	\$0.14344	\$0.49967	\$0.02602
07/01/15	3604-G	\$0.44121	\$0.27955	\$0.14344	\$0.42299	\$0.02602
08/01/15	3611-G	\$0.44121	\$0.35901	\$0.14344	\$0.50245	\$0.02602
09/01/15	3628-G	\$0.44121	\$0.28242	\$0.14344	\$0.42586	\$0.02602
10/01/15	3635-G	\$0.44121	\$0,28273	\$0.14344	\$0.42617	\$0.02602
11/01/15	3644-G	\$0.44121	\$0.34204	\$0.14344	\$0.48548	\$0.02602
12/01/15	3650-G	\$0.44121	\$0.35210	\$0.14344	\$0.49554	\$0.02602
01/01/16	3666-G	\$0.44121	\$0.34969	\$0.16210	\$0.51179	\$0.02433
02/01/16	3679-G	\$0.44121	\$0.382003/	\$0.16210	\$0.54410	\$0.02433
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[&]quot; Rate Schedule G-NGV1 was converted to Standard Status, rather than Experimental, effective August 30, 2008,

due to Advice Letter 2945-G.

^{2/} Unless otherwise noted.

^{3/} This procurement rate includes a charge of \$0.10166 per therm to reflect account balance amortizations in accordance with

Advice Letter 3157-G.

"Schedule G-PPPS (Public Purpose Program surcharge) needs to be added to the Total G-NGV1 Charge for bill calculation.

See Schedule G-PPPS for details and exempt customers.

Consumer Price Index - All Urban Consumers Original Data Value

Series Id: CUURA422SA0,CUUSA422SA0

Series Id: CUURA42 Not Seasonally Adjusted

Area: Item:

San Francisco-Oakland-San Jose, CA

All items

Base Period: 1982-84=100

Fasse Period: 1982-84=100 **Years:** 2005 to 2015

HALF2	203.9	210.6	217.361	23.804	25.484	27.944	234.698	241.201	246.152	253,463	260.421
HALF1 H	201.5	207.9	214.736				232.082				
Annual	202.7	209.2	216.048								
Dec	203.4	210.4	218.485	218.528		227.658		239.533	245.711	252.273	260.289
Nov											
Oct	205.9	211.0	217.949	225.824	226.051	228.107	235,331	242.834	246.617	254.503	261.019
Sep											
Aug	203.0	210.7	216.240	225,411	225.801	227.954	234.608	241.170	246.072	253,354	259.917
Jul						_					
Jun	201.2	209.1	216.123	225,181	225.692	228.110	233.646	239.806	245.935	253.317	259.117
May											
Apr	202.5	208.9	215.842	222.074	223.854	227.697	234,121	238.985	244.675	251,495	257.622
Mar											
Feb	201.2	207.1	213.688	219.612	222.166	226.145	229,981	236.880	242.677	248.615	254.910
Jan											
Year											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015

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