

# *City of Brisbane*

## *Agenda Report*

**TO:** Honorable Mayor and City Council

**FROM:** Fred Smith via Clay Holstine, City Manager

**DATE:** Meeting of May 17, 2010

**SUBJECT:** Proposed rate increase by South San Francisco Scavenger Co.

**CITY COUNCIL GOALS:**

Goal #1. To provide for effective and efficient delivery of City services.  
Goal #9. To provide public service that assures the safety of property and citizens residing, working, or visiting in Brisbane.

**PURPOSE:** To implement the annual formula rate increase for solid waste collection as provided for in the Franchise Agreement between the City and the South San Francisco Scavenger Co.

**RECOMMENDATION:**

Approve the proposed rate increase.

**BACKGROUND:**

The Franchise Agreement with the SSF Scavenger Co. 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 5%, the rates would increase by 4%.
2. Section 6.4 of the Agreement provides that every third year, a survey to be done of a "basket" of 32 Bay Area cities listed in Exhibit D of 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. The Scavenger Company'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. 2009 was the most recent survey year under the Agreement.

In March of 2009, the Scavenger Co. submitted a rate increase request pursuant Section 6.4 of the Franchise Agreement. Based on the survey, the rate request called for an

increase of 15.93% for the residential container 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. Because the proposed rate increase was greater than the CPI increase, the Franchise Agreement provides the City with limited authority to negotiate the increment between the formula increase and the alternate increase.

The Scavenger Co. agreed to mitigate the impact of the proposed rates by spreading the increases (except debris box) over two or three years as follows:

- Residential can: 2009 - 7%, 2010 - 4% (plus CPI adjustment), 2011 – 4% (plus CPI adj.)
- Commercial can: 2009 – 8.44%, 2010 – 4.01% (plus CPI adj.), 2011 – CPI adj.
- 2 Yard Bin: 2009 – 8.44%, 2010 – 4.87% (plus CPI adj.), 2011 – CPI adj.
- Debris Box: 2009 – 8.44%, 2010 – CPI adj., 2011 – CPI adj.
- Compacted yard: 2009 - 8.44%, 2010 – 10.67% (plus CPI adj.), 2011 – CPI adj.

These rates were approved by the City Council on June 1, 2009.

### **DISCUSSION:**

On March 31, 2010, the Scavenger Co. submitted the attached request for a CPI increase, pursuant to Section 6.2 of the Franchise Agreement, of 1.94% plus the above referenced deferred increases from last year. The proposed increases for the benchmark rates are as follows:

- Residential can: 5.94%
- Commercial can: 5.95%
- 2 Yard bin: 4.87%
- Debris box: 1.94%
- Compacted yard: 12.61%

The increase for the typical 32 gallon residential bin would be \$1.16 per month.

Staff has reviewed the calculations and the attached proposed rates appear to be in line with what is permitted by the Franchise Agreement and the agreement approved last year by the City Council to spread out the 2009 rate increase over two to three years. On May 11<sup>th</sup>, staff met with the City Council Solid Waste Subcommittee to review the proposed rates and the Subcommittee concurred that the rates were consistent with the Franchise agreement and last year's agreement.


The Franchise Agreements provides that the City act on the rate increase by June 30<sup>th</sup>.

### **FISCAL IMPACT/FINANCING ISSUES:**

The increased rates would provide a modest increase of franchise fee revenue of less than \$2,000.

### **MEASURE OF SUCCESS:**

Provision of efficient and effective solid waste and recycling collection services in Brisbane that meets the needs of the City and its residents and businesses.

  
\_\_\_\_\_  
Department Head

  
\_\_\_\_\_  
City Manager

**ATTACHMENTS:**

March 31<sup>st</sup> letter from South San Francisco Scavenger Co. with proposed rates attached.

SOUTH SAN FRANCISCO  
**SCAVENGER**  
— COMPANY, INC. —

March 29, 2010

Mr. Fred Smith, Assistant City Manager  
City of Brisbane  
50 Park Lane  
Brisbane, CA 94005

Dear Mr. Smith,

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 1.94%.

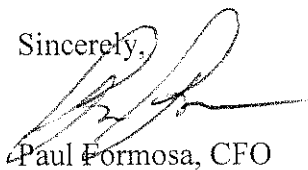
In addition, as you may recall, it was agreed last year that a portion of the 2009 rate increase would be held for consideration in 2010. The residential rates for 2010 were to be 4% plus the CPI adjustment, for a total of 5.94%. The Commercial rates were to be 4.01% plus the CPI adjustment for a total of 5.95%, the Bin rates are 4.87% plus the CPI adjustment for a total of 6.81%, and the Compactor rates are 10.67% plus the CPI adjustment, for a total of 12.61%. The debris box rates for 2010 are increased only by the CPI adjustment.

For the record, another 4% from the 2009 survey rate method is still to be considered for implementation in 2011, as agreed in 2009.

I have attached a copy of the calculation, a copy of the relevant CPI data, and a proposed rate schedule, for your consideration. The new rates would take effect July 1, 2010, 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, 2010

CPI Index February 2009	216.797
CPI Index February 2010	222.049
Numerical change	5.252
Percentage change	2.42%
80% of change	1.94%

Index Used -

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



Databases

FONT SIZE

Change Output Options: From: 2006 To: 2010

include graphs

More Formatting Options

Data extracted on: March 26, 2010 (10:14:57 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

Table with 16 columns: Year, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec, Annual, HALF1, HALF2. Rows for years 2006-2010.

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- At a Glance Tables
Economic News Releases
Databases & Tables
Maps

Calculators

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**SOUTH SAN FRANCISCO SCAVENGER, INC.  
RATES AND CHARGES EFFECTIVE JULY 1, 2010  
CITY OF BRISBANE, CALIFORNIA**

	<u>Current Rates</u>	<i>Proposed change</i>	<u>Proposed Maximum Rates</u>
<b>1. RESIDENTIAL CANS -</b>			
- 20 Gallons	12.26		12.99
- 32 Gallons	19.61	5.94%	20.77
- 64 Gallons	39.22		41.54
- 96 Gallons	58.83		62.31
 <b>2. COMMERCIAL CANS</b>			
- 30 Gallons	19.09		20.23
- 32 Gallons	20.38	5.95%	21.59
- 40 Gallons	25.45		26.96
- 45 Gallons	28.66		30.37
- 55 Gallons	35.02		37.10
- 64 Gallons	40.74		43.16
 <b>3. COMPACTED YARDAGE</b>			
Per Cubic Yard	39.90	12.61%	44.93
 <b>4. DEBRIS BOXES</b>			
Temporary / One Time Use			
5 yard Mini Box	176.15		179.57
7 yard	384.60		392.06
14 yard	384.60	1.94%	392.06
20 yard	523.54		533.70
30 yard	755.15		769.80
 Rental Charge (per day, over 3 days for 5 yard and over 7 days for others)			
	17.35		17.69
 Permanent Commercial use			
7 yard	324.27		330.56
14 yard	324.27		330.56
20 yard	463.24		472.23
30 yard	694.86		708.34
 Overweight Charge			
Content weight in excess of 3 tons, per ton	100.29		102.24

**SOUTH SAN FRANCISCO SCAVENGER, INC.  
 RATES AND CHARGES EFFECTIVE JULY 1, 2010  
 CITY OF BRISBANE, CALIFORNIA**

	<u>Current Rates</u>	<i>Proposed change</i>	<u>Proposed Maximum Rates</u>
<b>5. CONTAINERS</b>			
A) Regular Pickup (per month)			
1 - yard Container	162.75		173.83
2 - yard (Front End Loader Bin	200.71	6.81%	214.38
3 - yard (Front End Loader Bin	301.05		321.55
4 - yard (Front End Loader Bin	401.35		428.68
5 - yard (Front End Loader Bin	501.69		535.86
6 - yard (Front End Loader Bin	602.03		643.03
B) On Call Pick-up Per yard			
Per pick-up, per yard	23.18		24.76
Plus Container Rental per Month			
Rental charges			
1 - yard Container	36.21		38.68
2 - yard (Front End Loader Bin	39.16		41.83
3 - yard (Front End Loader Bin	42.11		44.98
4 - yard (Front End Loader Bin	45.24		48.32
5 - yard (Front End Loader Bin	51.23		54.72
6 - yard (Front End Loader Bin	54.36		58.06