

City of Brisbane

Staff Report

To: City Council via City Manager

From: Maria Saguisag-Sid, Principal Analyst

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

Date: Meeting of April 26, 2013

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, 2013

Background:

The City of Brisbane currently holds a franchise agreement with SSF Scavenger. This agreement was approved effective March 1, 1999. 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 yard waste clean-up, management of annual diversion reports to CalRecycle, assistance in implementing new mandates such as the AB341 mandatory commercial recycling law, and other recycling services. The City's current franchise agreement with SSF Scavenger will end on February 28, 2014. Per section 3.1 of the current agreement, the City has the option of extending the agreement for a period of ten (10) years by notifying SSF Scavenger in writing no later than July 31, 2013.

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. SSF Scavengers services allowed the city to reach a diversion rate of 72% in 2009, 79% in 2010, and 80% in 2011.

The Franchise Agreement with the SSF Scavenger 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. That is, if the CPI had increased during the previous year by 3%, the rates would increase by 2.4%.
2. Section 6.4 of the Agreement provides that every third year, a survey is to be done of a "basket" of 32 Bay Area cities which are listed in the Franchise Agreement. Brisbane's rates are to be set at 90.25% of the average of the rates in the 32 cities for each of the five benchmark categories, which are; 32 gallon residential container, 32 gallon commercial

container, 2 yard commercial container (per month, weekly pick up), 14 yard debris box and Compacted Garbage Rate (per cubic yard). The SSF Scavenger's other rates are extrapolated from the benchmark rates. For example, the 20 gallon residential rate is set at 20/32 of the 32 gallon benchmark rate.

The most recent "basket" survey under Section 6.4 was performed in 2012. At that time, the Subcommittee met with representatives of SSF Scavengers and negotiated having the increases equal between the residential and commercial/multi-family can rates.

The agreement provides that SSF Scavenger submit the rate increase request by March 31st and the City act on the requests by July 1st of each year. The franchise agreement provides the City with limited authority to negotiate the increment between the formula increase and the alternative increase. Below is the history of rate increases from 2009 to 2012.

Rate	2009	2010	2011	2012
Residential Can	7%	5.94% (4% plus CPI adjustment)	5.65% (4% plus CPI adjustment)	8.92%
Commercial/Multi-Family Can	8.44%	5.95% (4.01% plus CPI adjustment)	1.65% (CPI adjustment)	8.92%
2-Yard Bin	8.44%	6.81% (4.87% plus CPI adjustment)	1.65% (CPI Adjustment)	6.71%
Debris Box	8.44%	1.94% (CPI Adjustment only)	1.65% (CPI Adjustment)	8.62%
Compacted Yard	8.44%	12.61% (10.67% plus CPI Adjustment)	1.65% (CPI Adjustment)	3.83%

Discussion:

On March 29, 2013, South San Francisco Scavenger Company submitted the attached Notice of Intent to adjust the current rates for the City of Brisbane per Section 6.2 of the franchise agreement. Their calculation based on 80% of the February CPI index comes out to a yield of 1.91%. The proposed increases are as follows:

Rate	2012	2012 Rate	2013	2013 Rate
Residential Can	8.92%	\$23.90/month	1.91%	\$24.36/month
Commercial/Multi-Family 31-32 Gallons Can	8.92%	\$23.91/month	1.91%	\$24.37/month
2-Yard Bin	6.71%	\$232.54/month	1.91%	\$236.98/month
Debris Box	8.62%	\$432.88 (14 yard, one time use)	1.91%	\$441.15 (14 year, one time use)
Compacted Yard	3.83%	\$47.42 (per cubic yard per pick up)	1.91%	\$48.33 (per cubic yard per pick up)

Staff has reviewed the proposed rates and they appear to be in line with what is permitted by the franchise agreement. This increase would be the last scheduled increase for the current franchise agreement. The agreement provides that the City act on the rate increase notice of intent by June 30. Staff is recommending approving the rate increase to be effective July 1, 2013.

Fiscal Impact:

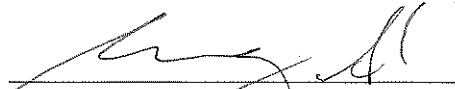
Based on these rates, the increase for a standard 32-gallon residential can would be \$0.46 per month, or an additional \$5.52 for the year for solid waste removal service. The increase for a commercial/multi-family 2-yard bin would be \$4.44 per month, or \$53.28 per year.

Measure of Success:

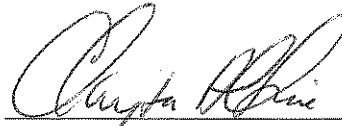
Is solid waste removal able to continue efficiently for the community?

Attachments:

Notice of Intent letter from South San Francisco Scavenger Company, Inc. dated March 28, 2013



Maria Saguisag-Sid
Principal Analyst



Clay Holstine
City Manager