

City of Brisbane

Agenda Report

TO: Honorable Mayor and City Council

FROM: Fred Smith via Clay Holstine, City Manager

DATE: Meeting of June 1, 2009

SUBJECT: Consider approval of proposed rate increase for solid waste collection and recycling by South San Francisco Scavenger Co.

CITY COUNCIL GOALS:

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

PURPOSE: To implement the triennial 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 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. 2009 is a “survey” year. 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 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.

Section 6.4(e) contains an additional provision that, in the event that the formula increase is greater than would have occurred under a CPI adjustment (the “alternate increase”) the parties will negotiate the amount of increase above the alternate increase under the following parameters.

1. The Scavenger Company will be entitled to a rate adjustment of at least what would be permitted under the alternate increase.
2. The City will review the rates of the “basket cities” to determine whether any of those jurisdictions had rate increases caused by business factors unrelated to the Scavenger Company’s cost of doing business in Brisbane.
3. The Scavenger Company will provide the City with additional information as to increased costs of doing business in Brisbane.
4. If the City is reasonably satisfied that there is no material increase in rates in the “basket cities” caused by factors unrelated to the cost of doing business in Brisbane and the Scavenger Company supplies credible information identifying increased costs of doing business in Brisbane, the City Council shall act favorably on the rate increase request to the extent that it is supported by such findings.

The agreement provides that the Scavenger Company submit the rate increase request by March 31st.and the City act on the requests by July 1st of each year.

DISCUSSION:

On March 31, 2009, the Scavenger Co. submitted a rate increase request and a survey report pursuant to Section 6.4 of the Franchise Agreement. Staff reviewed the report for accuracy of the data and calculations as well as the provisions of Section 6.4(e) listed above. The Scavenger Co. also was requested to provide information on their increased costs, which consisted primarily of new emissions regulations for their vehicle fleet, fuel costs, insurance costs and payroll benefit costs.

Based on the above review, the Scavenger Co. made several revisions to the report and submitted a revised request that 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 is 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.

On May 6, 2009, the City Council Solid Waste Subcommittee met with the Scavenger Co. and staff to review the proposed rate increase and discuss their concerns with the Scavenger Co. At the meeting, 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. (note: if the CPI adjustment in 2010 is significant, Scavenger Co. will defer part of the 10.67% formula increase to 2011.)

The effect of this would be to limit the increase in 2009 for the average residential service to \$1.28 per month.


The Subcommittee agreed that spreading the rate increases over two or three years is of benefit to Brisbane ratepayers and agreed to recommend approval of the attached proposed rate increase package to the City Council. Representatives of the SSF Scavenger Co. will attend the Council meeting to answer any questions and to provide additional information on their operations to the Council and the public.

FISCAL IMPACT/FINANCING ISSUES

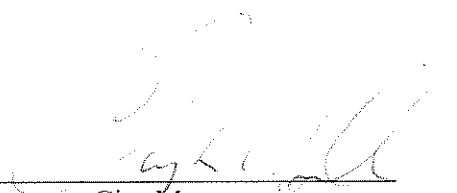
The City receives a franchise fee from SSF Scavenger Co. equal to 2% of their gross revenues derived from customers in Brisbane. It is estimated that the City will receive approximately \$36,000 for fiscal year 2008-09. The proposed rate increase will increase this amount by approximately 8% or \$2,900.

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:

Proposed rate schedule.

**SOUTH SAN FRANCISCO SCAVENGER, INC.
RATES AND CHARGES EFFECTIVE JULY 1, 2009
CITY OF BRISBANE, CALIFORNIA**

	<u>Current Rates</u>	<i>Proposed change</i>	<u>Proposed Maximum Rates</u>
1. RESIDENTIAL CANS -			
- 20 Gallons	11.46		12.26
- 32 Gallons	18.33	7.00%	19.61
- 64 Gallons	36.66		39.22
- 96 Gallons	54.99		58.83
2. COMMERCIAL CANS			
- 30 Gallons	17.60		19.09
- 32 Gallons	18.79	8.44%	20.38
- 40 Gallons	23.47		25.45
- 45 Gallons	26.43		28.66
- 55 Gallons	32.29		35.02
- 64 Gallons	37.57		40.74
3. COMPACTED YARDAGE			
Per Cubic Yard	36.79	8.44%	39.90
4. DEBRIS BOXES			
Temporary / One Time Use			
5 yard Mini Box	162.44		176.15
7 yard	354.67		384.60
14 yard	354.67	8.44%	384.60
20 yard	482.79		523.54
30 yard	696.38		755.15
Rental Charge (per day, over 3 days for 5 yard and over 7 days for others)			
	16.00		17.35
Permanent Commercial use			
7 yard	299.03		324.27
14 yard	299.03		324.27
20 yard	427.19		463.24
30 yard	640.78		694.86
Overweight Charge			
Content weight in excess of 3 tons, per ton	92.48		100.29

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	<u>Current</u> <u>Rates</u>	<i>Proposed change</i>	<u>Proposed</u> <u>Maximum Rates</u>
5. CONTAINERS			
A) Regular Pickup (per month)			
1 - yard Container	150.08		162.75
2 - yard (Front End Loader Bin	185.09	8.44%	200.71
3 - yard (Front End Loader Bin	277.62		301.05
4 - yard (Front End Loader Bin	370.11		401.35
5 - yard (Front End Loader Bin	462.64		501.69
6 - yard (Front End Loader Bin	555.17		602.03
B) On Call Pick-up Per yard			
Per pick-up, per yard	21.38		23.18
Plus Container Rental per Month			
Rental charges			
1 - yard Container	33.39		36.21
2 - yard (Front End Loader Bin	36.11		39.16
3 - yard (Front End Loader Bin	38.83		42.11
4 - yard (Front End Loader Bin	41.72		45.24
5 - yard (Front End Loader Bin	47.24		51.23
6 - yard (Front End Loader Bin	50.13		54.36