

City of Brisbane
Staff Report

To: City Council via City Manager

From: Maria Saguisag-Sid
Senior Management Analyst

Subject: Proposed Annual Rate Increase from South San Francisco Scavenger Company, Inc.

Date: Meeting of May 2, 2011

Purpose: To review Notice of Intent to adjust current rates in Brisbane for solid waste removal services from South San Francisco Scavenger Company, Inc.

Recommendation: Approve rate increase for solid waste services effective July 1, 2011

Background:

The City of Brisbane currently holds a franchise agreement with South San Francisco Scavenger Company, Inc. This agreement was approved effective March 1, 1999 and extends until February 28, 2014. Services under this agreement not only include weekly residential and commercial solid waste removal services, but also provides for other services such as the Annual Citywide Clean Up and recycling 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. As of 2009, South San Francisco Scavenger Company reports that the City's current diversion rate is at 72%.

The franchise agreement with South San Francisco Scavenger Company provides for annual adjustment of rates for commercial and residential customers in Brisbane. There are two formulas for adjusting the rates.

1. Section 6.2 of the agreement provides for an adjustment of 80% of the change in the CPI for the previous year. For example, if the CPI had increased during the previous year by 5%, the rates would increase by 4%.
2. Section 6.4 of the agreement provides that every third year, a survey would be conducted on 32 different cities, as noted in Appendix D of the agreement. Based on the survey, the rates would be set at 90.25% of the average of the rates in the 32 cities for each of the five benchmark categories. The most recent survey was performed in 2009 under the current agreement.

In March of 2009, South San Francisco Scavenger Company submitted a rate increase request per Section 6.4, which called for an increase of 15.93% for the residential rates, 12.45% for the commercial container rates, 19.11% for the compacted yardage rates, 8.44% for the debris box rates, and 13.31% for the front loader bin rates. These proposed rates were greater than that year's CPI increase. The franchise agreement provides the City with limited authority to negotiate the increment between the formula increase and the alternative increase.

South San Francisco Scavenger Company did agree to mitigate the impact of the proposed rates by spreading the increases over 2-3 years. Below is the summary of the rate spread approved by council on June 1, 2009 and the subsequent approved 2010 rates.

Rate	2009	2010	2011
Residential Can	7%	5.94% (4% plus CPI adjustment)	4% plus CPI adjustment
Commercial Can	8.44%	5.95% (4.01% plus CPI adjustment)	CPI adjustment
2-Yard Bin	8.44%	6.81% (4.87% plus CPI adjustment)	CPI Adjustment
Debris Box	8.44%	1.94% (CPI Adjustment only)	CPI Adjustment
Compacted Yard	8.44%	12.61% (10.67% plus CPI Adjustment)	CPI Adjustment

Discussion:

On March 28, 2011, South San Francisco Scavenger Company submitted the attached Notice of Intent to adjust the current rates for the City of Brisbane. Their calculation based on 80% of the February CPI index comes out to a yield of 1.65%. The proposed increases are as follows:

Rate	2010	2011
Residential Can	5.94%	5.65%
Commercial Can	5.95%	1.65%
2-Yard Bin	6.81%	1.65%
Debris Box	1.94%	1.65%
Compacted Yard	12.61%	1.65%

Because of the agreement in 2009, the City and South San Francisco Scavenger Company were able to mitigate a high one-time increase over a three year period for residential rates. The commercial rate increases were implemented over a two year spread in 2009 and 2010, which is why there is no additional increase above the calculated CPI yield. This is the final year of three year spread affecting residential rates.

Staff has reviewed the calculations and the proposal rates appear to be in line with what is permitted by the franchise agreement. The staff and representatives from South San Francisco Scavenger Company met with the Solid Waste Subcommittee on April 25, 2011 to review the notice of intent. The subcommittee concurred with staff that the rates were reasonable and justified based on the formulas allowed in the franchise agreement.

The agreement provides that the City act on the rate increase notice of intent by June 30. Staff recommends approving the proposed rates for July 1, 2011 implementation.

Fiscal Impact:


Based on these rates, the increase for a standard 32-gallon residential can would be \$1.17 per month, or an additional \$14.04 for the year for solid waste removal service. The increase for a 2-yard bin would be \$3.54 per month, or \$42.48 per year.

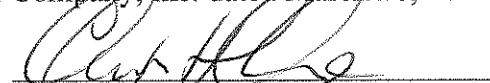
Measure of Success:

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, 2011


 Senior Management Analyst


 City Manager

SOUTH SAN FRANCISCO
SCAVENGER
— COMPANY, INC. —

March 28, 2011

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 our Notice of Intent to adjust the current rates in Brisbane.

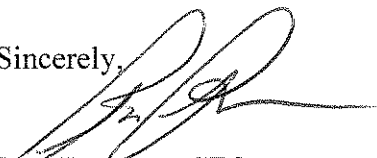
We are applying for a rate adjustment equal to 80% of the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers, as described in section 6.2. The calculation for this year yields an increase of 1.65%.

In addition, as you may know, it was agreed in 2009 that the residential rate increases from 2009 would be spread over a three year period. As a result, for 2011, the last portion of that increase has not yet been considered. The residential rates for 2011 are therefore proposed to be the 4%, plus the CPI adjustment, for a total of 5.65%. The proposed Commercial rates for 2011 are to be indexed by the CPI adjustment only, which is a 1.65% increase.

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, 2011, 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, 2011


CPI Index February 2010	222.049
CPI Index February 2011	226.638
Numerical change	4.589
Percentage change	2.07%
80% of change	1.65%

Index Used -


Consumer Price Index
Urban Wage Earners and Clerical Workers
San Francisco-Oakland-San Jose, CA
All Items
1982-84 = 100



Databases, Tables & Calculators by Subject

FONT SIZE: 

Change

Output From: 2007 To: 2011 

Options:


include graphs

[More Formatting Options](#) 

Data extracted on: March 28, 2011 (4:31:38 PM)

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

Download:  .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
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		220.121	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													

TOOLS

[Areas at a Glance](#)
[Industries at a Glance](#)
[Economic Releases](#)
[Databases & Tables](#)
[Maps](#)

CALCULATORS

[Inflation](#)
[Location Quotient](#)
[Injury And Illness](#)

HELP

[Help & Tutorials](#)
[FAQs](#)
[Glossary](#)
[About BLS](#)
[Contact Us](#)

INFO

[What's New](#)
[Careers @ BLS](#)
[Find It! DOL](#)
[Join our Mailing Lists](#)
[Linking & Copyright Info](#)

**SOUTH SAN FRANCISCO SCAVENGER, INC.
RATES AND CHARGES EFFECTIVE JULY 1, 2011
CITY OF BRISBANE, CALIFORNIA**

	<u>Current Rates</u>	<i>Proposed change</i>	<u>Proposed Maximum Rates</u>
1. RESIDENTIAL CANS -			
- 20 Gallons	12.99		13.72
- 32 Gallons	20.77	5.65%	21.94
- 64 Gallons	41.54		43.88
- 96 Gallons	62.31		65.82
 2. COMMERCIAL CANS			
- 30 Gallons	20.23		20.56
- 32 Gallons	21.59	1.65%	21.95
- 40 Gallons	26.96		27.40
- 45 Gallons	30.37		30.87
- 55 Gallons	37.10		37.71
- 64 Gallons	43.16		43.87
 3. COMPACTED YARDAGE			
Per Cubic Yard	44.93	1.65%	45.67
 4. DEBRIS BOXES			
Temporary / One Time Use			
5 yard Mini Box	179.57		182.53
7 yard	392.06		398.53
14 yard	392.06	1.65%	398.53
20 yard	533.70		542.51
30 yard	769.80		782.50
 Rental Charge (per day, over 3 days for 5 yard and over 7 days for others)			
	17.69		17.98
 Permanent Commercial use			
7 yard	330.56		336.01
14 yard	330.56		336.01
20 yard	472.23		480.02
30 yard	708.34		720.03
 Overweight Charge			
Content weight in excess of 3 tons, per ton	102.24		103.93

**SOUTH SAN FRANCISCO SCAVENGER, INC.
RATES AND CHARGES EFFECTIVE JULY 1, 2011
CITY OF BRISBANE, CALIFORNIA**

	<u>Current Rates</u>	<i>Proposed change</i>	<u>Proposed Maximum Rates</u>
5. CONTAINERS			
A) Regular Pickup (per month)			
1 - yard Container	173.83		176.70
2 - yard (Front End Loader Bin	214.38	1.65%	217.92
3 - yard (Front End Loader Bin	321.55		326.86
4 - yard (Front End Loader Bin	428.68		435.75
5 - yard (Front End Loader Bin	535.86		544.70
6 - yard (Front End Loader Bin	643.03		653.64
B) On Call Pick-up Per yard			
Per pick-up, per yard	24.76		25.17
Plus Container Rental per Month			
Rental charges			
1 - yard Container	38.68		39.32
2 - yard (Front End Loader Bin	41.83		42.52
3 - yard (Front End Loader Bin	44.98		45.72
4 - yard (Front End Loader Bin	48.32		49.12
5 - yard (Front End Loader Bin	54.72		55.62
6 - yard (Front End Loader Bin	58.06		59.02